



Federal Health Care Reform Analysis and Update

Tom Betlach

Director, AHCCCS

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Health Care Reform Overview

- Key Provisions – House verse Senate (Non-Medicaid)
- Medicaid Expansion Comparisons
- Projected Fiscal Impacts
- Governor's Statement

HOUSE

Tri-Committee Group

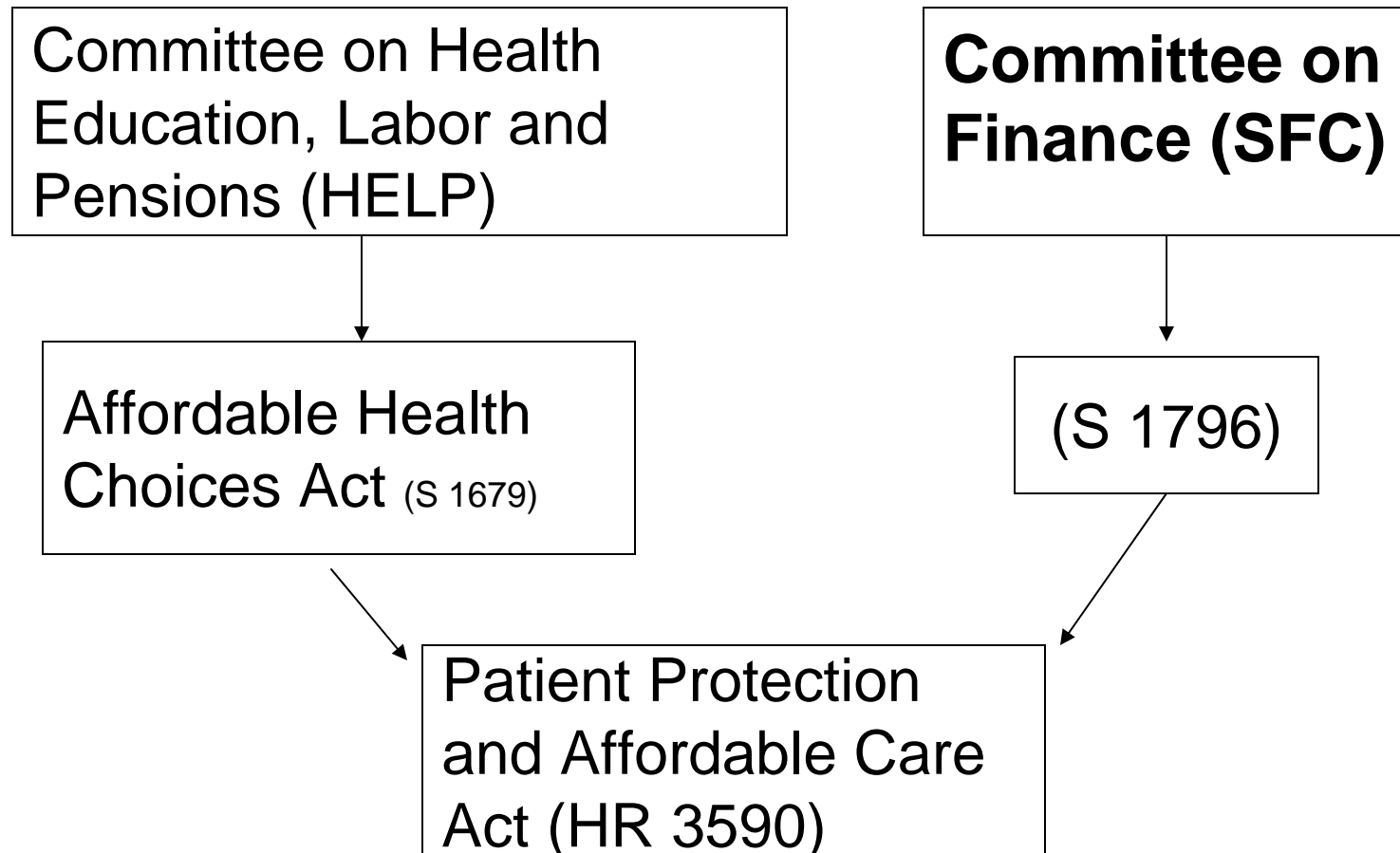
Affordable Health
Care for America
Act
(HR 3692)

