Health Policy 101– CT's broken health care system and how we can fix it

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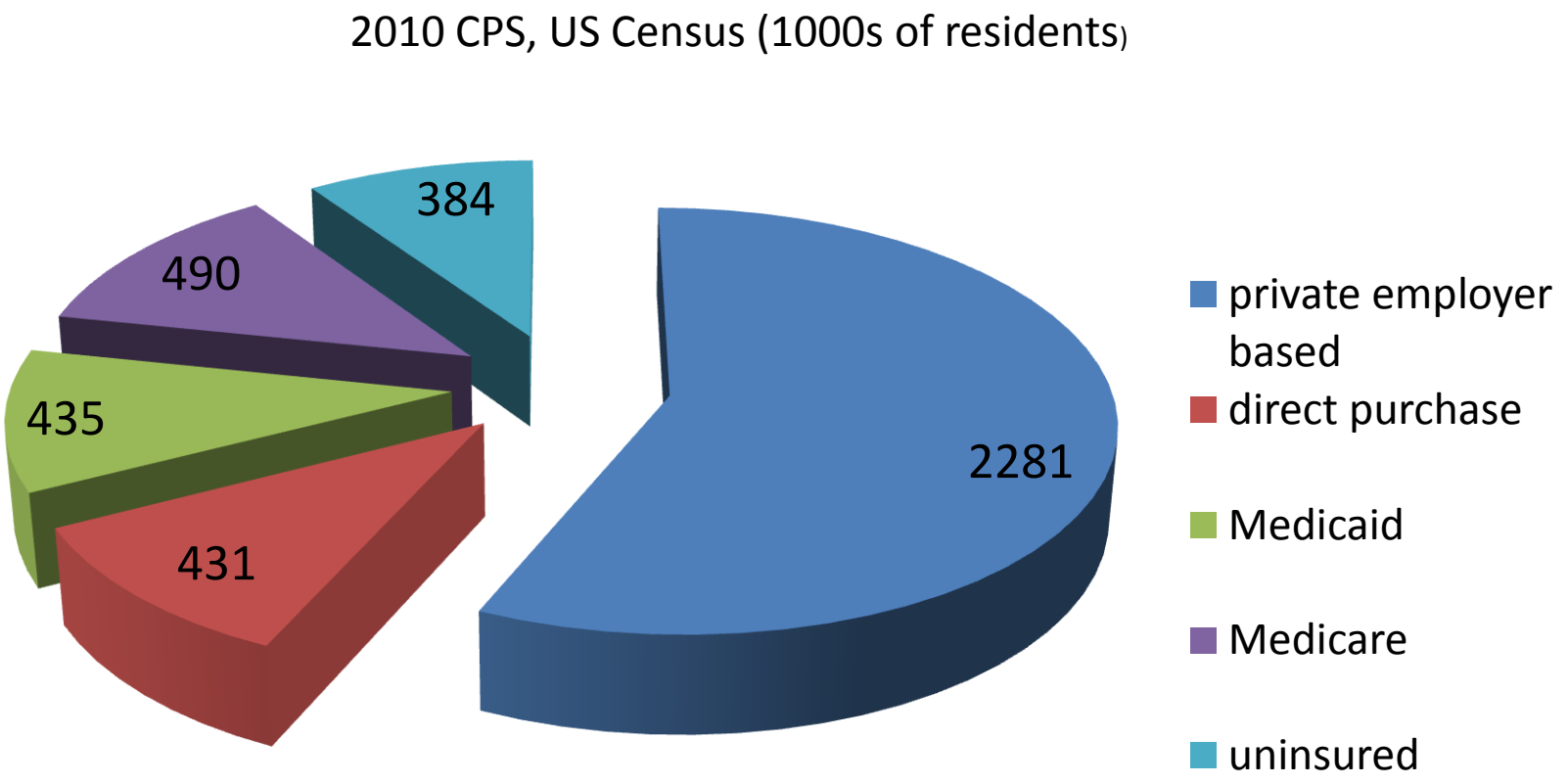
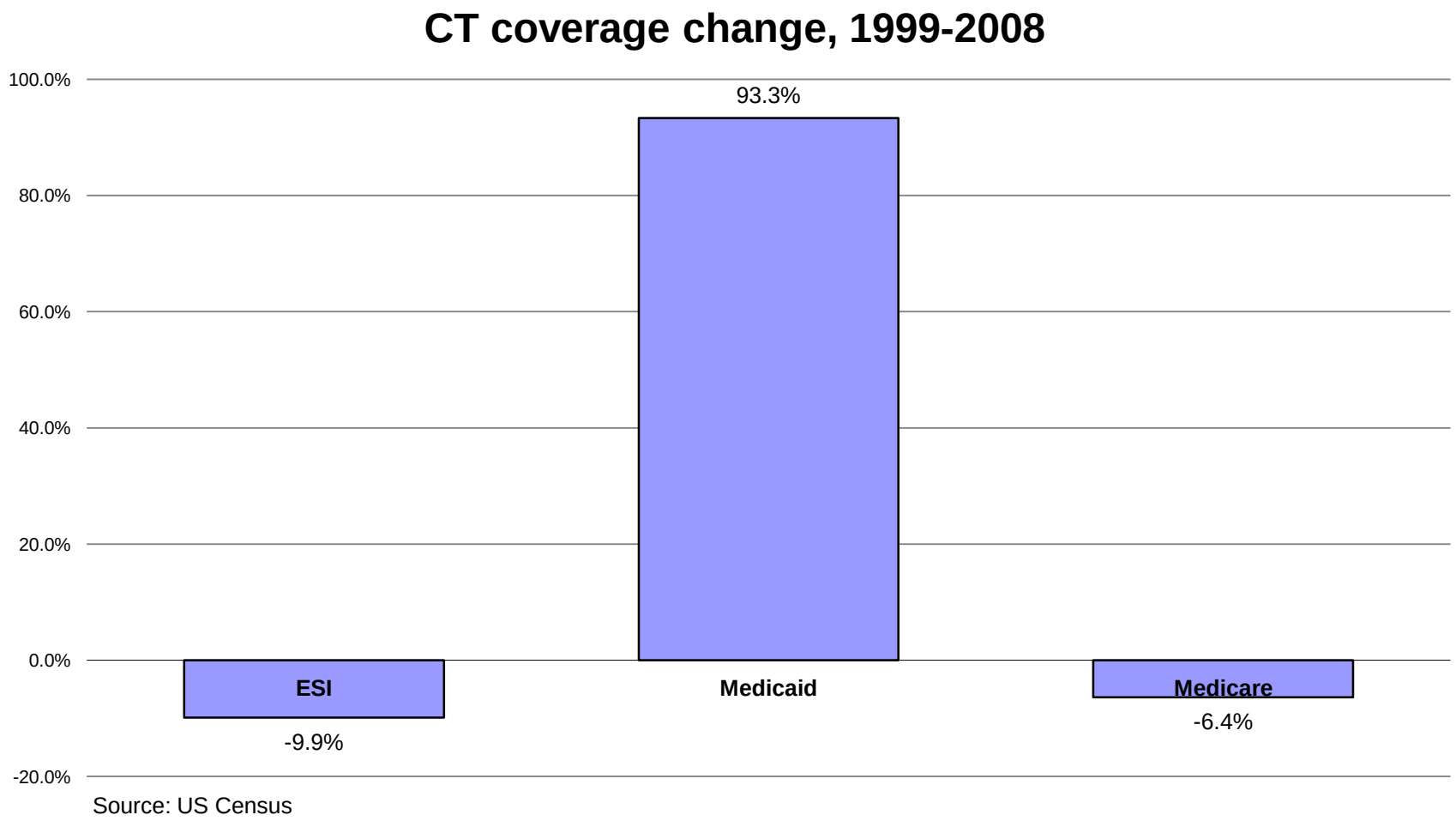
Connecticut Health Policy Project

