



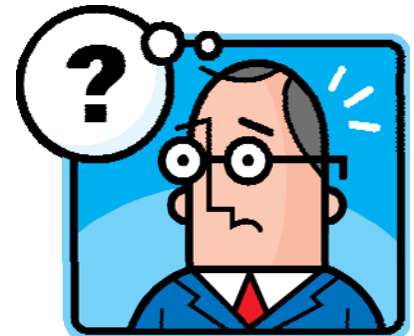
Section VI

Politics and the Future of Health Reform

18 Month checkup – Where do we Stand?

- Almost no change since Obama signed the bill
- Continued confusion
 - 53% of Americans are confused about Reform
- Majority of Americans are against Reform
 - If the question is asked generically

Source: Kaiser Family Foundation



18 Month checkup – Where do we Stand?

- Kaiser Family Foundation Health Tracking Poll (continued)
- 52% of Mcare eligibles oppose
 - 39% say Mcare worse off; 19% better off
- Reform extends Mcare solvency by 12 years
- Closes the Part D prescription “donut hole”
- Eliminates co-pays for many preventive services



Source: Kaiser Family Foundation

The Politics of Health Care

The government has made substantial progress already in implementing reform this past year, including many measures popular with the public...

- No pre-existing condition exclusions for children (72% favorable)
- Extend dependent coverage to age 26 (53% favorable)
- No out-of-pocket costs for preventative services (70% favorable)
- No cancellation of coverage except for fraud (68% favorable)
- High risk pool for people with pre-existing conditions (61% favorable)
- Small business health insurance tax credits (71% favorable)
- Drug rebates for Medicare beneficiaries (64% favorable)

Source: Kaiser Family Foundation

The Politics of Health Care

...but major elements of the law that will affect many more people don't kick in until 2014

- Guaranteed access to insurance regardless of your health (69% favorable)
- Insurance exchanges to make it easier to buy coverage (87% favorable)
- Tax credits to make insurance more affordable for low and middle income people (76% favorable)
- Expanded Medicaid coverage for low income people (71% favorable)
- A requirement that people have insurance (70% UNfavorable)
- Penalties for employers that don't offer coverage to workers (51% favorable, 47% unfavorable)

