The Affordable Care Act: The End of The Beginning?

HFMA Lone Star Chapter
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Where Are We?

<table>
<thead>
<tr>
<th>Implemented</th>
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<tbody>
<tr>
<td>No cost-sharing in Medicare for preventive benefits</td>
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<tr>
<td>Adult dependent coverage to age 26</td>
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<tr>
<td>Rebate checks/Closing Medicare drug coverage gap</td>
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<tr>
<td>Minimum medical loss ratio for insurers</td>
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<tr>
<td>Medicare Independent Payment Advisory Board created</td>
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</table>

9/5/2012
What’s Next?

<table>
<thead>
<tr>
<th>Medicare value-based purchasing</th>
<th>Medicaid payments for primary care</th>
</tr>
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<tbody>
<tr>
<td>Reduced payments to hospitals for readmissions</td>
<td>Co-ops</td>
</tr>
<tr>
<td>Insurance exchanges</td>
<td>Individual mandate</td>
</tr>
<tr>
<td>Medicare bundled payment pilot program</td>
<td>DSH reductions</td>
</tr>
<tr>
<td>Medicaid coverage of preventive services</td>
<td>No annual limits</td>
</tr>
<tr>
<td>Guaranteed issue</td>
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SCOTUS Ruling on PPACA

- March 2010 - the Patient Protection and Affordable Care Act was signed into law
- Challenged by 26 states and NFIB
- June 28, 2012, Supreme Court rules:
  - Individual mandate is constitutional
  - Medicaid expansion is optional for states
- July 16, 2012 - Gov. Perry says Texas won’t expand its Medicaid program or create a state insurance exchange, leaving it up to the feds
Medicaid Ruling

The New “Status Quo”

- Most of ACA remains in place
  - Exchanges
  - Insurance Reforms
  - Delivery System Reforms
  - Payment Changes
  - Revenue Raisers
  - Elimination of Medicare Part D Donut Hole

APPROVED
MAR 2, 2010
UPHELD
JUNE 2012
Status Quo (cont’d)

- Foundation of ACA’s affordable coverage is now unstable
- No change to ACA provisions that assumed Medicaid coverage would occur without further legislative action

Financing Background on ACA

- Full expansion was financed by $500B in cuts to hospitals, home health, nursing homes and Medicare advantage plans
- Hospitals agreed to $155B in cuts in Medicare/Medicaid over 10 years
- In return for more insured patients:
  - Insurance exchanges w/ subsidies for affordability
  - Medicaid expansion to 133% of FPL
  - Individual mandate
  - Insurance reforms
  - Movement to a quality-based payment system
Congress’s Underlying Premise

Individual Mandate and Subsidies
Mandatory Medicaid Expansion

Medicaid DSH Cuts
Medicare DSH Cuts
Other Provider Payment Cuts

Post-Decision

Individual Mandate and Subsidies
Medicaid Expansion

Medicare DSH Cuts
Medicaid DSH Cuts
Other Provider Payment Cuts
Effects of Non-Expansion in TX

- Texas’ cost estimate to fully expand Medicaid = $15.5B over 10 years
- Loss of matching federal funds = $100.1B over 10 years
- Coverage gap created for 1 million Texans
  - Over 100% FPL can go into exchange w/subsidy
  - Under 100% FPL not eligible for exchange

To Expand or Not To Expand?