what it looks like depends on where you are sitting



seats are changing

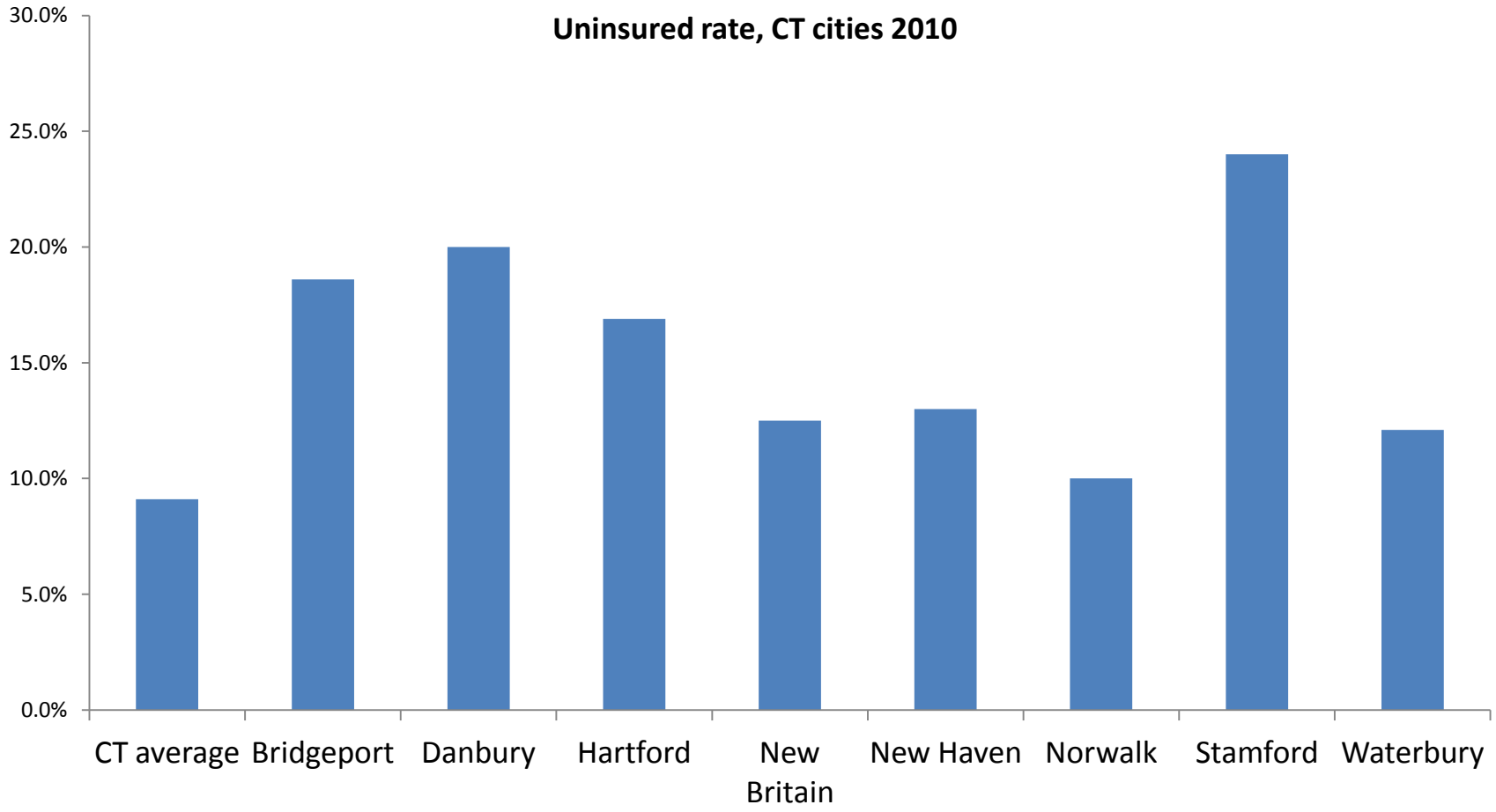


CT's uninsured larger than

The number of accountants, auditors, computer programmers, architects, economists, chief executives, social workers, clergy, lawyers, judges, librarians, writers and authors, photographers, dentists, doctors, pharmacists, registered nurses, veterinarians, dental hygienists, fire fighters, security guards, crossing guards, chefs and cooks, waiters and waitresses, dishwashers, janitors, tree trimmers and pruners, hairdressers, child care workers, insurance sales agents, travel agents, file clerks, mail carriers, electricians, painters, bakers, butchers, machinists, tool and die makers, commercial pilots, air traffic controllers, bus drivers, parking lot and service station attendants, fitness trainers, health educators, actors, dancers, funeral directors, budget and financial analysts, loan officers, chemists, historians, reporters,

PLUS legislators in CT

CT uninsured are not evenly distributed



Source: US Census, ACS

Why are people uninsured?

- Myth: Uninsured people don't buy insurance because they believe they don't need it.
- Truth: Most are uninsured because they can't afford it or they are not eligible for coverage at work. Only 7% of the uninsured report that the main reason they are uninsured is because they don't think they need it.

Source: Kaiser Commission

Why does it matter?

