The Final Health Care Reform Package

BENEFITS FOR CONNECTICUT
AND
CHANGES TO MEDICARE ADVANTAGE

Congressman Joe Courtney
CT – 2nd district
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Immediate Benefits

Summary

- Insurers cannot
  - Deny coverage for children because of pre-existing conditions
  - Cancel coverage just when people get sick
  - Create lifetime limits on coverage
- Children can stay on parents' policies to age 26
- Starts to close Medicare donut hole
- Helps employers with costs for early retirees
- Provides tax credits to small businesses for health coverage

Immediate Benefits

Beginning six months from now, the reform package will:

- Eliminate pre-existing condition exclusions for children.
- Ban insurance rescissions – companies cancelling coverage for people who have faithfully paid their premiums just when they get sick
- Prohibit lifetime limits on coverage.
- Allow dependents to stay on their parent's health insurance policy up until their 26th birthday .

Immediate Benefits

Beginning this year, the reform package will:

- Provide a $250 rebate to seniors that reach the Medicare Part D donut hole this year.
- Increase funding for Community Health Centers.
- Create a reinsurance program to reduce employment-based plan costs of care for retirees between the ages of 55 and 64. The program will reimburse employment-based plans for 80 percent of health care costs between $15,000 and $90,000.
- Establish a temporary insurance program with financial assistance for those that have been uninsured for several months and have a pre-existing health condition. The program will be funded with $5 billion.
- Creates a tax credit for small businesses equal to 35% of the costs of employee health insurance. The full credit will be given to small businesses with fewer than 10 employees with average annual income of less than $25,000. A sliding-scale credit will be available to small businesses with up to 25 employees with average annual incomes of $50,000.

Immediate Benefits

Tax Credit Scenario: Foster Care Non-Profit with 9 Employees

First Street Family Services.org:

- ***Employees***: 9
- ***Wages***: $198,000 total, or $22,000 per worker
- ***Employer Health Care Costs***: $72,000

2010 Tax Credit: $18,000 (25% credit)

2014 Tax Credit: $25,200 (35% credit)

Immediate Benefits

Tax Credit Scenario: Auto Repair Shop with 10 Employees

Main Street Mechanic:

- ***Employees***: 10
- ***Wages***: $250,000 total, or $25,000 per worker
- ***Employer Health Care Costs***: $70,000

2010 Tax Credit: $24,500 (35% credit)

2014 Tax Credit: $35,000 (50% credit)

Immediate Benefits

Tax Credit Scenario: Restaurant with 40 Part-Time Employees

Downtown Diner:

- ***Employees***: 40 half-time employees (the equivalent of 20 full-time workers)
- ***Wages***: $500,000 total, or $25,000 per full-time equivalent worker
- ***Employer Health Care Costs***: $240,000

2010 Tax Credit: $28,000 (35% credit with phase-out)

2014 Tax Credit: $40,000 (50% credit with phase-out)

Long-Term Benefits
Summary

- Insurers cannot:
  - Deny coverage for anyone due to pre-existing conditions for everyone
  - Charge higher rates for women
- Makes insurance affordable
  - Caps out of pocket costs
  - Caps premiums bought in the Exchange
  - Tax credits for people and small businesses
- Nutrition labeling on menus
  - To help consumers make healthier choices
- Closes the Medicare donut hole

Long-Term Benefits

Beginning in 2014, the reform package will:

- Prohibit insurance denials based on pre-existing health conditions.
- Eliminate insurance rating based on gender and health status as well as limit rating based on age to a ratio of 3:1.
- Establish caps on out-of-pocket expenditures. In general, the individual coverage cap will be $6,200 and $12,300 for family coverage. Caps will be less for those with income between 133% and 400% of the federal poverty level. For lower income households, caps will range from $2,066 to $4,100 for individual and family coverage respectively.
- Establish caps on premium costs for insurance purchased in the Exchange. Sliding-scale credits for individuals and families with income up to 400% of the federal poverty level now set at $73,240/year for a family of three.
- Improve consumer information for personal health choices. For example, beginning next year, chain restaurants must publish information on nutrition content of their food.

Long-Term Benefits

Estimated Premium Credits for Insurance Purchased in the Exchange Based on 2009 Federal Poverty Levels

- **Affordable Premium Credit—Individual**

Annual Income:	Premiums/Income:	Annual Premiums:	Monthly Premiums:
$14,404 (133% FPL)	no more than 2%	$288	$24
$16,245 (150% FPL)	no more than 4%	$650	$54
$21,660 (200% FPL)	no more than 6.3%	$1365	$114
$27,075 (250% FPL)	no more than 8.05%	$2180	$182
$32,490 (300% FPL)	no more than 9.5%	$3087	$257
$43,320 (400% FPL)	no more than 9.5%	$4115	$343

- **Affordable Premium Credit—Family of Four**

Annual Income:	Premiums/Income:	Annual Premiums:	Monthly Premiums:
$29,327 (133% FPL)	no more than 2%	$587	$49
$33,075 (150% FPL)	no more than 4%	$1323	$110
$44,100 (200% FPL)	no more than 6.3%	$2778	$232
$55,125 (250% FPL)	no more than 8.05%	$4438	$370
$66,105 (300% FPL)	no more than 9.5%	$6280	$523
$88200 (400% FPL)	no more than 9.5%	$8379	$698

- 2010 Federal poverty levels at http://www.cms.hhs.gov/MedicaidEligibility/Downloads/POV10Combo.pdf

Long-Term Benefits
Premium Scenario: The Smith Family

Today

- The Smith Family is a family of four, with an annual income of $55,000.
- Mrs. Smith works for the Glass Company, which does not offer health care to its employees.

