



The Affordable Care Act and Its Impact on West Virginia

WVU's 33rd Summer
Institute on Aging
June 9, 2011

ACA Has Three Main Goals

- Expands health insurance. 95% of all Americans covered by 2016
- Strong regulations of the insurance industry
- Cost containment, particularly for Medicare

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Expansion of Health Insurance

- Beginning in 2014, expands Medicaid to 133 % of the FPL, an estimated 122,000 to 157,000 low-income West Virginians.
- Federal government pays almost all of the costs (95.9%).

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Expansion of Health Insurance

- Creates state health exchanges for individuals and small businesses.
- An exchange is a marketplace that allows consumers to compare and choose policies that best suits their needs. Policies offered through a web site, 1-800 number, or in person.

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Health Exchange

- Significant tax credits for individuals between 100% and 400% of the FPL. An estimated 178,000 West Virginians will qualify for premium tax credits in the exchange.

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An Example of Tax Credits for Individuals in the Exchanges

- Family of four with annual income of \$55,000. They pay \$345 a month in premiums and the tax credits equal \$840 a month.
- Additional tax credits to assist with deductibles and copayments plus out-of-pocket maximum protection.

Source: Kaiser Family Foundation's Subsidy Calculator: www.kff.org

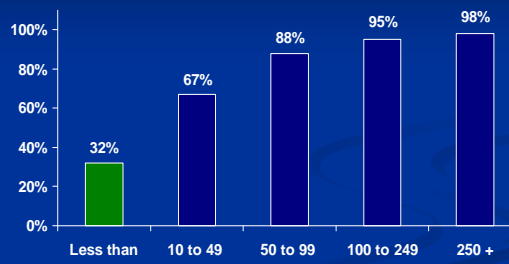
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The Exchange and Small Businesses

- Eligibility for the exchange is 50 or fewer employees, about 42,000 West Virginia businesses employing 280,000 people.
- More modest and limited tax credits for small businesses. Tax credits after 2014 are limited to two years.

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Percentage of Employers Who Offer Health Insurance



Source: Employee Benefits in West Virginia, Workforce (April 2006)

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Health Exchanges

- Offer the promise of higher quality while containing cost.
- Central issues:
 - Who governs the exchanges?
 - What is their mission?

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Senate Bill 408

- Adopted last month, SB 408 establishes the West Virginia Health Benefit Exchange. Only the second exchange established in the country, since passage of the ACA.
- Housed in the Offices of the Insurance Commissioner, and governed by a ten member board.

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Board Composition

- Four agency heads:
 - Insurance Commissioner
 - Chair of the Health Care Authority
 - Commissioner of Medicaid
 - Director of the state's CHIP program

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Board Composition Continued

- Three consumer representatives
 - Individual consumers
 - Small business
 - Organized labor
- Three industry representatives
 - Insurance companies
 - Medical providers
 - Insurance agents

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Difficult Choices

- What is the mission of the exchange?
- Three models:
 - Utah: market organizer
 - Massachusetts: active purchaser
 - Negotiations with insurance companies

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Insurance Reforms for Plan Year Beginning After September 23, 2010

- End pre-existing conditions for children
- Young adults can stay on their parent's policy until age 26
- Prohibits lifetime caps and limits annual caps on benefits
- Reporting medical loss ratios

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Insurance Reforms for Plan Year Beginning After September 23, 2010

- For new plans sold after September 23, 2010:
 - Must cover effective preventive measures with no cost sharing
 - Patient protections

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Insurance Reforms 2014

- An end to pre-existing conditions
- An end to gender underwriting
- Guarantee issuance and renewal
- Impact on entrepreneurship and impact on industry competition

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Individual Responsibility

- Beginning in 2014, individuals must have health insurance or pay a penalty.
- Exemptions for religious objections and financial hardship.
- Without individual responsibility, we cannot adopt the major insurance reforms.

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Cost Containment

- "The current (payment) system, based on volume and intensity, does not disincentivize, but rather pays more for overuse and fragmentation."