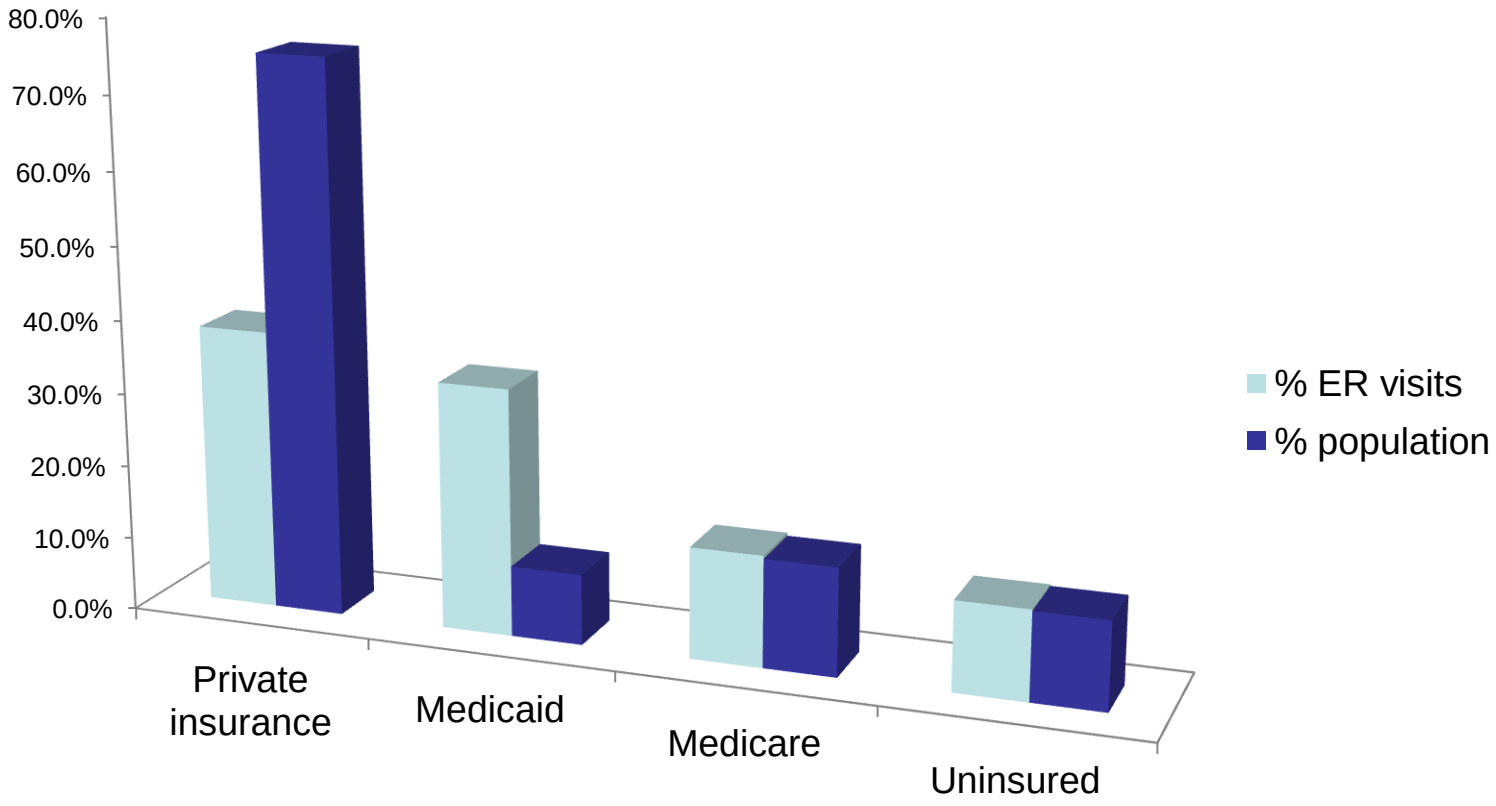
- Myth: Uninsured people can get free health care.
- Truth: The uninsured often pay the highest prices for their care. They pay the full retail price, not the 40 to 50% discounts available to HMOs and government payers. 63% of bankruptcies are due to high medical bills.

Source: Kaiser Commission

Why does it matter?

- CT's uninsured are 10 times less likely to get care for an injury and 7 times less likely to get care for a medical emergency
- The uninsured go without important screenings and preventive care
  - 12% of hospital stays for CT's uninsured could have been avoided with early treatment
- The uninsured are less likely to access on-going care to manage chronic disease
- The uninsured receive fewer medical services and are 25% more likely to die prematurely.

Myth: Uninsured and ER overcrowding



Source: US Census, OHCA (2009)

Throwing money at a problem has a bad rap – it's like firefighters throwing water on a fire

-- Rep. Barney Frank

We can't afford any more of your savings.

-- OPM staffer

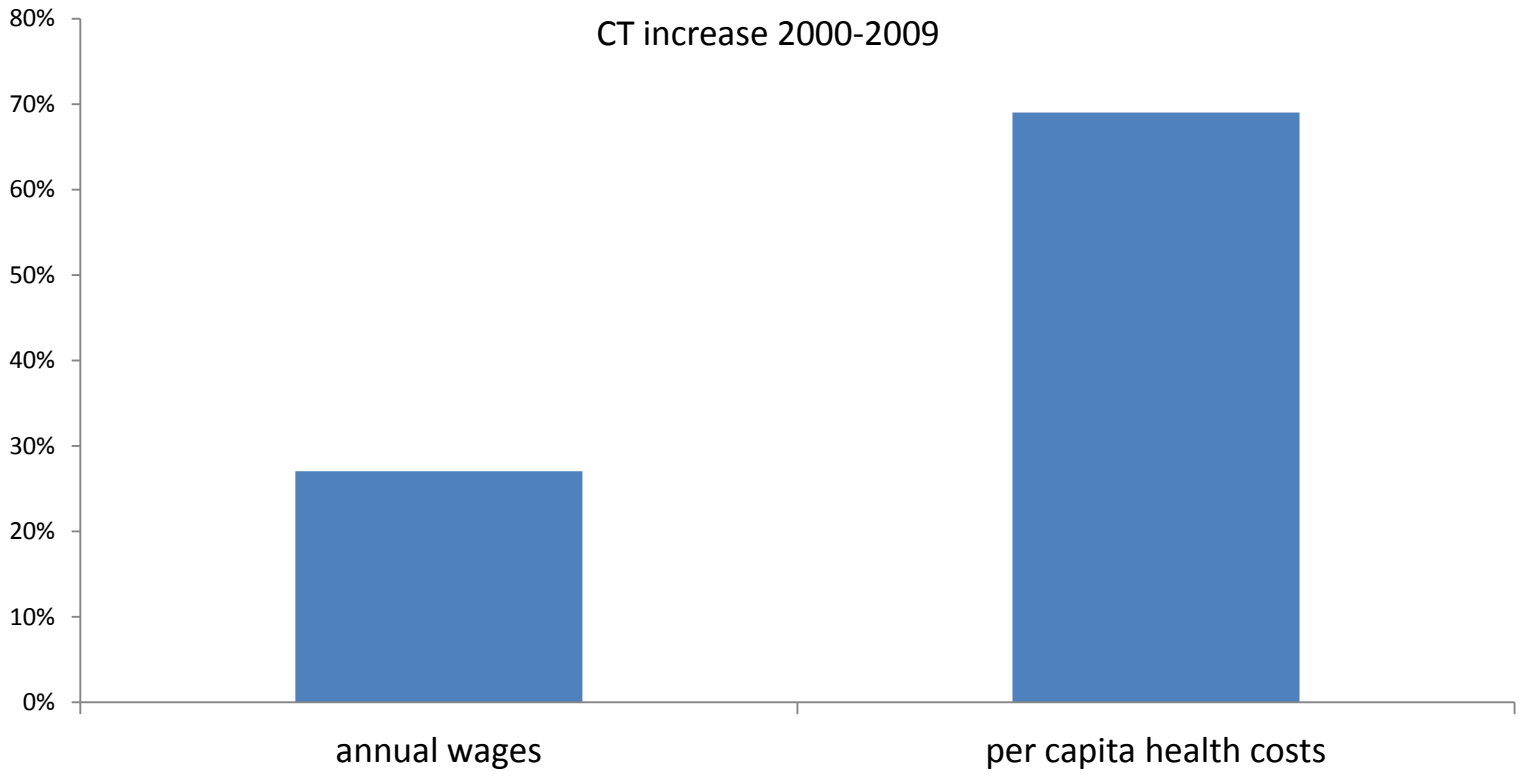
health care critical to CT's economy

- 12 cents of every dollar spent in CT goes to health care
- $30.4 billion in 2009
- One out of eight CT workers is employed in health care services
- While CT employment dropped 4.3% from 2008 to 2009, health care employment was up 1.7%
- Ten major drug and 22 biomedical companies as well as six major HMOs have large facilities in Connecticut
- Every dollar spent on Medicaid in CT creates $2.09 in business activity; Medicaid generates 31,695 CT jobs and $4.5 billion in CT wages

