Health Reform Legislation: Potential Impact on Patients

October 13, 2009
Agenda

- **Setting the Stage for Health Reform**
  - Goals of health reform
  - Legislative process
  - Key components in the reform debate

- **Potential Impact of Health Reform**
  - Financing health reform
  - Possible coverage shifts
  - Insurance market and benefit design reforms
  - Delivery and payment system reforms

- **Outlook**
  - Implementation timeline
  - Key takeaways

- **Q&A**
Setting the Stage for Health Reform
Goals of Health Reform

1. Expand Coverage
   Make insurance more accessible and affordable

2. Improve Access
   Ensure access to quality care

3. Reduce Cost
   Deliver efficient healthcare
Multiple Stakeholders Influence Health Reform; Current Focus is on Senate Finance Committee

High-Influence Individuals:
- **Committee Chairs**
  - Max Baucus (D)
  - Chuck Grassley (R)
  - Mike Enzi (R)
  - Tom Harkin (D)

High-Influence Individuals:
- **Committee Chairs**
  - Charlie Rangel (D)
  - Pete Stark (D)
  - Henry Waxman (D)
  - Bart Stupak (D)

*Blue Dog Democrats* -- Total 52 members led by Herseth Sandlin, Hill, Melancon, Shuler

President Obama
- OMB
  - Peter Orszag
- White House
- HHS
  - Kathleen Sebelius

Office of Health Reform: Nancy-Ann DeParle
We Are Still in the Early Stages of a Complex Legislative Process

**Committee Proceedings**
- **Energy & Commerce**
  - Hearings
  - Legislation
  - Cost estimate
  - Mark-Up

- **Ways & Means**
  - Hearings
  - Legislation
  - Cost estimate
  - Mark-Up

- **Education & Labor**
  - Hearings
  - Legislation
  - Cost estimate
  - Mark-Up

**Committee Consideration**
- **Finance**
  - Hearings
  - Legislation
  - Cost estimate
  - Mark-Up

- **HELP**
  - Hearings
  - Legislation
  - Cost estimate
  - Mark-Up

**Floor Consideration**
- **Rules Committee** sets terms for debate; confirmed by full House
  - Debate
  - Full House vote on Bill (simple majority to pass)

- **Two Bills combined into One**
  - Regular Order
  - Debate
  - Full Senate vote on Bill (simple majority to pass)

- **Reconciliation**
  - Debate

*Source: Kaiser: [http://www.kaiseredu.org/tutorials/reformprocess/player.html](http://www.kaiseredu.org/tutorials/reformprocess/player.html)
Many Steps in the Legislative Process Remain

- House-Senate Conference Committee
- Conference Report
- HOUSE
  - Rules Committee sets terms for debate; confirmed by full House
  - Debate
  - Full House vote on Bill (simple majority to pass)
- SENATE
  - Regular Order
    - Debate
    - Full Senate vote on Bill (simple majority to pass)
  - Reconciliation
    - Debate
    - President Signs or Vetoes the Bill

*Source: Kaiser: http://www.kaiseredu.org/tutorials/reformprocess/player.html
Building Universal Access to Affordable Coverage: Many Pieces to the Puzzle

- Individual Mandate
- Insurance Reforms
- Insurance Exchange
- Low Income Subsidies
- Medicaid Expansion
- Employer Mandate
Current Public Plan Proposals Represent Varying Levels of Government Involvement

- **Public Plan** as Proposed by the House Tri-Committee
- **“Trigger” Public Plan** as Proposed by Sen. Snowe and others
- **“Quasi” Public Plan** as Proposed by the Senate Finance Committee
- **CO-OP** as Proposed by the Senate Finance Committee

Federal Government

- Highly Involved
- Less Involved

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Potential Impact of Health Reform
Senate Finance Health Reform Bill Allocates $829 Billion For Coverage Expansions

Federal Spending, in Billions, Over 10 Years

- Medicaid & CHIP Expansions, $345
- Exchange Subsidies, $461
- Small Employer Tax Credits, $23