Without Reform (2014)

- The average premium on the individual market for the Smith family would be $11,328.*

With Reform (2014)

- The family would have access to affordable quality health coverage in an Exchange. The annual premium would be $9,063.* They would receive a tax credit of $3,918, so they would pay $430 in monthly premiums.
- The premium savings under reform would be $6,183.

*Source: Based on CBO's 11/30/09 Letter to Senator Bayh, which assumed from 14% to 20% savings per policy holder under reform, not counting the premium cost of buying up benefits. This analysis assumes 20% savings.

Long-Term Benefits
Premium Scenario: Jennifer Brady

Today

- Jennifer Brady is a 22-year old recent college graduate. She makes $27,000 a year and works for a company that does not offer health coverage to its employees.

Without Reform (2014)

- The average premium on the individual market would be $4,196.*

With Reform

- Starting this year, she could get coverage on her parent's policy until she is 26.
- In 2014, Jennifer would have access to affordable coverage on her own in an Exchange. Her annual premium would be $3,357, and she would receive a tax credit of $830.* She would pay $210 in total monthly premiums, and her premium savings under reform would be $1,669 annually.
- As a young adult, she could also choose a less expensive catastrophic policy.

*Source: Based on CBO's 11/30/09 Letter to Senator Bayh, which assumed from 14% to 20% savings per policy holder under reform, not counting the premium cost of buying up benefits. This analysis assumes 20% savings.

Impact in Connecticut

Affordability

- Provide tax credits for up to **37,600** Connecticut small businesses to help make coverage more affordable. [HealthReform.gov, accessed *3/20/10*]

- During the first five years that the health insurance Exchange is operational, individuals and families in Connecticut will receive **$3.9 billion** in premium and cost-sharing tax credits to further reduce the cost of health insurance. [Senate Finance Committee]

- Reduce family health insurance premiums by **$1,780 - $2,540** for the same benefits, as compared to what they would be without health reform by 2016. [Senate Finance Committee estimate based on CBO, *11/30/09*]

- Close the donut hole and improves Medicare benefits for **547,000** Connecticut seniors. [HealthReform.gov, accessed *3/20/10*]

- Provides tax credits for up to **242,000** Connecticut residents to help make health insurance more affordable, bringing **$3.9 billion** in premium and cost-sharing tax credits into Connecticut during the first five years of the health insurance Exchange. [HealthReform.gov, accessed *3/20/10*; Senate Finance Committee]

- Ensure affordable coverage options for **356,000** who are uninsured and **154,000** Connecticut residents who buy health insurance in the individual market. [HealthReform.gov, accessed *3/20/10*]

Impact in Connecticut

Accessibility

- Allow **315,814** young adults in Connecticut to stay on their parents' insurance plans. [U.S. Census Bureau, *1/7/10*]

- Prohibit insurance companies from excluding coverage of pre-existing conditions for the **807,985** children in Connecticut, starting this year. [U.S. Census Bureau, *1/7/10*]

- Ensure immediate access to affordable insurance options for as many as **38,591** uninsured people who have a pre-existing condition. [staff estimate using Agency for Healthcare Research and Quality (AHRQ), *4/09* and HealthReform.gov, accessed *3/20/10*]

Impact in Connecticut

State Economic Investments

- Expand Medicaid coverage to **148,560** newly-eligible people in Connecticut, and provide **$4.5 billion** in federal funding for the cost of their coverage. [Urban Institute, *1/25/10*; Senate Finance Committee]

- Provide up to $38 million in new federal funds this year in Connecticut if the state chooses to enroll SAGA patients in Medicaid.

- Boost federal funding for **146** Community Health Centers in Connecticut. Funding will be released this October, which means more health care jobs, and better access to care for patients.[National Association of Community Health Centers, *2009*]

- Create **3,600 - 5,800** jobs by reducing health care costs for employers. [U.S. Public Interest Research Group, *1/20/10*]

Medicare Advantage

Summary

- Opponents have exaggerated the impact of MA rate changes and ignored the significant benefits to most Medicare beneficiaries
- Fixes overpayments to managed care (MA) plans that is undermining Medicare's long term financial health
- MA rates will not be cut, only the rate of increase will be affected
- Includes several provisions to MA rate modifications to ensure resources are sufficient to protect access to care
- Includes additional quality incentives
- Connecticut MA plans will be affected less than those in other states

Changes to Medicare Advantage

Medicare Advantage Payment Background

- Currently Medicare Advantage (MA) plans are reimbursed 14% more than traditional Medicare plans.
- MedPAC estimates that MA overpayments total $12 billion annually.
- Medicare's Chief Actuary estimates that MA overpayments drain 18 months from the life of the Medicare Trust Fund.
- In effect, more than 75% of Connecticut Medicare beneficiaries – those who remain in the traditional fee-for-service program –pay higher premiums every month to subsidize payments to private insurance plans.

