

Initial Analysis of Federal Health Reform

Implications for San Mateo County

San Mateo County Board of Supervisors

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The law touches nearly every sector of health care

Uninsured

Health insurers

Communities

Seniors

Healthcare providers

County government

People with insurance

Businesses

Taxpayers



Individuals without health insurance must get it or face a penalty

- Requirement that every individual obtain health insurance or pay a tax penalty
- Federal subsidies given to those with incomes between 133% and 400% FPL
 - 400% FPL = \$43K for an individual
 - 133% FPL = \$14K for an individual
- Free insurance through Medicaid given to all individuals with incomes below 133%

Take effect in 2014



The vast majority of SMC uninsured will get insurance

65,000 uninsured SMC residents will qualify for health insurance coverage

- 43,000 eligible for subsidies to get private insurance affordable
- 22,000 additional people will get free insurance through Medicaid

Take effect in 2014



While coverage expansion is not until 2014, some good things happen soon

- Insurance will be made available this year to uninsured with pre-existing conditions through expansion of high-risk pools**
- Health insurers may not deny coverage for children with pre-existing medical conditions**
- Health plans must allow parents to cover children as dependents up to age 26**
- Small businesses with <25 employees and average wages of <\$50K eligible for new tax credits for buying health insurance**



Adults and children with health insurance can expect more protection, transparency

- **For most people with employer-provided health insurance, no significant change**
- **Insurance must have standard benefit package**
- **Insurance companies can't exclude or drop people with medical problems**
- **Preventive care must be included with no co-pays**



Adults and children with health insurance can expect more protection, transparency

- **No more lifetime caps on insurance payouts**
- **Parents can keep children on their insurance until age 26**
- **Waiting periods for coverage must be shorter than 90 days**
- **People cannot be dropped from insurance if they get sick**



Seniors will have improved Medicare benefits

- Seniors on Medicare with lots of prescriptions will get help with prescription costs
- Preventive care will be included at no cost
- Solvency of Medicare for the longer-term will be strengthened
- New voluntary insurance for services to remain safely at home as an older adult



For some seniors, Medicare Advantage plans may change

- **Currently, federal government pays 15% more to Medicare Advantage plans than for “regular” Medicare**
- **Starting in 2011, payments to Medicare Advantage plans will be lowered to be equivalent to the payments paid in “regular” Medicare**
- **For some seniors in Medicare Advantage plans, there likely will be changes in their plans**



Health insurers will have to meet new rules

- Health insurers may no longer impose:
 - Pre-existing condition exclusions
 - Lifetime caps on health insurance coverage
 - Cancellation of insurance when an insured person gets sick



Health insurers will have to meet new rules

- Insurers must spend a minimum of 85% on medical care for large groups, 80% on individual insurance plans
- Insurers must provide standard benefit packages, which should help with the issue of “underinsured”



Health care providers will see different payment incentives in Medicare and Medicaid

- **Primary care doctors will get paid higher rates (Medicare rates) to see Medicaid patients**
- **Community Health Centers (e.g. Ravenswood) will get more money**
- **Medicare and Medicaid providers who use electronic medical records will get higher payments**



Health care providers will see different payment incentives in Medicare and Medicaid

- **Medicare will no longer pay for preventable hospitalizations or for hospital-acquired conditions**
- **Non-profit hospitals will have to spend money on “charity care” or risk penalties**
- **The federal government will test payment incentives that encourage improved quality, reduced costs rather than more services**



Employers will have “carrots and sticks” to encourage provision of coverage

Credits, subsidies, grants for:

- Small employers with 25 or fewer employees and average wages under \$50K will get a federal tax credit of up to 35% of premiums starting this year
- Employers providing health coverage to retirees over age 55 who are not eligible for Medicare will be eligible for temporary reinsurance
- Grants for employer wellness efforts aimed at promoting healthier behavior available starting in 2014



Employers will have “carrots and sticks” to encourage provision of coverage

Penalties, fees, taxes for:

- Employers with 50+ employees that do not offer coverage will pay \$2000 per full-time employee starting in 2014
- Employers with 50+ employees who opt for subsidized coverage will pay the amount that employer coverage would have cost
- Employers offering “high cost” plans will pay 40% of the value of the plan, beginning 2018



Communities will have reinforcement in promoting prevention

- Chain restaurants and vending machines companies must display nutritional content of food
- Competitive grants aimed at promoting healthier communities
- Competitive grants to strengthen the public health workforce



The County will have significant savings due to less uncompensated medical care

- Majority of uninsured people who are County's responsibility will be covered through Medicaid expansion and subsidies
- Will still be approximately 22,000 who will "fall through the cracks" and be our responsibility, but this is far fewer than we currently have



There are implications for county departments

- **Human Services Agency**
 - Will have to enroll 40% more people in Medicaid
 - But the rules should be much simpler
- **Human Resources**
 - Most of the new employer requirements are already in place here, but we will have to allow employees to keep dependents on until age 26
- **Health System**
 - Many, many implications!



All sectors will help pay for health coverage expansion

- Businesses not offering coverage will pay penalties starting 2014
- High-income taxpayers (\$200,000) will pay more starting 2013
- Medical flexible spending account rules will be tightened
- Medicare Advantage plans will get lower payments starting 2011
- Health System will get fewer federal "DSH" due to fewer uninsured residents starting 2014
- Businesses in the health sector (health insurers, pharmaceutical companies, medical device manufacturers, tanning salons) will pay new fees starting this year



Reform reflects advocacy by many, including SMC's Blue Ribbon Task Force

- Major change is the decision that health insurance is needed by all, and that federal government has a role to play
- Could not have happened without community efforts such as the Blue Ribbon Task Force
- This is just the end of the beginning; much will be tweaked, changed as time passes



Our next steps

- **Continue to analyze the new law**
- **Work with Health Plan of San Mateo to give input on how state and federal agencies implement health care reform**
- **Watch for federal grant opportunities**



Our next steps

- **Work with Implementation Advisory Council to make implementation a local success**
- **Continue to partner with key stakeholders to get through the next few very lean years**