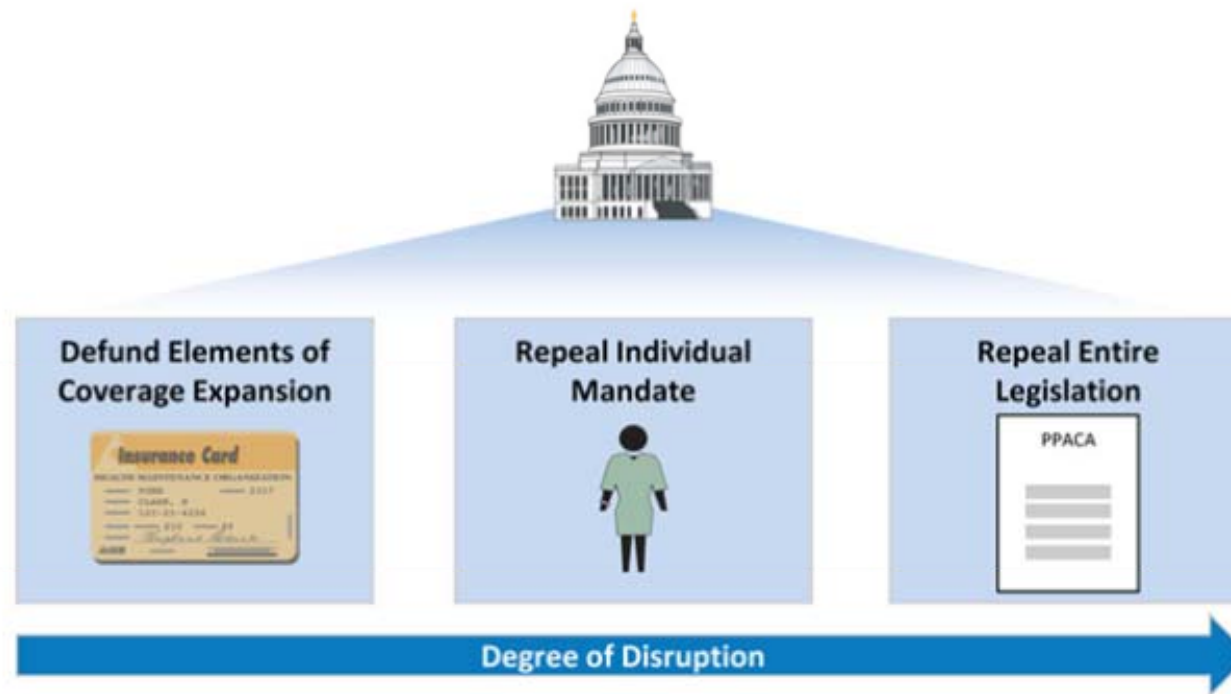
Source: Kaiser Family Foundation

The State of Affairs at the State Level

- Oklahoma – Governor states reform is “one of the most ill-conceived pieces of legislation” ever to come out of Washington – BUT still accepted \$55 million to implement an exchange
- 38 states have introduced 97 still-pending bills that oppose, opt out or differ from elements of reform
- Montana – 11 bills pending including one to bar public employers or state employees from implementing or enforcing participation in the mandate to purchase health insurance
- Wyoming – amended state constitution to specify that no federal law shall compel participation in any health care system by any person, employer or health care provider
- Louisiana and Florida have opted out of state-run exchanges
- 29 state governors are Republican

PPACA – The Possibilities

Political Risks to Health Care Reform



Will reform be reformed?

- Republicans will not have voting majority until at least January 2013
- De-funding the Act will be difficult
- Piecemeal plan would target individual mandate and employer mandate among other things
- Adverse selection becomes reality *or*
- Individual mandate replaced by rational adverse selection controls
- Several ongoing appeals but the Supreme Court will not likely hear the case until October 2012 or later
- Still haven't dealt with Mcare payments to physicians – 30% cut in January 2012

Will reform be reformed?

- **Cut waste, fraud, and abuse:** The administration is targeting \$5 billion in savings by recovering overpayments to insurers participating in Medicare Advantage; penalizing providers who fail to appropriately use EHRs; and shifting policy on advanced imaging by changing reimbursement and requiring prior authorization.
- **Incent use of high-value services:** The White House proposes a \$25 increase in the Part B deductible for new beneficiaries, beginning in 2017; creating a home health copayment of \$100 for certain episodes; and developing a new Part B premium surcharge. Altogether, these changes would save about \$3.9 billion.
- **Reduce offset for bad debt:** The administration proposes a three-year phase down of reimbursement for unpaid Medicare deductibles and copayments from 70% to 25% of bad debt, beginning in 2013, which would save \$20 billion.

Will reform be reformed?

- **Cut graduate medical education compensation:** The White House would reduce Indirect Medical Education add-on payments for teaching hospitals by 10% beginning in 2013, saving \$9 billion.
- **Change payment for rural providers:** The administration wants to standardize reimbursement for rural hospitals, which it says would save \$6 billion.
- **And Finally – LTC:** The plan also seeks to encourage more efficient post-acute care, noting that expenditures for such services "place a drain" on Medicare. To save \$42 billion over 10 years, the proposal calls for gradually adjusting payments for certain post-acute care providers, equalizing payments for certain conditions, encouraging appropriate use of inpatient rehabilitation hospitals, and adjusting skilled nursing facility payments to curb hospital readmissions.

Will reform be reformed?

- Obama's plan calls for about \$72 billion in cuts from Medicaid, including several policies aimed at reducing fraud and waste in the program by \$1.4 billion across the next 10 years. Specific proposals to rein in spending include:
 - Tracking high prescribers and users of prescription medications; and
 - Prohibiting states from applying federal funds to the state's share of Medicaid or the Children's Health Insurance Program.
 - The plan beginning in 2015 also would limit Medicaid provider taxes, which many states use to finance their programs and draw federal matching funds. The administration estimates that such restrictions would save approximately \$26.3 billion across the next decade.

Budget Control Act of 2011 (billions)

- 2013 \$3.5
- 2014 \$3.8
- 2015 \$4.0
- 2016 \$4.4
- 2017 \$4.6
- 2018 \$4.9
- 2019 \$5.1
- 2020 \$5.5
- 2021 \$5.8

Conclusions:

- Consumers increasingly in control of *all* their health care dollars
 - Out of pocket medical care
 - Individual health insurance purchasing
- Providers increasingly challenged to succeed financially (witness growing integration, consolidation, & failures)
- High-value providers that can monetize patient value will be in best position to survive and thrive
- Political dismantling of the PPACA not likely
- The Regulations will continue to flow
- Major decisions and political issues will be pushed beyond the 2012 elections if possible
- Change will occur with or without the Act

Conclusions (continued):

- Reform is going to happen
- Reimbursement changes are driving that
- Forced consolidation and cost cutting
- Keeping patients healthy will become key to getting paid
- Direct marketing to consumers becomes critical
- Patients must be activated to manage their own health

What role to do you play?



Next Up – Take-Aways