**Committee on
Education
and Labor**

**Committee on
Ways and
Means**

**Committee on
Energy and
Commerce**

SENATE





Summary of Key Provisions in House and Senate Versions

- Government – Run Provisions
- Individual Mandate
- Employer Mandate
- Revenue Raisers/Cost Savers
- Insurance Reform
- Insurance Subsidies

Government-Run Insurance

- HOUSE – Yes
 - Bill includes a publicly run health plan option within exchange by 2013
 - DHHS would operate public option
 - Rates no lower than Medicare.

- SENATE - No
 - Bill creates a community health insurance option
 - Nonprofit cooperatives to offer alternatives to insurance company plans through exchanges.

Individual Mandate

■ HOUSE BILL – Yes

- Individuals must purchase insurance or pay a penalty based on income.
- Penalty = 2.5% adjusted gross income.
- Exemptions granted for financial hardship and religious objections.

■ SENATE BILL – Yes

- Penalty is \$750/year up to a maximum of 3x that amount (\$2250) per family
- Phased in: \$95 in 2014; \$350 in 2015; \$750 in 2016
- Exemptions include: financial hardship, religious objections, American Indians,

Employer Mandate – House

- House Includes Employer Mandate
 - Employers must pay 65% of family premiums (72.5% single coverage) or 8% of payroll into trust fund.
 - Small businesses with less than \$500,000 on payroll are exempt
 - Payrolls up to \$750,000 have a reduced contribution.

Employer Requirements – Senate

- All employers with more than 50 employees who do not offer coverage and have at least one full-time employee receiving affordability tax credit would be assessed a fee of \$750/employee.
- Employers with 50+ employees that offer coverage but have at least one full-time employee receiving premium tax credit will pay lesser of \$3,000 for each employee receiving credit or \$750 for each full-time employee.
- Requires employers with more than 200 employees to automatically enroll employees into plans offered by employer.

Revenue Raisers/Cost Savers

- HOUSE BILL

- Imposed a tax surcharge of 5.4% on individuals with adjusted gross incomes above \$500,000 and \$1M for joint returns.
- Reduces Medicare Advantage payments and makes rates for MA same as traditional FFS Medicare.

Revenue Raisers/Cost Savers

■ SENATE BILL

- Imposes excise tax on insurers of employer-sponsored plans with values exceeding \$8500 for individual coverage and \$23,000 for family coverage.
- Limit amount of contributions to flex spending account for medical expenses to \$2500/year.
- Increase threshold for itemized deduction for unreimbursed medical expenses from 7.5% adjusted gross income to 10%.
- Increase Medicare Part A tax rate on wages by 0.5% (from 1.45% to 1.95%) on earnings over \$200,000 for individuals and \$250,000 for married couples filing jointly.
- Future Medicare Payment Reductions

Insurance Reform - House

- Requires guaranteed issue
- Changes to premium rating
- Bans rejection based on preexisting conditions
- Limits health plan medical loss ratio to not less than 85% enforced through rebate back to consumers
- No aggregate dollar lifetime limits on coverage
- Expand dependent coverage for children up to age 27.

Insurance Reform -Senate

- Requires insurance companies to issue coverage to all individuals regardless of health status
- Limited variation in premium rates would be permitted for tobacco use, age and family composition
- Requires plans to report on proportion of premium dollars spent on clinical services, quality and other costs
- Provide rebates to consumers for amount of premium spend on non-claims costs that exceed 20% (group market) and 25% (individual)
- Expand dependent coverage for children up to age 26.
- Prohibits lifetime limits or unreasonable annual limits
- Prohibits plans from requiring waiting period for coverage of more than 90 days; penalties for employers requiring waiting period of between 30 and 90 days
- Limits deductibles in small group market to \$2000 for individuals and \$4000 for families.