health care is expensive in CT

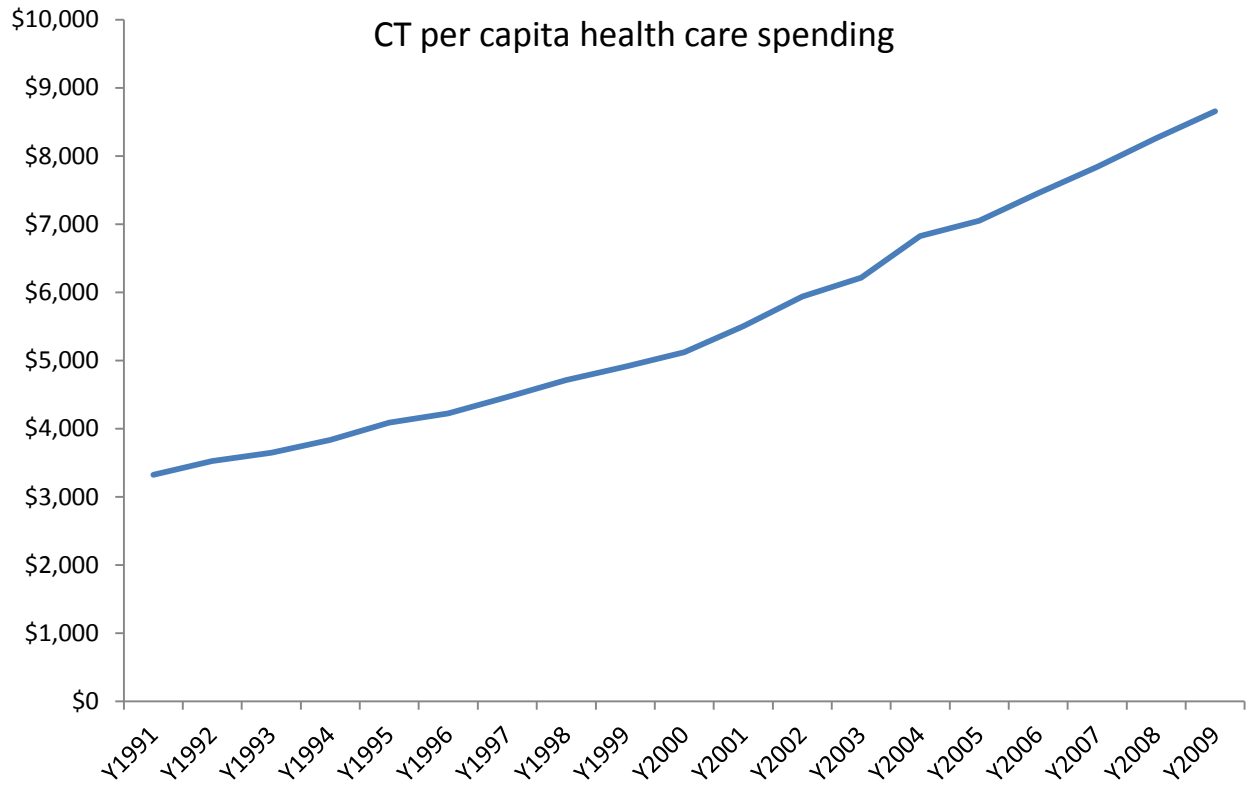
- Health care spending per person in CT is 21% higher than US
- From 2000 to 2009, total CT family premiums rose 96% while family incomes rose only 13%
- Family costs rose even more – by 114% or 8.8 times faster than incomes