Mark McClellan

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Cost Containment Continued

- Payment reform – moving from fee-for-service to payment that promotes quality and coordination of care
- Accountable Care Organizations
- Reduced payment for hospital acquired infections and preventable hospital readmissions

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Cost Containment Continued

- Innovation Center at CMS
- Independent Payment Advisory Board
- Comparative effectiveness studies by the Patient-Centered Outcome Research Institute

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Emphasis on Prevention, Primary Care and Public Health

- All new plans must cover and may not charge for preventive services that are clinically appropriate.
- Annual wellness visits in Medicare. Preventive services covered without cost sharing.
- Doubles appropriations to community health centers and National Health Service Corp and increases appropriations for public health.

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Use Science to Make Difficult Decisions

- The US Preventive Services Task Force determines what is a clinically effective preventive measures.
- Essential benefits are first developed by the Institute of Medicine.
- NAIC developed the initial medical loss ratio requirements

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Cost of Expansion

- \$434 billion for expanding Medicaid
- \$464 billion for premium tax credits in the exchanges
- \$40 billion for small businesses tax credits

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The ACA Is Paid For Through a Combination of Tax Increases

- An increase in Medicare payroll tax on higher income families, and their unearned income is subject to taxes.
- Fees on insurance companies, drug manufacturers and medical device manufacturers.
- Total tax increases: \$438 billion.

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And Reduction in the Growth of Medicare

- \$136 billion by reducing payments to Medicare Advantage plans.
- \$196 billion through revisions to annual updates to hospitals, skilled nursing homes, and home health agencies.
- \$533 billion in total reduction in the growth of Medicare.

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Reduction in the Growth of Medicare

- These reductions reduce the annual growth in Medicare from 6.8% to 5.5%, according to the Commonwealth Fund

Commonwealth Fund: The Impact of Health Reform on Health System Spending, May 2010

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Threats to the ACA

- Court cases. The partisan divide continues. US Supreme Court is likely to make the final decision on the individual mandate.
- Repeal or repeal and replace.

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Threats to the ACA Continued

- Debt ceiling process
- 2012 budget debate
- 2012 election

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Kaiser Family Foundation Quiz

- Ten true or false questions
- Subsidies for low and moderate Americans: 72% correct
- Prohibits pre-existing conditions: 67% correct
- Individual mandate: 64% correct

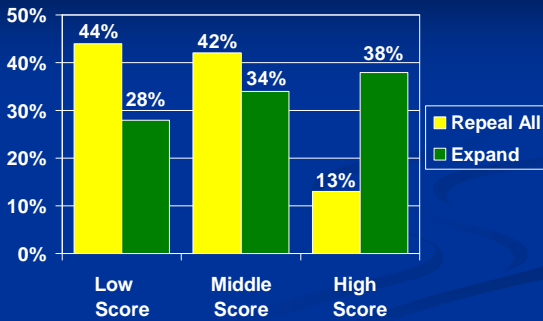
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Quiz Continued

- Government panels to make end-of-life decisions: 40% incorrect
- Undocumented immigrants are eligible for subsidies: 41% incorrect
- Cuts in guaranteed Medicare benefits: 45% incorrect
- Small businesses are required to cover their employees: 65% incorrect

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Knowledge Equal Support?



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Public Education Campaign

- WVAHC is holding half day training sessions across the state.
- Places are Beckley (6/11), Martinsburg (6/18), Parkersburg (6/25), Charleston (7/9) and Huntington (7/16).

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Opportunities to Be Involved

- OIC has scheduled Consumer Advocate meetings on the development of the exchange on the third Monday of the month at 1 pm. You can participate by conference call or in person.
- Health Care Implementation Coalition meets every other month. You can participate by conference call or in person.

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We have an Opportunity

- Expand health insurance to virtually every West Virginian. I hope you will take part in:
 - The public education efforts
 - The OIC's development of the health insurance exchange
 - The overall implementation of the ACA in West Virginia

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