Colorado HEALTH Institute

Health Reform: *A Summary*

Introduction

The federal Patient Protection and Affordable Care Act (ACA) became law on March 23, 2010. It is a broad-based measure that aims to overhaul the nation's health care system by increasing access to health care, improving the health of individuals and communities, and reducing overall costs.

Key provisions focus on expanding the number of individuals with health insurance. In Colorado, for example, more than 17 percent of residents under age 65 were not insured in 2009. The reasons most commonly cited were the high cost of health insurance and being ineligible for employer-sponsored insurance coverage.

Certain portions of the law became effective immediately upon passage, while most others will be implemented on a rolling schedule through 2015. The following summary of the ACA highlights a number of measures in each of the three primary areas, with the implementation dates indicated in parentheses.

Health Care Access

- The ACA seeks to move an estimated 32 million uninsured Americans, including 550,000 uninsured Coloradans, into the ranks of the insured, improving the likelihood they will have access to health care.
- To help more citizens and legal residents obtain health insurance, the new law reforms the insurance system, expands Medicaid for low-income children and adults, and encourages the purchase of health insurance through a combination of tax incentives and penalties for individuals and businesses. In addition, efforts are underway to expand the health care workforce and provide grants and loans to help increase the number of health care professionals providing care for the newly insured.

Insurance Reforms

- Allows adult children to stay on their parents' health insurance plan up to age 26 if they do not have access to other insurance, even if they do not live with the parents, are no longer in school or are married. (2010)
- Prohibits *lifetime* limits on coverage. (2010)
- Prohibits coverage from being denied to a child under 19 because of a pre-existing condition. (2010)
- Prohibits coverage from being rescinded, except in cases of fraud. (2014)
- Prohibits *annual* limits on coverage. (2014).
- Prohibits coverage from being denied to an adult because of a pre-existing condition. (2014)
- Requires insurance plans to offer essential health benefits. Still being defined, these benefits will include such coverage as emergency services, hospitalization, maternity and newborn care, mental health and substance abuse services, prescription drugs, certain preventive services with no co-payments, chronic disease management and pediatric services. (2014)
- Creates temporary health care insurance plan for individuals with pre-existing conditions who have been denied coverage and been uninsured for six months. While not a low-cost plan, it may be the only option for individuals who can't get coverage elsewhere until 2014 when it will be illegal for insurance companies to deny coverage for pre-existing conditions. (2010)

Coverage Requirements

- Requires most individuals and families to obtain health insurance or pay a penalty. The penalty is phased in between 2014 and 2016 and will be a maximum of 2.5% of income. Exemptions will be granted for certain conditions. (2014)

- Provides tax refunds or premium credits on a sliding scale to individuals and families with incomes between 134% and 400% of the federal poverty level (FPL) (in 2011, FPL is $10,890 for an individual and $22,350 for a family of four). A family of four earning $45,000 in 2014 (about 200% of poverty) would pay approximately $2,670 toward the family premium, while the federal contribution would be $9,460. (2014)

- Allows the uninsured, including those whose employers do not provide insurance, to buy insurance directly through newly created health insurance exchanges. These "shopping malls" of health insurance will allow individuals and small businesses to compare prices and benefits of plans that have been pre-qualified. (2014)

- Provides tax credits to small businesses with 25 or fewer employees with an average wage of $50,000. Allows employers with up to 100 employees to purchase insurance on the state exchange. Employers with more than 50 employees who do not offer affordable coverage to employees will pay a penalty. (2014)

Insurance Expansions

- Expands Medicaid eligibility for parents and children to 133% of FPL. Provides Medicaid to childless adults up to 133% of FPL. (2014)

- Establishes national voluntary insurance program for purchasing "community living assistance services and supports" (the CLASS Act). (2011)

Health Care Workforce

- Supports federal and state analysis of workforce supply and demand and planning for workforce development. (2010)

- Provides grants to support state partnerships for comprehensive health care workforce development. (2010)

- Provides $1.5 billion to the National Health Service Corps to recruit primary care providers into health shortage areas (primary care doctors, nurse practitioners and physician assistants).