CT wages not keeping up with health care spending



Source: CT Dept. of Labor, CMS

It’s getting worse



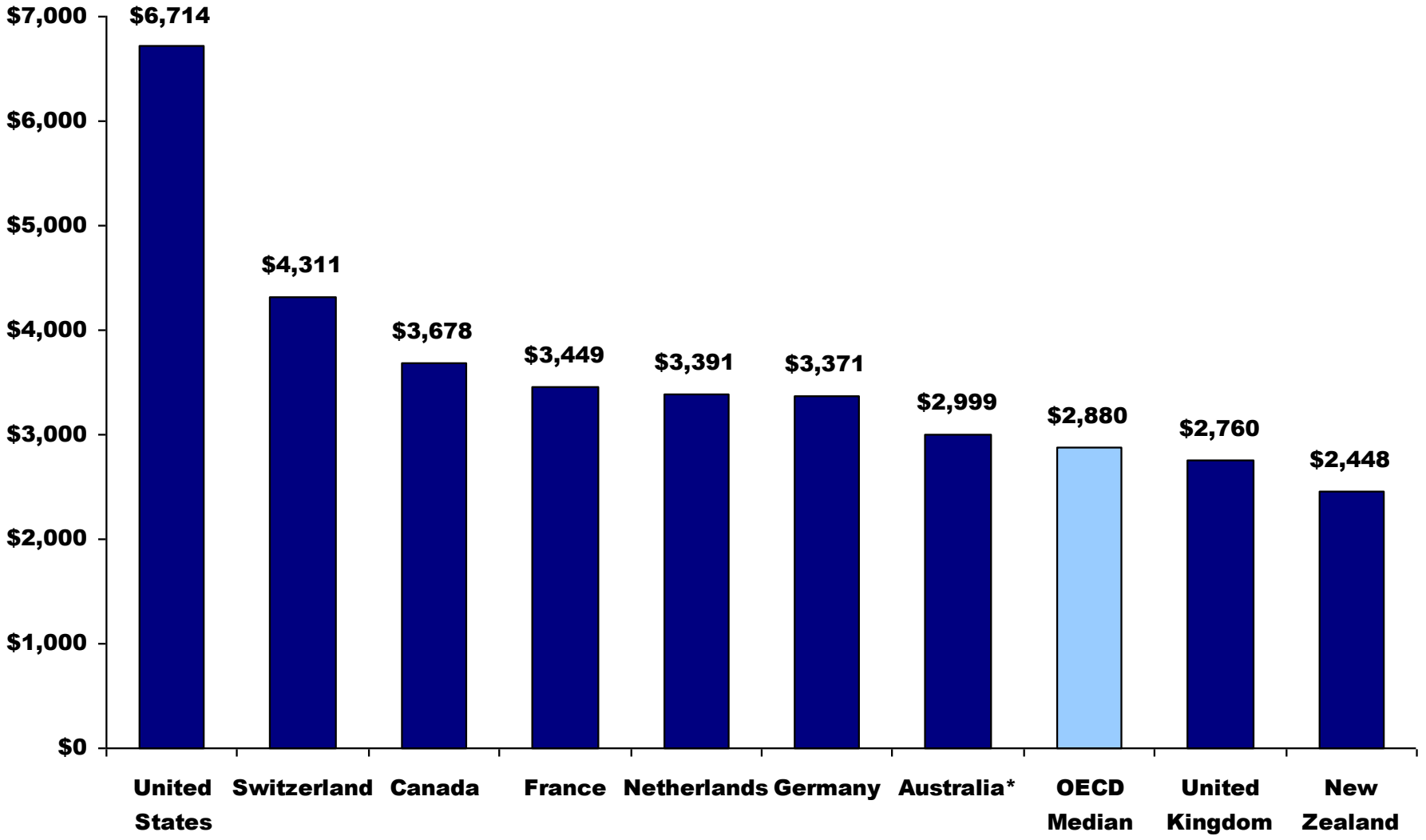
Source: CMS

why is it so expensive

- **Because one in nine CT residents doesn't have coverage**, adding inefficiency that increases premiums $198 per year for CT single coverage and $583 for CT families
- **We are getting sicker** – rising prevalence of the top five medical conditions accounted for almost a third of the rise in costs
- **Lifestyles** – obesity costs every CT resident $246 each year in higher medical costs
- **Administration** consumes 31% of every dollar spent on health care in the US, compared to 16.7% in Canada
- **Technology advances** are a significant driver of health costs, however some are important in reducing future costs
- **Waste** – it is estimated that $1.2 trillion of the $2.2 trillion US spends on health care is wasted – duplicate services, unnecessary treatments, inefficient administration

Health Care Spending per Capita, 2006

Adjusted for Differences in Cost of Living

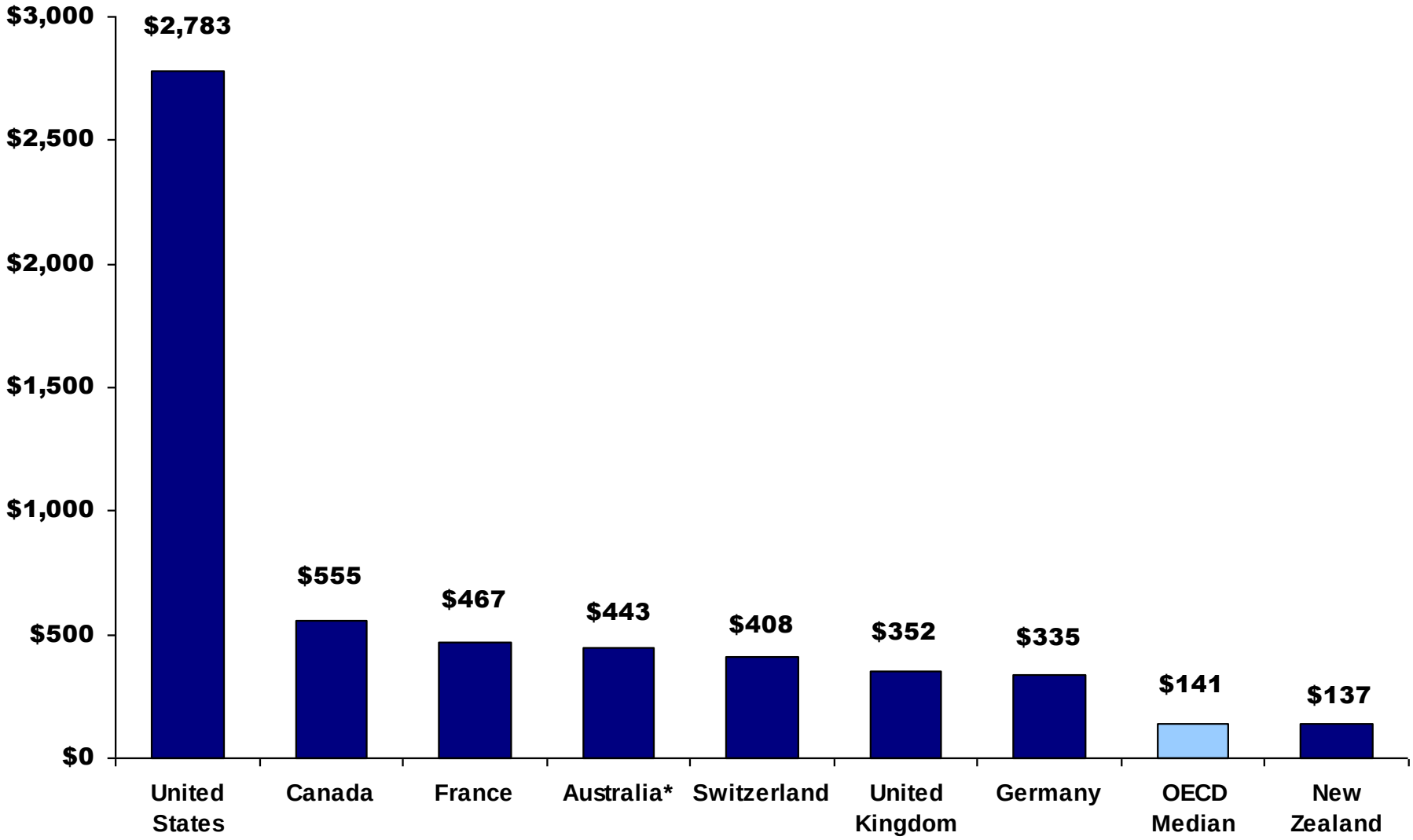


*2005

Source: Commonwealth Fund, OECD Health Data 2008, "June 2008."