Insurance Subsidies - House

- Available to households earning up to 400% FPL (\$88,200 for a family of four).
- Subsidy based on average cost of 3 lowest HPs in area set on a sliding scale.
- Provides cost sharing credits on sliding scale
- Lowers out-of-pocket spending limits
- Provides tax credits to small businesses (under 25 employees) that offer insurance
- Requires verification of citizenship and income status
- Prohibits subsidy from being used to purchase health plan in Exchange that includes coverage of abortion except to save life of woman, rape, incest
- Allows purchase of supplemental coverage for abortion through private funds only.

Insurance Subsidies - Senate

- Refundable and advanceable premium tax credits (2.8% of income for those at 100%FPL to 9.8% of income for those b/w 300-400% FPL)
- Available on a sliding scale for individuals and families earning up to 400% FPL
- Cost sharing subsidies for those between 100%-200% FPL
- American Indians under 300% FPL not subject to cost sharing
- Limited to US citizens and legal immigrants
- Ensure federal funds are not used to cover abortion except for saving life of mother, rape, incest. Health Plans covering abortion beyond federal funding rules must segregate federal subsidy funds so that they are not used for purchase of abortion coverage



Medicaid Expansion

- **HOUSE BILL**

Yes. Medicaid expanded to cover households earning less than 150% of the federal poverty level.

- **SENATE FINANCE BILL**

Yes. Medicaid expanded to cover everyone earning under 133% of the federal poverty level (based on modified adjusted gross income).

Senate Bill

Expansion of Medicaid/CHIP

- Expand Medicaid to all individuals (children, pregnant women, parents, and adults without dependent children) with incomes up to 133% FPL (to be implemented in 2014).
- Adults with incomes between 100-133% FPL will have the option of obtaining coverage through Medicaid or with federal subsidies through the exchange.
- All newly eligible adults will be guaranteed a benchmark benefit package that at least meets the minimum creditable coverage standards.
- Require states to provide premium assistance to any Medicaid beneficiary with access to employer-sponsored insurance if it is cost effective for the state.

Senate Bill

Expansion of Medicaid/CHIP (cont'd)

- Require states to maintain current income eligibility levels for children in Medicaid and the Children's Health Insurance Program (CHIP) until 2019.
- CHIP benefit package and cost sharing rules will continue as under current law
- In 2014, states will receive a 23 percentage point increase in the CHIP match rate up to a cap of 100%.
- CHIP-eligible children who are unable to enroll in the program due to enrollment caps will be eligible for tax credits in the state exchanges.
- Includes maintenance of effort of existing Medicaid program as of date of enactment of legislation.

House Bill

Expansion of Medicaid/CHIP

- Expand Medicaid to all individuals (children, pregnant women, parents, and adults without dependent children) with incomes up to 150% FPL.
- Increase Medicaid payment rates for primary care providers to 100% of Medicare rates by 2012.
- Extends ARRA increased FFP for 6 months - \$470M.
- Require Medicaid to cover newborns during first 60 days of life.
- Maintenance of Effort requirement at June 2009 levels.

House Bill

Expansion of Medicaid/CHIP (cont'd)

- Require Children's Health Insurance Program (CHIP) enrollees to obtain coverage through the Health Insurance Exchange or Medicaid in 2014.
- Require report to Congress that coverage is at least comparable to coverage under an average CHIP plan in effect in 2011.
- The Secretary must also determine that there are procedures to transfer CHIP enrollees into the exchange without interrupting coverage or with a written plan of treatment.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
ESTIMATED IMPACT OF FEDERAL MEDICAID EXPANSION PROPOSALS**

