Patient Protection and Affordable Care Act (PPACA):
A Summary of Key Provisions and Implementation Planning in SC
March 23, 2011
Mission
To promote evidence-based policies, strategic prevention efforts, and effective leadership designed to improve the public’s health now and in the future.

Vision
Healthy, informed and involved South Carolinians realizing maximum quality of life.
Reforming our Country’s Health Care System: Not a new concept...

Over the last century, there have been numerous attempts to reform the health care system in the United States.
Critical Components

Reform must address the three critical components of our health care system:

- Cost
- Access
- Quality
Background

Insurance coverage is critical to good health.

- National uninsured rose to 50.7 million people in 2009 (from 15.4% to 16.7%)
- South Carolina uninsured rose to 766,000 people in 2009 (from 16.1% to 17%)

Research shows that many uninsured and underinsured Americans postpone medical care or utilize expensive emergency rooms services for primary care.

Health care costs are a leading cause of bankruptcies.
Health Care Spending in South Carolina

Total Health Care Expenditures as a Percent of the Gross State Product (GSP), 2004

Source: Kaiser Family Foundation
Medicaid Spending in South Carolina

Medicaid Spending as a Proportion of Total State General Fund Expenditures, 2008

Source: Kaiser Family Foundation
PPACA Key Components
<table>
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<th>Changes in Public Coverage</th>
<th>Changes in Private Coverage</th>
<th>Improving Health Care Quality</th>
<th>Improving Health</th>
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Medicaid expansion

Changes in Public Coverage
Changes in Public Coverage – Medicaid

• Eligibility will be based solely on income (no asset test) and provided to those at 133% of FPL or lower

• In 2014, this means the following families will be eligible
  - Family of 1: < $14,403
  - Family of 2: <$19,380
  - Family of 3: < $24,352
## Cost of Expansion of Medicaid

### Estimated Increase in Enrollment and Spending Relative to Baseline by 2019

<table>
<thead>
<tr>
<th>Participation Rate Scenario</th>
<th>Increase in Enrollment</th>
<th>Increase in State Spending - SC</th>
<th>Increase in Federal Spending – SC</th>
<th>Increase in Total Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Participation</td>
<td>38.4%*</td>
<td>3.6%</td>
<td>36.0%</td>
<td>26.3%</td>
</tr>
<tr>
<td>Enhanced Outreach</td>
<td>49.4%</td>
<td>4.7%</td>
<td>39.9%</td>
<td>29.4%</td>
</tr>
</tbody>
</table>

* Medicaid enrollment has grown at a faster rate over the last two decades than it is projected to grow between 2010 and 2020.

Source: John Holahan and Irene Headen, “Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL” (Washington: Kaiser Commission on Medicaid and the Uninsured, May 2010). Estimates above reflect higher participation rate scenario.
Financing the Expansion, 2014-2019

Additional spending due to expansion in South Carolina:
$12.7 billion

Source: John Holahan and Irene Headen, “Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL” (Washington: Kaiser Commission on Medicaid and the Uninsured, May 2010). Estimates above reflect higher participation rate scenario.
Who Will Gain Coverage in SC?

- Estimated 443,020 new Medicaid enrollees by 2019
- 76.2% decrease in uninsured adults with income <133% FPL
- 49.4% increase in overall Medicaid enrollment

Source: John Holahan and Irene Headen, “Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL” (Washington: Kaiser Commission on Medicaid and the Uninsured, May 2010). Estimates above reflect higher participation rate scenario.
Changes in Private Coverage

Insurance Regulation
Health Insurance Exchanges
Health Insurance Exchange

• A purchasing pool of insurance plans through which individuals who are not insured through an employer and employers who have 100 or fewer employees can buy coverage.

• Individuals between 133% - 400% of FPL will receive tax credit subsidies in order to buy into the Exchanges.

• States are responsible for the set-up of Exchanges, but if they fail to do so, the federal government will.
Health Insurance Exchange

• Must be fully operational by January 1, 2014

• May be administered by a governmental agency or non-profit organization

• May be a regional (with other states), a state exchange, or run by the federal government

• Community rating rather than current system of risk-adjusted premiums.
Improving Health Care Quality

Best information
Coordinated care
Provider incentives and penalties
Key Opportunities to Improve Quality and Outcomes:

• Comparative effective research
• Reimbursement reforms
• Primary care physicians
• Medicare/Medicaid
• Accountable Care Organizations (ACOs)
• Medical Home Model
• Health Information Technology (HIT)
National health strategy
Research and public health innovation
Mandatory preventative care
Healthier communities

Improving Health
Improving Health: Prevention Provisions

• All new health plans as of September 23, 2010 are required to eliminate co-pays and deductibles for recommended preventive care and immunizations.

• Public Health Prevention Fund established

• Provisions include many pilot and demonstration projects, grants to communities and small employers, and incentives for changing behavior for Medicare and Medicaid beneficiaries.
Improving Health: A Focus on Reducing Disparities

• Improved data collection

• Expansion of the Office of Minority Health

• Promote language access services

• Increase work force diversity

• Support community health workers
Improving Health Through Safety Net Providers

Community Health Centers

- $11 billion FY 2011-2015 for the purposes of expanding services and facilities

Non-Profit Hospitals

- Enhanced charity care requirements
- Must conduct a community needs assessment every 3 years
- $50,000 tax imposed for failure to meet requirements
PPACA Timeline
PPACA 2010: Immediate Actions

• A national high-risk pool created

• Tax credits provided to small businesses that provide health insurance to employees

• A rebate of $250 provided for those who reach the Medicare Part D “donut hole” in 2010
Insurance Reform: 9/23/2010

New federal regulations adopted:

- Ban pre-existing condition exclusions (< 19 yrs. on September 23, 2010; everyone in 2014)
- Ban lifetime caps on coverage
- Phase out annual caps on coverage until 2014
- Rescission prohibited
- Dependent coverage until age 26
Rate Review

• Process to be put in place by the state to review premium rate increases.

• Health carriers required to spend 80-85% of premiums on care (Medical Loss Ratio)
PPACA 2011-2013: Building Infrastructure

- Health Information Technology must adhere to operating rules for electronic funds transfer and health care payments.

- Provider payment rules will be developed.

- A national, voluntary long-term care insurance program will be created.
PPACA 2011-2013: Building Infrastructure

• Various committees will be assembled to guide the implementation of programs and regulations.

• A national quality improvement strategy will be established.

• Regulations will be issued to create health care choice compacts which will allow two or more states to sell insurance products across state lines.
PPACA 2014: Expanding Coverage

• All individuals must obtain health insurance or pay a penalty (individual mandate)

• States are required to create health insurance exchanges
  Two types: Individual and Small Business Health Options Program (SHOP)

• Coverage cannot be denied for adults with pre-existing conditions

• Essential health benefits package requirements
How is PPACA paid for?

- Medicare Savings: +/- 1 trillion
- Insurance Premium Subsidies: +/- 1 trillion
- Fees, Taxes and Penalties
- Medicaid
PPACA Implementation Workgroups

- Enrollment & Consumer Navigation
- Health Insurance Exchange
- Health Professional Workforce
- Information Dissemination & Communication
- Long-Term Care
- Medicaid
- Prevention & Disparities
- Quality & Outcomes
- Safety Net
Questions?

Thank you!

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