Private Spending on Health Care per Capita, 2006

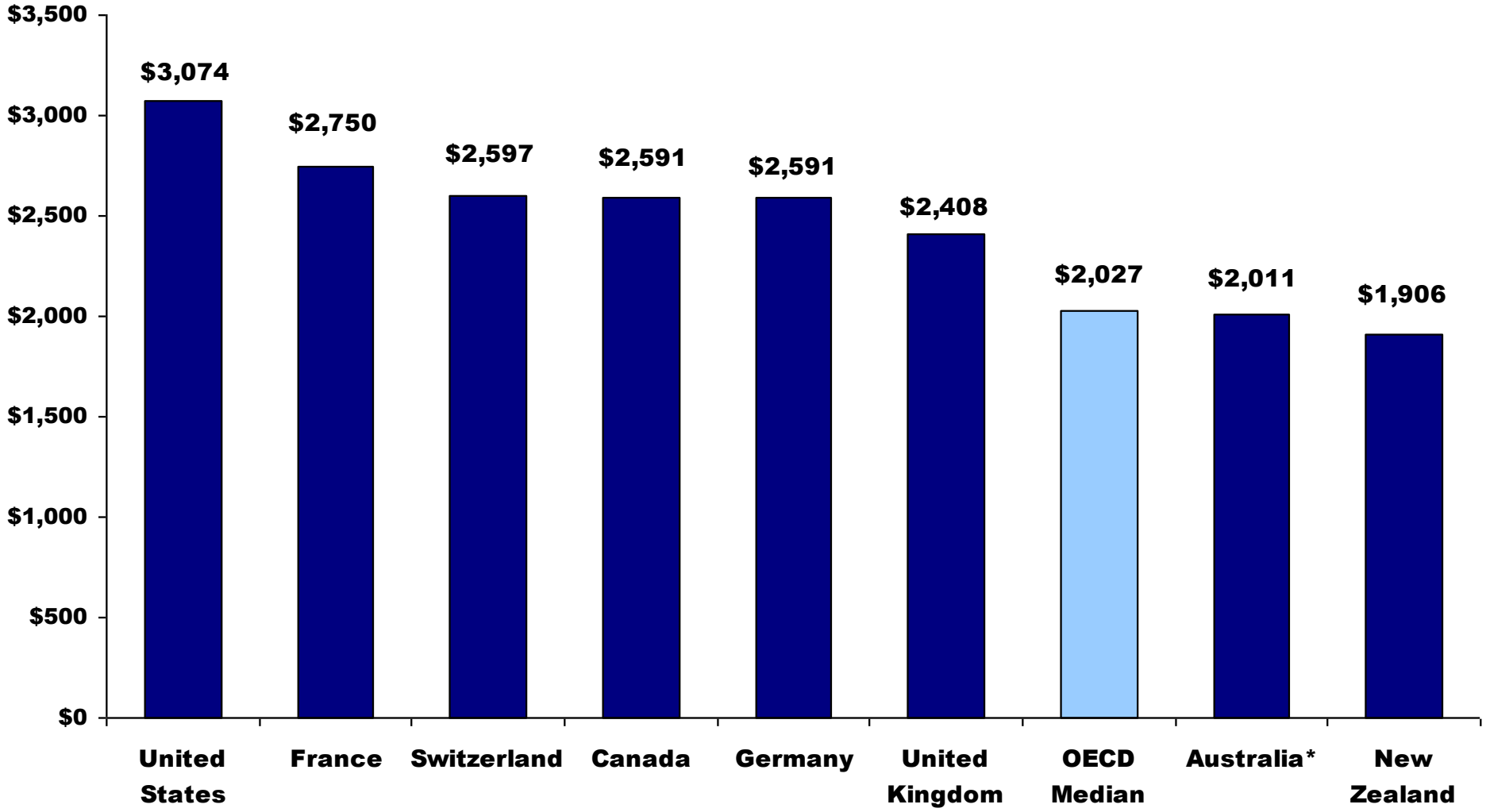
Excluding Out-of-Pocket Spending, Adjusted for Differences in the Cost of Living



Source: Commonwealth Fund, OECD Health Data 2008, "June 2008."

Public Spending on Health Care per Capita, 2006

Adjusted for Differences in Cost of Living



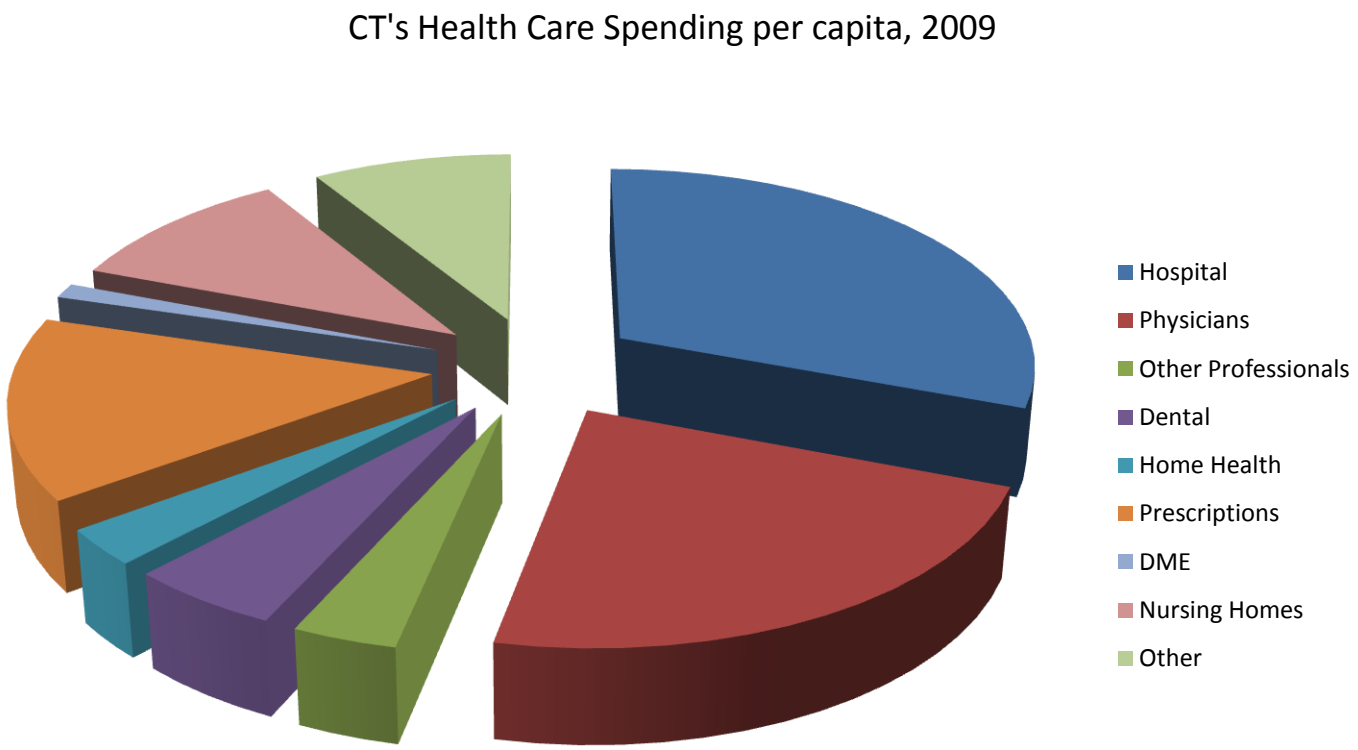
*2005

Source: Commonwealth Fund, OECD Health Data 2008, "June 2008."