Medium Presentation Analysis

	Federal Impact Cost		New Medicaid Participants	
	Senate	House	Senate	House
2011	-	470,000,000	-	-
2012	-	-	-	-
2013	-	2,556,693,900	-	265,300
2014	1,208,687,900	2,745,826,500	219,400	271,900
2015	1,497,405,500	2,495,271,100	224,600	278,500
2016	1,620,680,500	2,680,985,300	229,600	285,000
2017	1,727,258,300	2,880,302,500	234,800	291,500
2018	1,858,909,700	3,090,731,300	240,000	297,800
2019	2,008,649,500	3,318,892,600	245,000	304,200
2020	2,158,287,600	3,561,589,200	250,000	310,600
Total	12,079,879,000	23,800,292,400		

	State Impact Cost	
	Senate	House
2011	-	(470,000,000)
2012	-	-
2013	-	(993,987,800)
2014	397,635,000	(1,049,462,500)
2015	443,713,400	(654,835,500)
2016	480,747,300	(686,839,100)
2017	549,997,400	(720,345,700)
2018	605,974,100	(755,712,200)
2019	655,194,600	(792,666,200)
2020	720,246,300	(831,563,100)
Total	3,853,508,100	(6,955,412,100)

Notes and Assumptions:

- 1) Medium Presentation based on 70% of newly eligible expansion population and 50% of currently eligible woodwork populations.
- 2) New Medicaid Participants includes expansion population, woodwork, and Title XXI transfers. Does not include current Title XIX or Title XXI participants who will have FMAP impacted based on proposals.
- 3) This preliminary analysis by the Arizona Health Care Cost Containment System is intended to estimate the incremental funding impacts of Healthcare reform proposals only.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
ESTIMATED IMPACT OF FEDERAL MEDICAID EXPANSION PROPOSALS
HOUSE (HR 3962 - AFFORDABLE HEALTHCARE FOR AMERICA ACT)**

Medium Presentation Analysis - Revised Assumptions

	Federal Impact						New Medicaid Participants
	Expansion	KidsCare Transfer	Non-Cat Transfer	Woodwork	ARRA FMAP Extension	Total	
2011	-	-	-	-	470,000,000	470,000,000	-
2012	-	-	-	-	-	-	-
2013	757,371,300	18,650,600	1,161,106,600	619,565,400	-	2,556,693,900	265,300
2014	822,192,500	20,383,600	1,230,772,800	672,477,600	-	2,745,826,500	271,900
2015	811,780,000	13,910,900	969,146,000	700,434,200	-	2,495,271,100	278,500
2016	879,479,300	15,176,700	1,027,294,900	759,034,400	-	2,680,985,300	285,000
2017	952,635,200	16,590,000	1,088,932,300	822,145,000	-	2,880,302,500	291,500
2018	1,029,826,200	18,118,200	1,154,267,900	888,519,000	-	3,090,731,300	297,800
2019	1,114,522,800	19,770,200	1,223,524,200	961,075,400	-	3,318,892,600	304,200
2020	1,203,903,800	21,609,700	1,296,935,600	1,039,140,100	-	3,561,589,200	310,600
Total	7,571,711,100	144,209,900	9,151,980,300	6,462,391,100	470,000,000	23,800,292,400	

	State Impact					
	Expansion	KidsCare Transfer	Non-Cat Transfer	Woodwork	ARRA FMAP Extension	Total
2011	-	-	-	-	(470,000,000)	(470,000,000)
2012	-	-	-	-	-	-
2013	-	(18,650,600)	(1,161,106,600)	185,769,400	-	(993,987,800)
2014	-	(20,383,600)	(1,230,772,800)	201,693,900	-	(1,049,462,500)
2015	80,285,900	(13,910,900)	(969,146,000)	247,935,500	-	(654,835,500)
2016	86,981,500	(15,176,700)	(1,027,294,900)	268,651,000	-	(686,839,100)
2017	94,216,600	(16,590,000)	(1,088,932,300)	290,960,000	-	(720,345,700)
2018	101,851,000	(18,118,200)	(1,154,267,900)	314,822,900	-	(755,712,200)
2019	110,227,500	(19,770,200)	(1,223,524,200)	340,400,700	-	(792,666,200)
2020	119,067,400	(21,609,700)	(1,296,935,600)	367,914,800	-	(831,563,100)
Total	592,629,900	(144,209,900)	(9,151,980,300)	2,218,148,200	(470,000,000)	(6,955,412,100)