- States can opt out of Medicaid expansion
- Implement for a bit and then opt out?
- Partially implement?
- Maintenance of effort?
- Other negotiations?
Reactions to Ruling

Uncompensated Care

- $1,800/year of private insurance coverage covers 1 in 4 uninsured Texans
- Hospitals currently providing $5B/year in uncompensated care
Less Coverage

- “Optional” expansion saves the feds $84 billion over 10 years - largely from fewer people covered
- Only 1/3 of states will expand fully
- 3 million people will not be covered due to SCOTUS decision
- 6-10 million fewer people covered than estimated in 2010

Physician Participation In Medicaid
Disproportionate Share Hospital Payments

- Medicare/Medicaid DSH reductions not changed
- If a state opts out of Medicaid expansion, could be an impact

Medicaid DSH Reductions

<table>
<thead>
<tr>
<th>Year</th>
<th>Reduction</th>
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<tbody>
<tr>
<td>2014</td>
<td>$500 million</td>
</tr>
<tr>
<td>2015</td>
<td>$600 million</td>
</tr>
<tr>
<td>2016</td>
<td>$600 million</td>
</tr>
<tr>
<td>2017</td>
<td>$1.8 billion</td>
</tr>
<tr>
<td>2018</td>
<td>$5 billion</td>
</tr>
<tr>
<td>2019</td>
<td>$5.6 billion</td>
</tr>
<tr>
<td>2020</td>
<td>$4 billion</td>
</tr>
<tr>
<td>2021</td>
<td>$4 billion</td>
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Impact on 1115 Waiver

- Addressed during negotiations with CMS
- Affected by decision to opt out?
- Will a new waiver state’s decision to opt in or out serve as leverage or barrier with CMS?

Exchanges

- Either state or feds will operate
- States must coordinate eligibility between Medicaid/CHIP and exchange
- No change on who can purchase
- Affordability impact if Medicaid expansion doesn’t occur
ACA Quality Initiatives

- VBP
- HAC
- Bundled Payment
- Readmissions
- ACOs

Federal Quality Based Payment Reforms

<table>
<thead>
<tr>
<th>Input Perspective</th>
<th>Payment System (PSS)</th>
<th>Fiscal Year</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Reporting Hospital Quality Data for the Annual Payment Update (pay for reporting)</td>
<td>MB = 0.25</td>
</tr>
<tr>
<td></td>
<td>Hospital Value-Based Purchasing</td>
<td>MB = -2.0</td>
</tr>
<tr>
<td></td>
<td>Readmissions</td>
<td>MB = -2.0</td>
</tr>
<tr>
<td></td>
<td>Hospital Acquired Conditions</td>
<td>MB = 1.0</td>
</tr>
<tr>
<td></td>
<td>Health Information Technology Meaningful Use (MU)</td>
<td>MB = 1.0</td>
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Note: All numeric reductions represent a percentage point reduction from the market basket rate. For example, if the market basket is projected to be 3% and the reduction is 2 percentage points, then the remaining amount for the update is 1%.
### Medicare Hospital Payment Cuts

![Chart showing Medicare Hospital Payment Cuts](chart.png)

- **ACA Cuts = $12,957,809,300 (10 years)**
- **Dotted background – Sequester Cuts = $2,483,691,200 (10 years)**
- **Gray background – Coding Adjustment Cuts = $3,027,745,500 (10 years)**
- **White background – Bad Debt Payment Cuts = $197,539,400 (10 years)**

### Bottom Line for Hospitals

- **Hospitals cannot sustain 25% uninsured rates or additional payment cuts in 2013 without meaningful coverage expansion.**
  - Viable options must be found.

- **Hospitals need financial stability to be able to reform the system to lower cost and increase quality.**
  - Payment cuts and reforms
  - Delivery system reform (ACOs, EHRs)
2013 State Session

- Is Medicaid “broken,” and how to fix it?
- Value of Medicaid:
  - Non-disabled children are 66% of Medicaid caseload but only 32% of the cost.
  - Aged and disabled are only 25% of Medicaid caseload but 58% of cost.
- How to expand coverage to adults under 100% of FPL ($30k)
- Can we rely on DSH to continue to cover the cost of the uninsured and Medicaid shortfall?
- Growth of HHS portion of the budget
- Deficit expected, Medicaid $10-15m alone

Unknowns

- How to control costs
- Election
- Federal flexibility
- Costs of additional regulation and compliance
- Effectiveness of ACA provisions