Not getting what we pay for

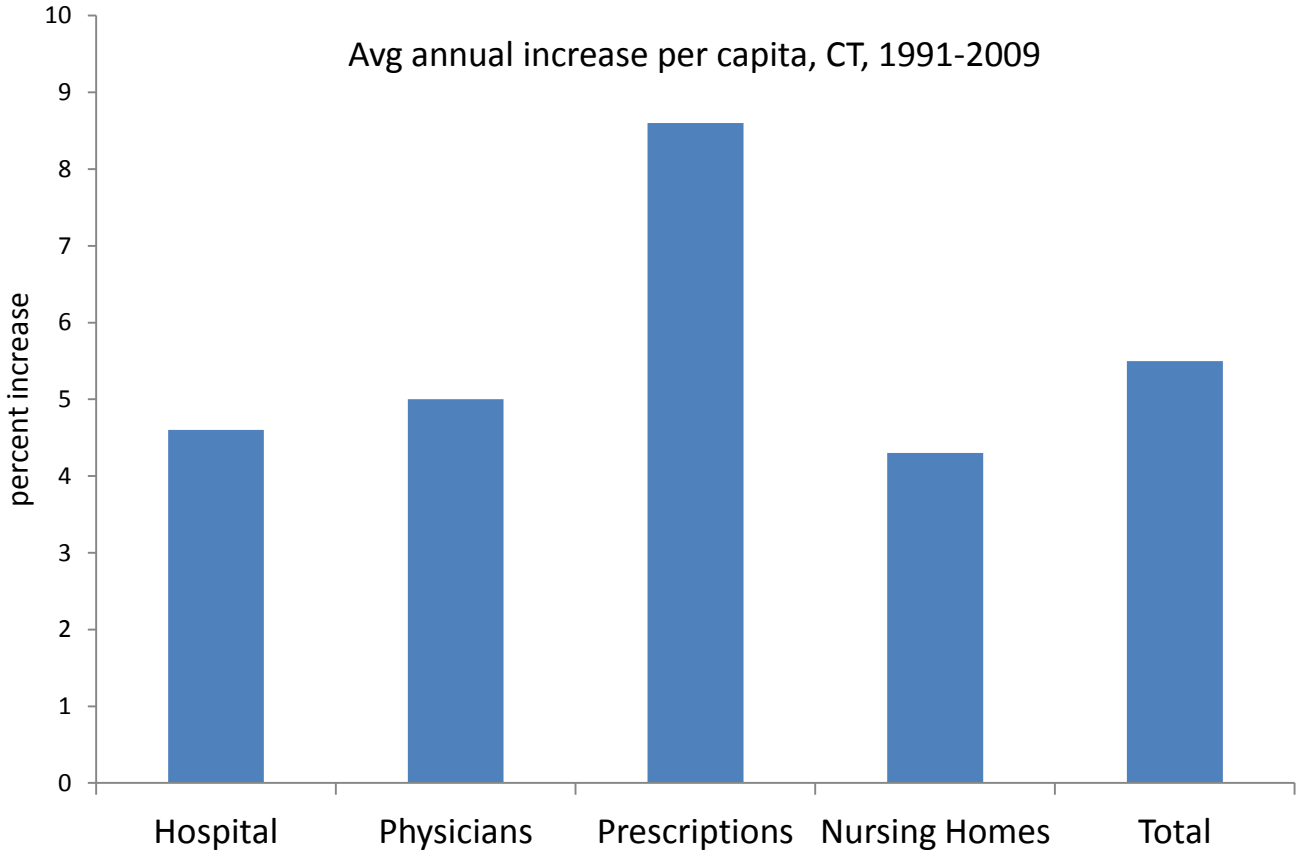
- Only 51% of CT adults over age 50 receive recommended screenings and preventive care
- 16.6% of CT residents with asthma had an ER or urgent care visit in the past year
- In 2008 there were over 47,000 hospitalizations in CT that could have been prevented with better access to adequate primary care
- From July 2004 through Sept 2009 and there were 1224 adverse events in CT hospitals, 116 of those patients died
- It is estimated that CT would save $80 million if we could reduce preventable readmissions among Medicare patients to the rate of the five best states

Where are we spending all that money?



Source: CMS

Trends



Source: CMS

public programs

- Covers almost one in three of us in CT
- Rising -- >100,000 CT residents lost ESI 2007 to 2008, most shifted to public programs
- Medicare – 571,020
  - Covers seniors and people with disabilities
  - Only federal funding
- Medicaid – 657,432
  - Means tested, eligibility categories – children, parents, very low income adults, seniors, people with disabilities
  - Covers most services
  - State and federal funding
  - Operated by state

Medicaid

- Largest purchasing pool in state
- Up 54% since 2005
- Counter cyclical
- Only half of HUSKY children get a check up each year
- Few CT providers accept HUSKY
  - Rates are lower than private pay or Medicare
  - But not all about rates

what to do about it

- Two-thirds of rising health costs due to rising prevalence of disease
- Improving physical activity, avoiding obesity and quitting smoking can reduce annual health costs between $1521 and $2565 per person
- Obesity up 29% among CT adults 2001 to 2010, leading to diabetes, hypertension and a variety of other disorders
- 71% of CT adults do not meet CDC guidelines for fruit and vegetable intake
- Half of Americans do not receive reminders for preventive care from providers or health plans
- Only 30% of US employers have any health promotion programs
- Lowest wage workers are the least likely to receive preventive care such as blood pressure and cholesterol checks

Patient-centered medical homes

- Care delivered by a team, all members working at the top of their license
- Led by primary care doc, nurse practitioner or physician assistant
- Considers whole patient, patient directs care plan
- Population based care, links to public health functions
- Electronic medical records
- Referral, test and prescription tracking
- Patient self-management tools
- Culturally appropriate
- Payment forms vary
- National certification

accountable care organizations

- Integrated networks of local providers across the care continuum, including hospitals, physicians, nursing homes, home health care, pharmacy, labs
- Can be one system – Mayo Clinic – or network of providers spread out geographically – Geisinger
- Align incentives
- Pay for quality, outcomes
- Incentive to coordinate care
- Two Medicare approved ACOs in CT, more applications pending

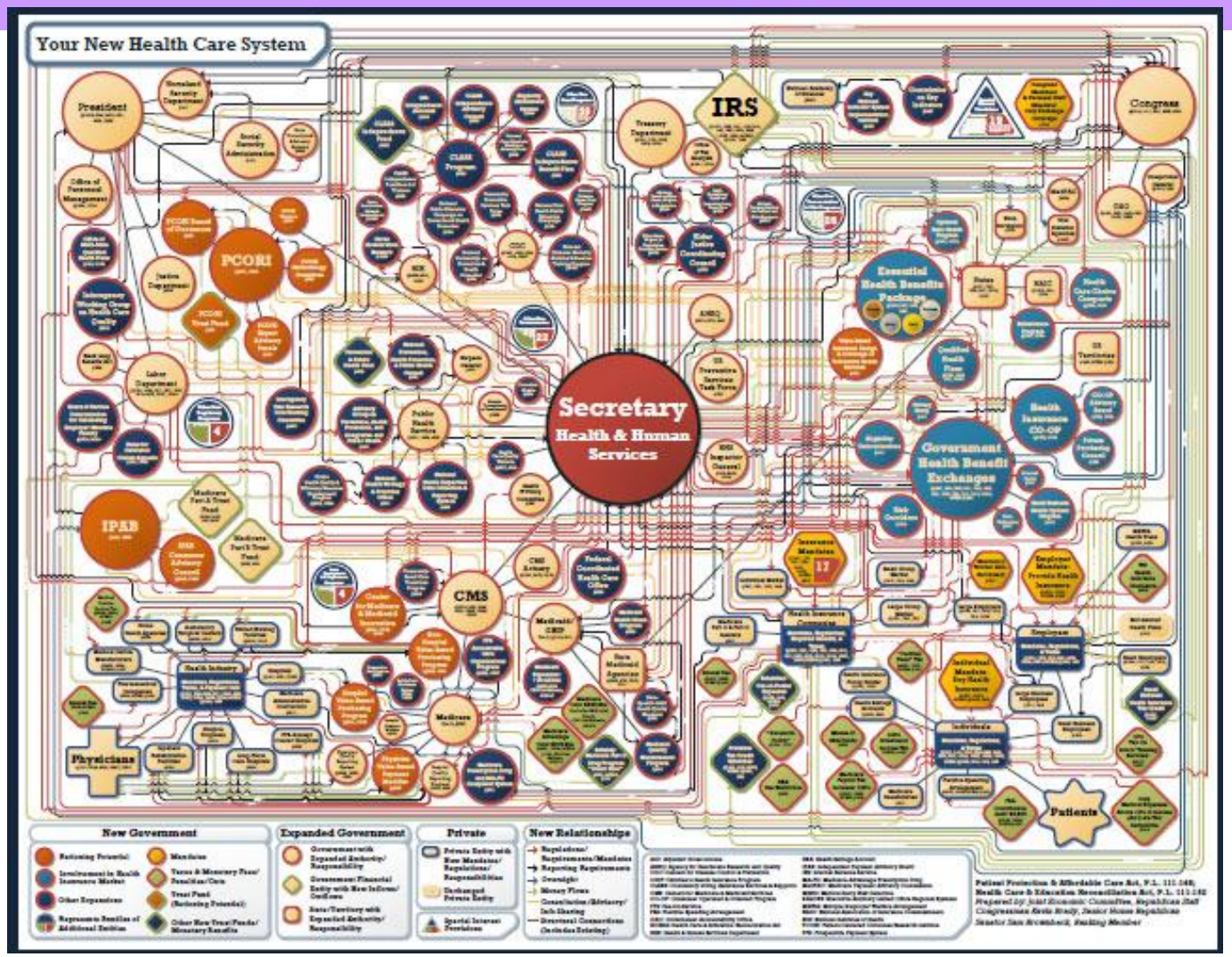
- It’s no use carrying an umbrella, if your shoes are leaking.