Source: CBO Preliminary Score of Senate Finance Committee Chairman’s Mark of America’s Healthy Future Act, as Amended Oct. 7, 2009.
Senate Finance Health Reform Bill: Sources of Funds

Federal Savings, in Billions, Over 10 Years

- Medicare Advantage, $136
- Hospitals, $151
- Manufacturers, $42
- Plans, $60
- Taxes, $344
- Device and Lab, $41
- Mandates, $27
- Post-Acute Care/Long-Term Care, $66
- Other Medicare/Medicaid Savings, $143

Total Savings $1,010 Billion

Source: CBO and JCT Preliminary Score of Senate Finance Committee Chairman’s Mark of America’s Healthy Future Act, as Amended Oct. 7, 2009.

Note: Other Medicare/Medicaid Savings proposals include Medicare Commission, imaging, ASCs, fraud and abuse and others.
Possible Coverage Shifts as a Result of Health Reform

Effects on Insurance Coverage, in Millions of Nonelderly People

Factors that will determine the shifts:
- Exchange Eligibility Rules
- Employer Mandate
- Scale of Medicaid Expansion

Source: CBO Preliminary Score of Senate Finance Committee America’s Healthy Future Act, as Amended, October 7, 2009.
## Insurance Market and Benefit Design Reforms Could Improve Access for Patients

<table>
<thead>
<tr>
<th>Proposals</th>
<th>Description</th>
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</table>
| New market regulations                   | ▪ Guaranteed issue and renewal  
▪ Modified community rating  
▪ Prohibition of pre-existing condition exclusions  
▪ Ban on rescission                      |
| Minimum creditable coverage standards    | ▪ Federal entity defines minimum benefits and/or an “essential” benefits package |
| Limits on out-of-pocket and cost sharing | ▪ Nominal cost-sharing for preventive services, and/or limits on annual cost-sharing based on percentage of income |
| Benefit limits                           | ▪ No lifetime or annual benefit limits                                       |
Reform Bills Provide Some Benefit to Medicare Beneficiaries in 2010; Major Assistance Starts in 2013

<table>
<thead>
<tr>
<th>Benefit</th>
<th>House Proposal</th>
<th>Senate Finance Proposal</th>
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<tbody>
<tr>
<td>Eliminates cost-sharing for recommended preventive services under Medicare</td>
<td>Free preventive services for 46 million Medicare beneficiaries, worth about $3 billion through 2019</td>
<td>Free preventive services for 46 million Medicare beneficiaries, worth about $1 billion through 2019</td>
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<tr>
<td></td>
<td>When it takes effect: 2011</td>
<td>When it takes effect: 2010</td>
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| Drug manufacturers provide discounts in the Medicare Part D coverage gap | Medicare beneficiaries receive a 50% discount on brand name drugs purchased while in the coverage gap. Each year the gap gradually narrows until it is eliminated.  
  50% discounts available starting 2011  
  Coverage gap fully eliminated in 2023 | Medicare beneficiaries receive a 50% discount on brand name drugs purchased while in the coverage gap.  
  50% discounts available starting July 1, 2010 |
| Increases asset limit for Medicare savings program and Part D low income subsidy | Raises the amount of assets Medicare beneficiaries may have (to $17,000 for an individual and $34,000 for a couple in 2012) and still quality for financial help with their medical and drug expenses | Not included |
|                                                                        | When it takes effect: 2012                                                                         |                                                                                         |
| Insurance reform: reduced cost-sharing for consumers for preventive care, annual out-of-pocket maximums | Insurers must provide coverage for certain recommended preventive services and immunizations at no additional cost to consumers; $5,000 individual, $10,000 family out-of-pocket maximum in 2013 | Insurers must provide coverage for certain recommended preventive services and immunizations at no additional cost to consumers; out-of-pocket maximums linked to health savings account (HSA) limits ($5950 individual; $11,900 family in 2010) |
|                                                                        | When it takes effect: 2013                                                                         | When it takes effect: 2013                                                              |