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
ESTIMATED IMPACT OF FEDERAL MEDICAID EXPANSION PROPOSALS
SENATE (HR 3590 - PATIENT PROTECTION AND AFFORDABLE CARE ACT)**

Medium Presentation Analysis

Federal Impact

	Expansion	KidsCare Transfer	KidsCare Increased FMAP	Non-Cat Transfer	Woodwork	ARRA FMAP Extension	Total	New Medicaid Participants
2011	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	518,599,000	(15,988,700)	19,122,400	-	686,955,200	-	1,208,687,900	219,400
2015	750,755,700	(18,992,500)	20,893,400	-	744,748,900	-	1,497,405,500	224,600
2016	811,586,200	(20,718,400)	22,808,100	-	807,004,600	-	1,620,680,500	229,600
2017	850,913,900	(22,583,100)	24,877,400	-	874,050,100	-	1,727,258,300	234,800
2018	910,193,900	(24,706,700)	27,187,200	-	946,235,300	-	1,858,909,700	240,000
2019	982,779,400	(27,004,000)	29,684,500	-	1,023,189,600	-	2,008,649,500	245,000
2020	1,062,648,200	(9,540,100)	-	-	1,105,179,500	-	2,158,287,600	250,000
Total	5,887,476,300	(139,533,500)	144,573,000	-	6,187,363,200	-	12,079,879,000	

State Impact

	Expansion	KidsCare Transfer	KidsCare Increased FMAP	Non-Cat Transfer	Woodwork	ARRA FMAP Extension	Total
2011	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2014	30,869,800	15,988,700	(19,122,400)	-	369,898,900	-	397,635,000
2015	44,595,700	18,992,500	(20,893,400)	-	401,018,600	-	443,713,400
2016	48,296,000	20,718,400	(22,808,100)	-	434,541,000	-	480,747,300
2017	81,649,400	22,583,100	(24,877,400)	-	470,642,300	-	549,997,400
2018	98,943,300	24,706,700	(27,187,200)	-	509,511,300	-	605,974,100
2019	106,926,900	27,004,000	(29,684,500)	-	550,948,200	-	655,194,600
2020	115,609,500	9,540,100	-	-	595,096,700	-	720,246,300
Total	526,890,600	139,533,500	(144,573,000)	-	3,331,657,000	-	3,853,508,100

Federal Policy on Expansion

- Arizona is one of about 6 states that has enacted coverage of childless adults up to 100% of the federal poverty limit (AZ, NY, MA, VT, HI, DE)
- The policy decision made with regards to coverage for expansion populations has a dramatic impact on funding requirements and should be more equitable.
- The House has a much more narrow range of funding requirements versus the Senate.
- Under the Senate proposal, Arizona must pay over \$15 billion more (through 2020) because of expansion.

Populations	House – No Expansion State	House Arizona	Senate – No Expansion State	Senate Arizona
Parents 22.6-100% FPL	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	Traditional FMAP – Currently 65.75%	100% FMAP 2014 through 2016 2017 - 34.3 inc FMAP 2018 - 33.3 inc FMAP 2019 - 32.3 inc FMAP	Traditional FMAP – Currently 65.75%
Parents 100-150% House 100-133% Senate	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2014 through 2016 2017 - 34.3 inc FMAP 2018 - 33.3 inc FMAP 2019 - 32.3 inc FMAP	100% FMAP 2014 through 2016 2017 – 30.3 inc FMAP 2018 – 31.3 inc FMAP 2019 - 32.3 inc FMAP
Childless Adults 0-100%	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2014 through 2016 2017 - 34.3 inc FMAP 2018 - 33.3 inc FMAP 2019 - 32.3 inc FMAP	Traditional FMAP – Currently 65.75%
Childless Adults 100-150% House 100-133% Senate	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2013 until 2015 91% FMAP 2015 indefinitely	100% FMAP 2014 through 2016 2017 - 34.3 inc FMAP 2018 - 33.3 inc FMAP 2019 - 32.3 inc FMAP	100% FMAP 2014 through 2016 2017 – 30.3 inc FMAP 2018 – 31.3 inc FMAP 2019 - 32.3 inc FMAP