  -- Irish saying about money

comparative effectiveness research

- We are being over-treated
- It is harming our health
- Less is more
- Very little science backs up health care treatments
- Most Americans believe more is better and are suspicious of CER
- $1.1 billion for CER in federal stimulus package
- Not rationing, will improve health
- Takes 17 years for new research to enter clinical practice

Affordable Care Act

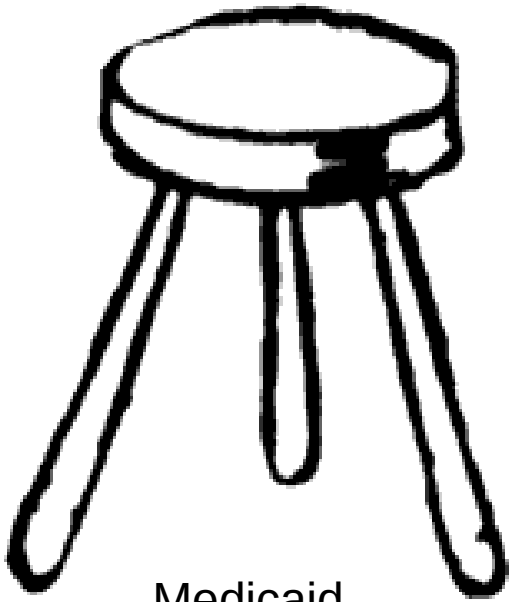


Source: Joint Economic Committee, Republican Staff Congressman Kevin Brady, Senior House Republican Senator Sam Brownback, Ranking Member

Not as complicated as all that

- Increases coverage to 32 million more Americans
  - 200,000 in CT by 2019
- Insurance reforms
- Improving quality of care
- Supports primary care, care coordination
- Reducing rate of cost increases
  - “bending the cost curve”
  - Payment reforms, value-based purchasing
- Stabilizing Medicare’s future
- Reforming Medicaid
- Reduces federal deficit by $143 to $400 billion by 2019
  - CT state government health spending down by 10%

Reform is a 3 legged stool



Medicaid

Employer sponsored coverage

Insurance exchange

Coverage expansions

- 32 million fewer uninsured Americans by 2014, 95%
  - 23 million remain uninsured in 2020
- Medicaid to 138% FPL, option to go to 200% FPL
  - 15 million Americans newly eligible for the program
  - 133,000 new eligibles in CT
  - Mainly childless adults, more men, many young, working
  - Lower cost than current enrollees
- Subsidies to 400% FPL
  - To purchase only through insurance exchange
- Individual mandate
- Employer mandate, exempts small businesses
- Small business subsidies
- Private coverage more affordable, easier to get

Individual mandate

- Citizens and legal residents over tax filing level
- Tax penalty of $695 to $2,085/family/year
- Starts January 1, 2014
- Phased in to 2016, COLA increases annually after
- Exemptions
  - financial hardship
  - religious objections
  - people without coverage 3 months
  - undocumented immigrants
  - Incarcerated
  - those for whom the lowest cost available plan is over 8% of income
- Implemented through withhold on tax refunds

Insurance changes

- Medical Loss Ratio standards
  - At least 80% for individual and small group policies
  - At least 85% for large groups
  - Next month rebate to 137,452 people in CT $168 average
- States must create a process to review rates
- Must cover children to age 26 on parents' plans
- No lifetime or annual limits on coverage
- No rescissions

Insurance changes

- No pre-existing condition exclusions
- Guaranteed issue and renewal
- Limit small group deductibles to $2,000 individuals, $4,000 families
- Limit waiting period for coverage to 90 days
- Essential benefit package
- Limits on rate variation
  - Can only base on age, tobacco use, geography
  - Only 3:1 based on age
  - 1.5:1 for tobacco use
  - Cannot use gender, health status

Insurance Exchanges

- Expect to cover 24 million Americans
  - One in ten CT state residents
- Start January 1, 2014
- For individuals and small businesses
- Must purchase here to get subsidies
  - 140,000 eligible CT residents
- Only citizens and legal immigrants
- Out of pocket cost limits
- Four benefit tiers
- CT Exchange forming
  - insurance industry dominates Board
- Decision on active purchasing important

Quality, delivery reform

- Over 100 demo projects and >$22 billion for innovation
- Medical malpractice demos
- Comparative Effectiveness Research support
- Medicare and Medicaid pilots of basing payments on quality rather than volume – bundling, ACOs
- Care coordination for dual Medicare/Medicaid eligibles
  - CT application in
- Enhanced Medicaid match for care coordination
- Increase Medicaid primary care payments – 2 years
- National quality strategy
- New data and reporting on disparities

Workforce

- Develop a national workforce strategy
- Shift residency slots to primary care and underserved areas
- Promote training in outpatient areas
- Scholarships and loan repayment, target primary care and underserved areas
- Include prevention in training professionals
- Include Nurse Practitioners and Physician Assistants as clinicians in patient-centered medical homes
- Promote diversity and cultural competence
- Support nursing education
- Support training in patient-centered medical homes, teams, chronic disease management, integration of physical and mental health
- $$$ to community health centers and Nat Health Services Corp

CT innovations

- ACOs forming across the state
- State employee plan
  - Run by State Comptroller, 200,000 lives
  - Patient-Centered Medical Homes, over 40,000 people
  - Health Enhancement Program – over 99% compliance
- Medicaid
  - Convert from capitated HMOs to ASO – bucking national trend, cost control, better information, smooth transition
  - Patient Centered Medical Homes
  - HIT upgrades – far better information on patient needs/risks, coordination tools, EMR payments
  - Health Neighborhoods for dual eligibles
- HealthyCT Co-Op
  - New nonprofit insurance plan

For more information

To find out more about any of these topics, contact us at:
www.cthealthpolicy.org
andrews@cthealthpolicy.org

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