Federal Health Reform: The “New Normal”

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Overview: Where are we now?

- Is the Health Law “Government-Run” Health Care?
- What’s Next for Federal Regulations?
- What’s Next for the Statewide Exchanges?
- What’s Next for Taxes and Spending?
- What’s Next for Medicaid and Medicare?
- What’s Next for Health Insurance Coverage?
- What’s Next for Private Health Costs?
- What’s Next… in 2013 and 2014?
Is the 2010 Health Law “government-run” health care?

Single Payer
- Most Expensive
- Fewest Choices
- Poorest Quality

Free Market
- Most Efficient
- Most Choices
- Best Quality
- Not synonymous with “private”

Socialist?

Fascist?
Federal Regulations

- June 2012 Report: HHS Misses Half of ACA Deadlines
  - “Uniform” summaries of health insurance coverage – 1 year
  - Requirements for calorie labeling (vending machines/menus)
  - CLASS Act regulations

- October 2012: WH announces employer mandate regulations will not be published until “after the November elections.”

- November 2012: Regulations released
  - Prohibit pre-existing condition exclusions
  - Limit premium setting based on age
  - Allow for premium adjustments based on smoking, family size, geography, but NOT gender, occupation, claims or health history
  - Outline “minimum essential benefit” categories (10)
  - Encourage employer-based wellness programs

- January 2013: Employer Shared Responsibility
  - Comments due by March 18; hearing set for April 23
Federal and State Bureaucracy

- Who will enforce the regulations?
  - Congressional Research Office enumerates more than 50 new agencies, offices, and commissions started by the law, but in same report states the real number is “unknowable.”

- The IRS will manage the collection of many penalties, taxes, and subsidies. (Has budgeted $303 million for enforcement)

- At the state level, many questions exist about shared authority: insurance commissioners, legislative bodies, state departments of health, governors, and exchange bodies.
Statewide Exchanges

- 18 states (and DC) will establish an exchange
- 25 states have decided not to establish
- 7 states planning on “partnership exchange”

Next deadline (for partnership exchanges) is days away: Feb. 15
Next choice for establishing states: Clearinghouse vs. Active Purchaser

Source: Kaiser Family Foundation
Various Types of Exchanges

- State-run (Section 1311)
  - Clearinghouse exchanges
    - Hawaii, Utah, Nevada, Maryland, Washington, Colorado
  - Active Purchaser exchanges
    - DC, California, Connecticut, Massachusetts, Oregon, Vermont, Rhode Island
  - Not yet addressed
    - Idaho, Minnesota, New York, Kentucky, New Mexico

- Federally-run (Section 1321)
  - Partnership exchanges
    - North Carolina, Michigan, Iowa, Illinois, Delaware, West Virginia, Arkansas
  - Default to Federal (everyone else)
## Statewide Exchanges

<table>
<thead>
<tr>
<th>Arguments in Favor</th>
<th>Arguments Against</th>
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<tbody>
<tr>
<td>The federal government may show favor ($$$) to states that set up exchanges</td>
<td>Why pay for something the federal government is giving away to other states?</td>
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<tr>
<td>Could potentially block the collection of new federal taxes and distribution of subsidies</td>
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<tr>
<td>Some say this could allow for some state-level control</td>
<td>Some say “local control” is a joke and point to federal govt’s authority to dictate terms of the exchanges</td>
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<tr>
<td>Some say it is a “marketplace”</td>
<td>Definitely not a marketplace (Hint: It’s a bureaucracy.)</td>
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New Spending

Math Made Simple:

$1 trillion in increased revenue

$716 billion in reductions to Medicare budget

$1.7 trillion in new spending

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<td>49</td>
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<td>83</td>
<td>85</td>
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<td>Exchange Subsidies and Related Spending</td>
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<td>4</td>
<td>25</td>
<td>61</td>
<td>97</td>
<td>119</td>
<td>129</td>
<td>137</td>
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<td>148</td>
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<td>Gross Cost of Coverage Provisions</td>
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<td>6</td>
<td>53</td>
<td>113</td>
<td>161</td>
<td>190</td>
<td>208</td>
<td>221</td>
<td>229</td>
<td>242</td>
<td>256</td>
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# New Taxes / Tax Increases