Note – the Senate caps FMAP at 95%

Healthcare Reform Impact on Adult Expansion Costs 2013 through 2020

Proposal	State Match Costs	Total Fund
Baseline (Current Program)	15.4 Billion	44.1 Billion
House Proposal	6.7 Billion	53.0 Billion
House Proposal if AZ had Not Expanded	3.8 Billion	53.0 Billion
Senate Proposal	17.0 Billion	46.8 Billion
Senate Proposal if AZ had not Expanded	1.4 Billion	46.8 Billion

Note – The Senate proposal estimates only include 2014 through 2020

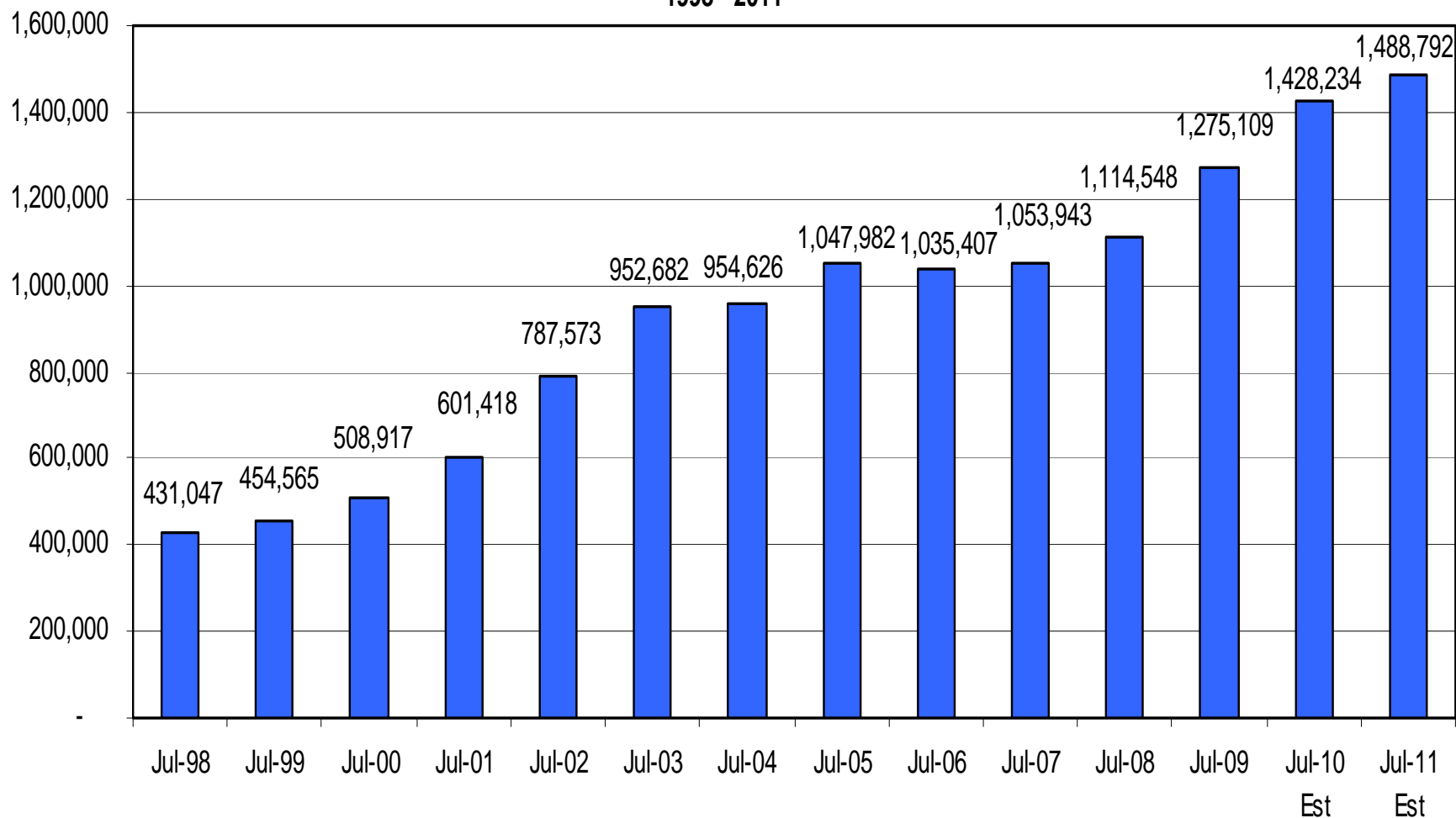