Sources: Congressional Budget Office Estimate of House bill dated 7/17 and Senate HELP bill dated 7/2; House Tri-Committee bill H.R. 3200 as introduced 7/14; Senate Health Education, Labor, and Pensions Committee draft bill released 6/9 and Committee summary of reported language released 7/15; and Avalere analysis
Reform Bills Provide Some Benefit to Medicare Beneficiaries in 2010; Major Assistance Starts in 2013 (Cont’d)

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| Insurance reform: insurers must issue and renew coverage for consumers, regardless of pre-existing condition | Insurers cannot deny or cancel coverage based on health status or refuse to pay for treatment based on pre-existing conditions  
  When it takes effect: 2013                                               | Insurers cannot deny or cancel coverage based on health status or refuse to pay for treatment based on pre-existing conditions  
  When it takes effect: 2013                                               |
| For new insurance plans offered through an exchange, premium and cost-sharing subsidies on a sliding scale up to 400% of poverty | CBO estimates total subsidies of $773 billion from 2013 through 2019; average subsidy in 2019 is about $6,000  
  When it takes effect: 2013                                               | CBO estimates total subsidies of $461 billion from 2013 through 2019; average subsidy in 2019 is about $5,500  
  When it takes effect: 2013                                               |
| Expands Medicaid to all individuals with incomes at or below 133% of poverty | Provides Medicaid coverage for an estimated 6 million additional individuals in 2013 and 11 million in 2019.  
  When it takes effect: 2013                                               | Provides Medicaid coverage for an estimated 6 million additional individuals in 2014 and 14 million in 2019.  
  When it takes effect: 2014                                               |
| Voluntary national insurance program to help individuals afford long-term care | Not included                                                                | HELP Committee bill: Cash benefit, with a $50 minimum average, to help pay for LTC services. Only actively employed individuals who have paid premiums for at least five years are eligible. Low-income individuals will pay $5 premium per month.  
  When it takes effect: Premiums will begin to be collected in 2011, the first benefits will be paid in 2016. |

Sources: Congressional Budget Office Estimate of House bill dated 7/17 and Senate HELP bill dated 7/2; House Tri-Committee bill H.R. 3200 as introduced 7/14; Senate Health Education, Labor, and Pensions Committee draft bill released 6/9 and Committee summary of reported language released 7/15; and Avalere analysis
## New Government Entities Would Oversee Payment and Delivery Reform in Public Programs

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<th>Center for Payment Innovation</th>
<th>Medicare Commission</th>
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<td>Proposed by the House Energy and Commerce and Senate Finance Committee</td>
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<tr>
<td><strong>Purpose</strong></td>
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<td>• To test and evaluate different payment and delivery models in public programs.</td>
<td>• To reduce Medicare spending by targeted amounts compared to projected Medicare spending under current law</td>
</tr>
<tr>
<td>• Senate Finance specifies that models should foster patient-centered care, improve quality, and contain costs</td>
<td>• The Commission would have a similar task to MedPAC but would be given more authority</td>
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Outlook
President’s Deadline for Reform is End of Year; Likelihood for Timeline is Uncertain

- President’s FY 2010 Budget Released
- Senate HELP Legislation Approved
- House Committees approve Legislation
- Senate Finance Committee Chairman’s Mark Released
- Target for Senate Floor Consideration of Major Healthcare Reform Legislation
- Target for Enacting Major Healthcare Reform Legislation
- Deploy Budget Reconciliation if no compromise on Health Reform reached by October 15
Key Takeaways

- Consensus around key reform themes is emerging:
  - Coverage and insurance market reforms
  - Delivery and payment system reforms
  - Financing strategies (i.e., industry deals)
- Certain elements (such as the public plan) remain undecided and controversial
- Many steps remain in the legislative process
- Although target for legislation is year-end, implementation would span several years
Marc Boutin
Executive Vice President &
Chief Operating Officer