- Increases number of training programs for primary care providers with grants to states and loan repayments to encourage more providers to teach.

- Expands number of primary care and general surgery residency programs through grants and redistribution of residency slots.

Improving Overall Health

One of the overarching goals of health reform is to improve the health of all residents. Provisions in this area are designed to promote health and wellness and to prevent disease, with the goal of reducing the need for costly care, thereby lessening demands on the health care system and lowering costs.

- Requires new insurance plans to cover such preventive health services as immunizations, mammograms or screenings for cancer and diabetes with no copayments or deductibles. (2010)

- Requires Medicare coverage for specified preventive care and annual wellness visits to Medicare with no copayments or deductibles. (2011)

- Reduces out-of-pocket drug costs for individuals covered by Medicare. Closes Part D prescription "donut hole" coverage gap by 2020; beneficiaries will pay 25% of the cost on brand-name and generic drugs. (2010)

- Establishes Prevention and Public Health Fund to develop new programs to keep Americans healthy, including smoking cessation and programs to combat obesity. (2010)

- Encourages employers and insurers to develop wellness programs, including offering grants for small employers. (2010)

- Provides grants for pilot programs to prevent chronic disease in 55- to 64-year-olds. (2010)

- Requires nutrition labeling of standard menu items at chain restaurants. (2011)

Reducing Health Care Costs

The cost of health care in the United States and Colorado increased to 17.3 percent of the Gross Domestic Product in 2009 from 9.1 percent in 1980. One of every five dollars in the country now goes to health care.

The ACA includes a number of pilot programs that aim to help people stay healthy rather than treat them when they become sick. The law also requires developing methods to measure whether access to care, quality of care and the health of the population is being improved.

- Establishes Center for Medicare and Medicaid Innovation to test new ways to pay for and deliver care to patients. (2011)
- Funds demonstration programs to evaluate use of bundled payments for Medicaid and Medicare enrollees. Payment bundling means paying a provider or hospital one payment for an episode of illness instead of individual fees for services provided for the illness. (2013)
- Establishes Health Care Quality Improvement Programs to identify and communicate best practices in health care. (2010)
- Establishes Medicare Payment Advisory Board to recommend ways to reduce Medicare spending if growth of per-capita expenditures exceeds targets.
- Coordinates care initiatives through grants that promote community health teams to support patient-centered medical homes; develop medication management programs for chronic disease patients; and facilitate shared decision-making in treatment planning between patients, caregivers and clinicians.
- Creates Medicare community-based care transitions program to improve care for seniors after they leave a hospital. (2011)

Progress To Date

The ACA is an ambitious piece of federal legislation. Its implication in terms of insurance reforms and access to care is unparalleled at the national level. Full and successful implementation of the law will be challenging.

In early 2011, Colorado is moving forward to ready the state for implementation:

- The Governor's Office is working to prepare the state to carry out requirements of the federal health reform law.
- The Colorado Health Insurance Exchange, funded by a federal planning grant, is developing a plan to create an insurance marketplace for individuals and small businesses.
- Offices throughout the state (Office of Primary Care, Colorado Department of Public Health and Environment, etc.) are receiving funds that have been authorized and appropriated based on the ACA. These funds are designated for programs such as enhancing the primary care workforce to designing prevention and wellness programs.

Challenges, however, abound:

- Colorado's State Attorney General has filed suit (along with 25 other states) questioning the legality of the ACA.
- A number of Colorado legislators have introduced a bill calling for creation of an interstate compact that would allow Colorado and other member states to opt out of the federal law.

Colorado has grappled with many of the same issues that are paramount in the Affordable Care Act. National reform did not emerge from thin air. The hard work of many states such as Colorado informed and inspired provisions in the federal law. Colorado policymakers have a number of decisions before them – to continue with reforms passed in prior years or take a different direction. As the courts and other legislatures throughout the country take up the issue of national reform, it's unknown whether the goals of the ACA will be realized.

Colorado HEALTH Institute

The Colorado Health Institute (CHI) serves as the primary source of independent data and analysis on health policy issues affecting Colorado. CHI's mission is to help improve the health of Coloradans by providing impartial and relevant data for informed decisionmaking.

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