Maintenance of Effort

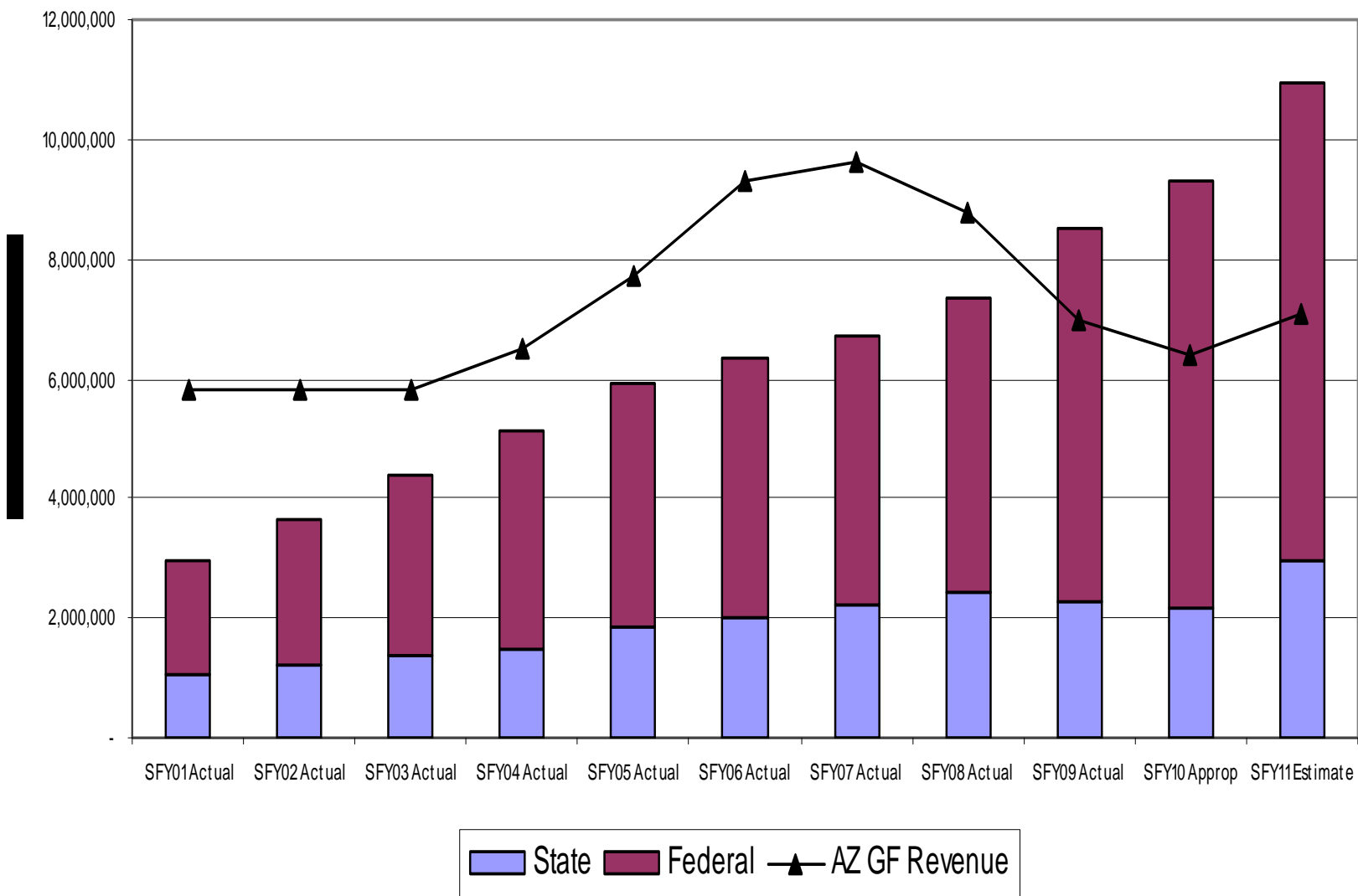
- The House proposal would require states to maintain their Medicaid programs at June 2009 levels.
- The Senate program would not allow states to change Medicaid eligibility upon enactment.
- Both programs would eliminate State flexibility to cover expansion populations.
- While a significant portion of the AHCCCS program is State Voter protected, at the federal level the expansion under Proposition 204 was optional.

