



# Next Steps in National Health Reform

Ruth Liu, Sr. Director Health Policy

California Association of Health Plans Annual Conference

October 22, 2008

# Overview

- **National Health Reform Environment**
- **Key National Proposals**
- **Policy Overlap**
- **Prospects for Reform**
- **Implications for Health Plans**

# National Health Reform Environment

Current economic environment will make broad expansion of coverage more challenging in the near-term. Coverage expansion will need to be phased in over time.

However, as job losses mount and more individuals lose their connection to employer-based coverage, pressure will increase to deal with comprehensive health reform.

The near-term focus may be on care delivery, regulatory and prevention measures with perhaps some incremental expansion of access (SCHIP, buy in to Medicare for early retirees). This could be the first step of a more comprehensive vision.

# Three Major National Proposals Currently

**Obama** - Largely preserves current employer-based system, but with expanded access through a mix of private and expanded public insurance.

**McCain** – Replaces current tax exclusion with tax credits for individuals. Allows association plans and purchase of insurance across state lines.

**Wyden/Bennett** - Some shift from the employer-based system to the individual market. Funded primarily through “employer shared responsibility payments”.

# Obama Detail: Overall Objectives

**Goal: Affordable and high quality universal coverage through mix of private and expanded public health insurance.**

**Three components of plan:**

- Affordable, comprehensive coverage for all;
- System reform to contain costs;
- Promotion of prevention and public health

# Obama Detail: Coverage

**Create new public plan open to all uninsured individuals without access to employer-sponsored or public coverage.**

- Also open to self-employed and small business
- Guaranteed Issue; FEHBP level of benefits
- “Fair” premiums and minimal co-pays and deductibles for preventive services.

**Create National Health Insurance Exchange to help individuals with the purchase of private plans.**

- Guaranteed Issue and FEHBP minimum benefit
- No health status rating
- Rate review and price transparency

# Obama Detail: Coverage

## **Other Coverage Components:**

- Employer “pay or play”
- Mandate for children’s coverage
- Expansion of Medicaid and SCHIP (income level unspecified)
- Flexibility for state health reform efforts

# Obama Detail: System Reform

## **Federal Reinsurance for Employers for Catastrophic Costs**

- Employers reimbursed for portion of costs above a threshold if savings used to reduce worker's premiums.

## **Increased Care Delivery Quality**

- Support of Disease Management Programs
- Foster increased team based care through medical home type models
- Transparency on quality and cost

# Obama Detail: System Reform

## **Care delivery and payment changes**

- Greater focus on patient safety
- Development and dissemination of best practices
- Comparative Effectiveness Institute

**Investment in HIT (\$10 bln/yr for 5 years)**

# Obama Detail: System Reform

## **Increased competition in insurance and drug markets**

- MLR in “non-competitive” regions;
- Reduce Medicare Advantage plan payments
- Allow drug re-importation and faster use of generics
- Repeal ban on direct negotiations with drug companies for Medicare drugs

# Obama Detail: Prevention & Public Health

- **Support of employer worksite and school based wellness interventions**
- **Expand funding for primary care provider training and loan repayment programs**
- **Expand funding for community based preventive interventions**
- **Increased focus on role of public health institutions**

# McCain Detail: Overall Objectives

**Goal: Provide access to affordable care with choices that are responsive to individual needs and encourage personal responsibility.**

- Make health insurance more innovative, affordable, and portable for individuals
- Regulatory Flexibility
- Cost Containment

# McCain Detail : Affordable Care

- **Replace employer tax exclusion for coverage and replace with individual tax credits**
- **Individuals that purchase coverage for less than the tax credit can put the remainder in health savings accounts**
- **Work with states to establish Guaranteed Access Plans (GAPs) for high-risk individuals**

# McCain Detail: Regulatory Flexibility

- **Allow purchase of insurance from association health plans for small business and self-employed**
- **Allow cross state sale of insurance**
- **Encourage multi-year insurance products**
- **State Medicaid flexibility for access, alternative insurance policies, episode-based payment methodologies**

# McCain Detail: Cost Containment

- **Medical Malpractice Tort Reform**
- **Price and Quality Transparency**
- **Allow drug re-importation and faster introduction of generic drugs**
- **Investment in prevention and chronic care management**
- **Change financial incentives for providers through episode-based payments**

# McCain Detail: Cost Containment

- **Establish Medicare payments for prevention, diagnosis and care coordination; prevent payment for preventable medical errors**
- **Promote HIT deployment**
- **Support public health measures and prevention**
- **Support federal comparative effectiveness research**

# Wyden/Bennett Detail

**Goal: Private coverage – at least as good as members of Congress receive – is a right of all Americans. Average rate of growth in health care can be slowed.**

- Likely shift from employer-based coverage to coverage obtained through state-based Health Help Agencies
- Cost containment

# Wyden/Bennett Detail: Coverage

- **Shift from a largely employer-based model to a model of obtaining coverage through state Health Help Agencies. Amendment allows employers to continue offering coverage that meets certain standards.**
- **Employer option to make employer shared responsibility payments based on size and revenue of employer or offer coverage.**
- **Health Help Agencies coordinate offerings from private carriers**

# Wyden/Bennett Detail: Coverage

- **Health Help Agency Allowed Offerings:**
  - BCBSA standard FEHBP option
  - Actuarial equivalent of FEHBP option
  - Plans with additional, separately priced benefits
- **Guaranteed Issue, no health status or age rating**
- **Individual mandate**
- **Sliding Scale Subsidies up to 400% FPL**

# Wyden/Bennett Detail: Cost Containment

- **Promote prevention and chronic care management**
- **Primary Care Management Fee**
- **Authority to negotiate Medicare prescription drug pricing**
- **Patient Safety and Hospital Quality Initiatives**
- **End-of-Life Care Improvements**

# Policy Overlap

## **Cost Containment through increased competition and improved quality**

- Patient Safety Initiatives and payment changes
- Drug re-importation and increased use of generics

## **Prevention and public health measures to improve the health of Americans.**

- Chronic Care Management
- Public Health and Wellness Programs

# Policy Overlap

## **Cost containment through care delivery reforms and payment reforms.**

- Team-based or episode-based payment approaches
- Expanded use of health information technology
- Price and quality transparency
- Comparative Effectiveness Research

# Prospects for Movement at the National Level

- **Wyden/Bennett – actual bill language, bi-partisan support, favorable scoring from CBO, but shift from employer-based system. Other leaders in the Senate and House likely to promote alternative approaches.**
- **Obama – If moves forward aggressively with his health care agenda, will face issues similar to those debated in California around financing, affordability for individuals, and market reforms. Likely to provide outline and leave Congress to sort out details.**

# Prospects for Movement at the National Level

- **McCain – Health care agenda may be overshadowed by competing priorities such as economy, national security and energy.**
- **In any case, likely to be significant discussion in areas of policy overlap: payment reform, care delivery changes, cost containment.**

# What are the Implications for Health Plans?

- **All three major proposals look to changes in care delivery, improved chronic care management, payment reforms and prevention for reigning in costs.**
- **Likely discussion of rate regulation, rate review, enrollment and underwriting policies, guaranteed access to coverage for all without a mandate.**