Changes to Medicare Advantage

MedPAC Recommendations on MA Payment Policies

The proposed cuts to MA plans included in the final reform package are not based on partisan recommendations. For years, the independent Medicare Payment Advisory Commission (MedPAC) has recommended to Congress that MA payment policies be revised to be on par with traditional Medicare plans.

MedPAC is an independent congressional agency established by the Balanced Budget Act of 1997 to advise Congress on issues affecting the Medicare program. Among other things, MedPAC advises the Congress on payments to private health plans participating in Medicare and providers in Medicare's traditional fee-for-service program. MedPAC is composed of 17 members with expertise in the financing and delivery of health care services. MedPAC meets publicly to discuss policy issues and formulate its recommendations to the Congress, which are outlined into two annual reports.

Changes to Medicare Advantage

MedPAC Recommendations on MA Payment Policies

Annual MedPAC reports to Congress have all concluded the same payment reductions to MA plans:

- March 2010 report to Congress (pg. 257): http://medpac.gov/documents/Mar10_EntireReport.pdf
- June 2009 report to Congress (pg. 15 of the Executive Summary): http://www.medpac.gov/documents/Jun09_EntireReport.pdf
- March 2009 report to Congress: http://www.medpac.gov/chapters/Mar09_Ch03.pdf
- Testimony before the Senate Finance Committee on January 30, 2008: http://www.medpac.gov/documents/MedPAC_Jan08_testimony_PFFS.pdf
- March 2007 Report to Congress (pg. 243): http://www.medpac.gov/chapters/Mar07_Ch04.pdf
- Testimony before the House Budget Committee on June 28, 2007: http://www.medpac.gov/documents/062807_Housebudget_MedPAC_testimony_MA.pdf
- June 2005 MedPAC report to Congress (pg. 80): http://www.medpac.gov/publications/congressional_reports/June05_Ch3.pdf

Changes to Medicare Advantage

Reimbursement Adjustments

The reform package will not abolish or eliminate the Medicare Advantage program, but simply equalize payments with the traditional program, while providing incentives for quality programs. MA payment rates will not be cut, but will stop increasing as quickly as they have. In addition to freezing MA payments in 2011 at 2010 levels, the reform package will phase-in payment reductions, establish quality incentive payments, and reduce rebates to plans.

Changes to Medicare Advantage

Reimbursement Adjustments

Payment Reduction Phase-In

- Under our current system, Medicare fee-for-service (FFS) costs and reimbursements are determined at the county level. The reform package will rank all counties nationwide based on average FFS costs. Each county will fall into one of four rankings, based on average costs.

- Counties with the highest FFS costs will be reimbursed at 95% of traditional program after reimbursement reductions are phased-in. Counties with the second, third, and fourth highest costs will be reimbursed at 100%, 107.5%, and 115% of the traditional Medicare program respectively after reimbursement reductions are phased-in.

- Reimbursement reductions will be phased-in based on the size of the cuts. The phase-in period will be three, five, or seven years based on the projected size of the cuts, with the shortest phase-in period for the lowest cuts.

- After all reductions are phased-in by 2018, Medicare Advantage plans will be paid on average 101% of the traditional Medicare program.

Changes to Medicare Advantage

Reimbursement Adjustments

Quality Incentive Payments

- Quality MA plans will be eligible for additional incentive payments of at least 5% of base reimbursements on top of base rates.

- In order to be eligible for these incentive payments, MA plans must have a quality rating of four stars or higher, as determined by the Center for Medicare and Medicaid Services (CMS).

- Approximately 23% of MA enrollees are in a 4 or 5 star Medicare Advantage plan.

Changes to Medicare Advantage

Reimbursement Adjustments

Reduction in Rebates to MA Plans

- Under our current system, MA plans that bid under the county benchmark, receive rebates. These rebates are 75% of the difference between the bid and the benchmark.

- Under the reform package, the rebates will be reduced based on quality rating. Further, a plan that bids below the benchmark will be required to pass savings on to its enrollees in the form of health care services not covered by Medicare or reduced cost sharing.

Changes to Medicare Advantage

Plans in Connecticut

- In 2009, Connecticut MA plans were overpaid compared to traditional Medicare costs at the county level by 7% --about half of the national average of 14%. This translates to about $9,600 per enrollee in a Connecticut MA plan. Under the reform package, Medicare Advantage reimbursements will be set at approximately $8,720 after the reimbursement reductions are phased-in.

- Nationally, MA reimbursements will be reduced by approximately 12%. In Connecticut, average reductions to Medicare Advantage plans will be approximately 10%. The impact in Connecticut will be smaller than in other regions. Opportunities for quality incentive payments further negate Medicare Advantage cuts.

For more information

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