AHCCCS Population as of July 1st

1998 - 2011



AHCCCS Expenditures vs General Fund Revenue SFY2001 - SFY2011



Note: State Match includes General Fund, County Contributions, Tobacco Funding, and other fund sources.

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
HEALTHCARE REFORM MAINTENANCE OF EFFORT IMPACT
STATE FISCAL YEAR 2010 ACUTE BUDGET**

POPULATION	CURRENT			HOUSE AND SENATE		
	OPTIONAL	MANDATORY	TOTAL	OPTIONAL	MANDATORY	TOTAL
Children & Families	-	3,042,000,000	3,042,000,000	-	3,042,000,000	3,042,000,000
Parent Expansion	540,200,000	-	540,200,000	-	540,200,000	540,200,000
Aged, Blind, & Disabled Base	-	1,112,000,000	1,112,000,000	-	1,112,000,000	1,112,000,000
Aged, Blind, & Disabled Expansion	134,100,000	-	134,100,000	-	134,100,000	134,100,000
Childless Adults	2,401,800,000	-	2,401,800,000	-	2,401,800,000	2,401,800,000
KidsCare (Title XXI)	103,300,000	-	103,300,000	-	103,300,000	103,300,000
Total Acute	3,179,400,000	4,154,000,000	7,333,400,000	-	7,333,400,000	7,333,400,000

- Notes:
- 1) Dollars are Total Fund, based on State Fiscal Year 2010 AHCCCS September Budget (without Capitation Rollover).
 - 2) Includes Behavioral Health and Children's Rehabilitative Services expenditures.
 - 3) Does not include ALTCS, School Based Services, Administrative Costs, Freedom to Work, or Breast and Cervical Cancer populations
 - 4) Does not include supplemental hospital payments, reconciliation payments, or Medicare Clawback payments.

Concerns for Arizona

- Governor's Letter to Delegation
- December 4, Governor sends letter to AZ Congressional delegation outlining State's fiscal crisis
 - Governor does not support mandated expansion of Medicaid at this time
 - If Congress pursues mandated expansion, it should be 100% federally funded
 - States should be allowed to retain some flexibility with regards to MOE requirements
 - Arizona needs ability to cap expansion populations such as childless adults
 - Letter can be found on website
- AHCCCS Letter to Governor on fiscal impact can be found on website.

Next Steps

- Senate introduced its bill November 18;
- Medicare expansion to allow individuals ages 55-64 to buy in to Medicare appears dead
- Plan was submitted to the CBO and the score of not yet unveiled revised Senate bill was expected this week.
- OPM proposal still on table.
- Other hot topics: stricter rules for abortion coverage, and new cost containment measures (e.g., increase medical loss ration to 85%).
- Procedurally, Senate Democratic leaders want to file cloture on manager's amendment (which will probably have to happen several times) to ensure a vote by or near Christmas.
- Senate Democrats need 60 votes