<table>
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<tr>
<th>Year</th>
<th>Taxes / Increases</th>
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| 2010 | Charitable Hospitals excise tax  
|      | “Econ substance” doctrine  
|      | “Black liquor” tax  
|      | Drug companies  
|      | BCBS tax increase  
|      | Tanning salon tax  
| 2011 | Medicine cabinet tax  
|      | HSA withdrawal tax increase  
| 2012 | Reporting on W-2  
| 2013 | Surtax on Investment Income  
|      | Hike in Medicare Payroll tax  
|      | Tax on Medical Devices  
|      | High Medical Bills tax  
|      | FSA Cap  
|      | Medicare Part D tax deduction elimination  
|      | Limit for HI executives compensation  
| 2014 | Individual mandate tax  
|      | Employer mandate tax  
|      | Tax on health insurers  
| 2018 | Comprehensive health insurance plans tax |
## Changes in Revenues

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<td><strong>Coverage-Related Provisions</strong></td>
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<tr>
<td>Exchange Premium Tax Credits</td>
<td>0</td>
<td>7</td>
<td>14</td>
<td>22</td>
<td>26</td>
<td>29</td>
<td>30</td>
<td>31</td>
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<td>32</td>
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<td>Small Employer Tax Credits</td>
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<td>2</td>
<td>1</td>
<td>2</td>
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<td>2</td>
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<td>2</td>
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<tr>
<td>Penalty Payments by Uninsured Individuals</td>
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<td>0</td>
<td>-3</td>
<td>-6</td>
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<td>-7</td>
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<td>-8</td>
<td>-9</td>
<td>-9</td>
<td>-15</td>
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<td>Penalty Payments by Employers</td>
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<td>-4</td>
<td>-9</td>
<td>-10</td>
<td>-11</td>
<td>-12</td>
<td>-14</td>
<td>-15</td>
<td>-15</td>
<td>-16</td>
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<td>Excise Tax on High-Premium Insurance Plans</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>-11</td>
<td>-18</td>
<td>-22</td>
<td>-27</td>
<td>-32</td>
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<td>Associated Effects of Coverage Provisions on Tax Revenues</td>
<td>-1</td>
<td>-3</td>
<td>-6</td>
<td>-14</td>
<td>-23</td>
<td>-29</td>
<td>-34</td>
<td>-36</td>
<td>-35</td>
<td>-37</td>
<td>-46</td>
<td>-216</td>
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<tr>
<td><strong>Other Provisions</strong></td>
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<tr>
<td>Other Revenue Provisions</td>
<td>-7</td>
<td>-11</td>
<td>-10</td>
<td>-8</td>
<td>-7</td>
<td>-8</td>
<td>-9</td>
<td>-9</td>
<td>-9</td>
<td>-9</td>
<td>-44</td>
<td>-87</td>
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<tr>
<td><strong>Total Revenues</strong></td>
<td>-36</td>
<td>-42</td>
<td>-67</td>
<td>-75</td>
<td>-88</td>
<td>-109</td>
<td>-127</td>
<td>-140</td>
<td>-152</td>
<td>-163</td>
<td>-308</td>
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<td>Off-Budget</td>
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<td>-2</td>
<td>-3</td>
<td>-7</td>
<td>-9</td>
<td>-13</td>
<td>-16</td>
<td>-17</td>
<td>-19</td>
<td>-23</td>
<td>-103</td>
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</table>
**Medicare and Medicaid**

**Medicare – The Government Insurance for Seniors**

- Medicare spending will be reduced by $716 billion over the next 10 years.

- A board will be created to reduce the growth in per-capita spending in Medicare, called the Independent Payment Advisory Board.

- $415 billion of those cuts will be in traditional Medicare (FFS).

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**Figure 1: Medicare FFS Payment Reductions by Provider Type**

Source: Univ. of Minnesota Working Paper: “What is the Regional Impact of the Medicare FFS and Medicare Advantage Payment Reductions?”
Medicare and Medicaid

Medicare – The Government Insurance for Seniors

- The initial IPAB spending reductions account for $114 billion, but IPAB will continue to manage Medicare payments after 2022.
Medicare and Medicaid

Medicaid – Govt. Insurance for the Disadvantaged

- Medicaid Expansion – Moves eligibility for the program from 100% of FPL to 133% of FPL in PARTICIPATING STATES (blue)

Source: The Advisory Board Company
Health Insurance Coverage (CBO)

Before Supreme Court Decision

- 24 million newly insured in statewide exchanges
- 16 million new to Medicaid
- 8-9 million losing Employer-Sponsored offer (net)
- 27 million left uninsured

After

- 25 million newly insured in statewide exchanges
- 11 million new to Medicaid
- 8-9 million losing Employer Sponsored offer (net)
- 30 million left uninsured (11 million subject to mandate tax, 6 million will pay)
Private Businesses and Jobs

“Uncertainty is a job killer.”

▪ (Weak) Small Business Tax Credit
  ▪ Available to less than one third of small businesses
  ▪ Must have 25 or fewer workers
  ▪ Must pay average of $50,000 or less
  ▪ Not available to sole proprietorships and their families
  ▪ Expires in 2016
  ▪ About 170k businesses have claimed the credit, averaging an amount of $2,700

▪ Employer mandates raise the cost of employment

▪ NFIB identified top 5 concerns of business owners as health insurance costs, uncertainty over economic conditions, cost of energy, uncertainty over government actions, and unreasonable government actions. (August 2012 survey)

▪ Most recent WMC survey showed “health care” as #2 biggest business concern, right after “economic slowdown.”
Concerns for Business Owners

Why is health reform such a concern?

- Continually rising health insurance premiums
  - Aon Hewitt projects 6.3% increase in costs for 2013
- Continued concern over health care supply (providers: doctors)
- Law designed to lower health insurance through premium subsidies or tax credits in the exchanges
- Concern over rising taxes and compliance costs

<table>
<thead>
<tr>
<th>Total Plan Premium Costs</th>
<th>Percentage Increase</th>
<th>Average Cost per Employee</th>
<th>Average Employee Premium Contribution</th>
<th>Average Employee Out-of-Pocket Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 (projected)</td>
<td>6.3%</td>
<td>$11,188</td>
<td>$2,385</td>
<td>$2,429</td>
</tr>
<tr>
<td>2012</td>
<td>4.9%</td>
<td>$10,522</td>
<td>$2,204</td>
<td>$2,200</td>
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<tr>
<td>2011</td>
<td>8.5%</td>
<td>$10,034</td>
<td>$2,090</td>
<td>$2,072</td>
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<tr>
<td>2010</td>
<td>6.2%</td>
<td>$9,246</td>
<td>$1,927</td>
<td>$1,761</td>
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<tr>
<td>2009</td>
<td>5.0%</td>
<td>$8,703</td>
<td>$1,797</td>
<td>$1,580</td>
</tr>
<tr>
<td>2008</td>
<td>5.3%</td>
<td>$8,290</td>
<td>$1,691</td>
<td>$1,508</td>
</tr>
<tr>
<td>2007</td>
<td>5.3%</td>
<td>$7,874</td>
<td>$1,567</td>
<td>$1,364</td>
</tr>
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</table>

Source: Aon Hewitt Health Value Initiative database of large U.S. employers’ health care costs.
Private Health Costs

How does this affect MY premiums? MY business?

Important distinction between “cost” and “price” to consumer.

Some will be short-term winners, many will be losers.

- Subsidies will not keep pace with rising health costs.

Source: CBO Publications and calculations from Michael Cannon, Cato Institute
Reasons to be Cautious

- Remaining Controversies:
  - Lawsuits pending re: IRS rule, IPAB, and HHS mandate
  - Continual Congressional pushback
  - Practically: Mandate penalties may be too low to achieve goals
  - Practically: Federal government not prepared to run exchanges
What’s Next… in 2013 and 2014?

2013:
- Tax changes
- Appointment of IPAB members, submission of first proposal
- States prepare for exchanges & Medicaid expansion

2014:
- Tax changes
- Implementation of first IPAB proposal (or Congressional replacement)
- Medicaid expansion in effect in some states
- Statewide exchanges in effect
- Minimum Essential Coverage required
- Insurance companies subject to community rating & guaranteed issue
- Employers subject to “Shared Responsibility” requirements
Thank you

For more information, visit www.HealthReformQuestions.com