



The 2012 Elections and Impact on the Future of Healthcare Policy

December 5, 2012

health
policy *Source* inc.



Overview

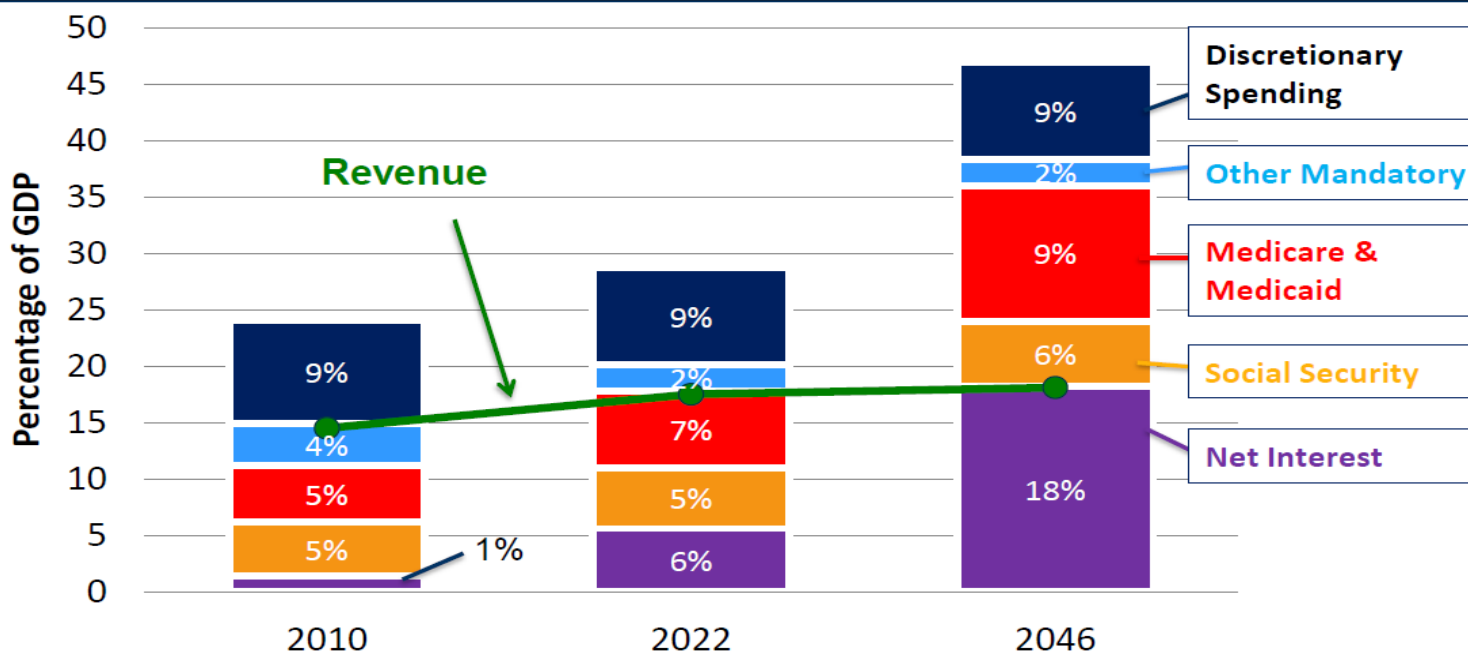
- Background on Federal Fiscal Imbalance
- The 113th Congress
- Impact of Elections on Healthcare Policy
- Lame Duck Session
- Additional Considerations for States
- Discussion

BACKGROUND ON FEDERAL FISCAL IMBALANCE

Our Fiscal Future



Without reforms, by 2022, future revenues will only cover Social Security, Medicare, Medicaid, and interest on the debt. By 2046, revenues won't even cover interest costs.



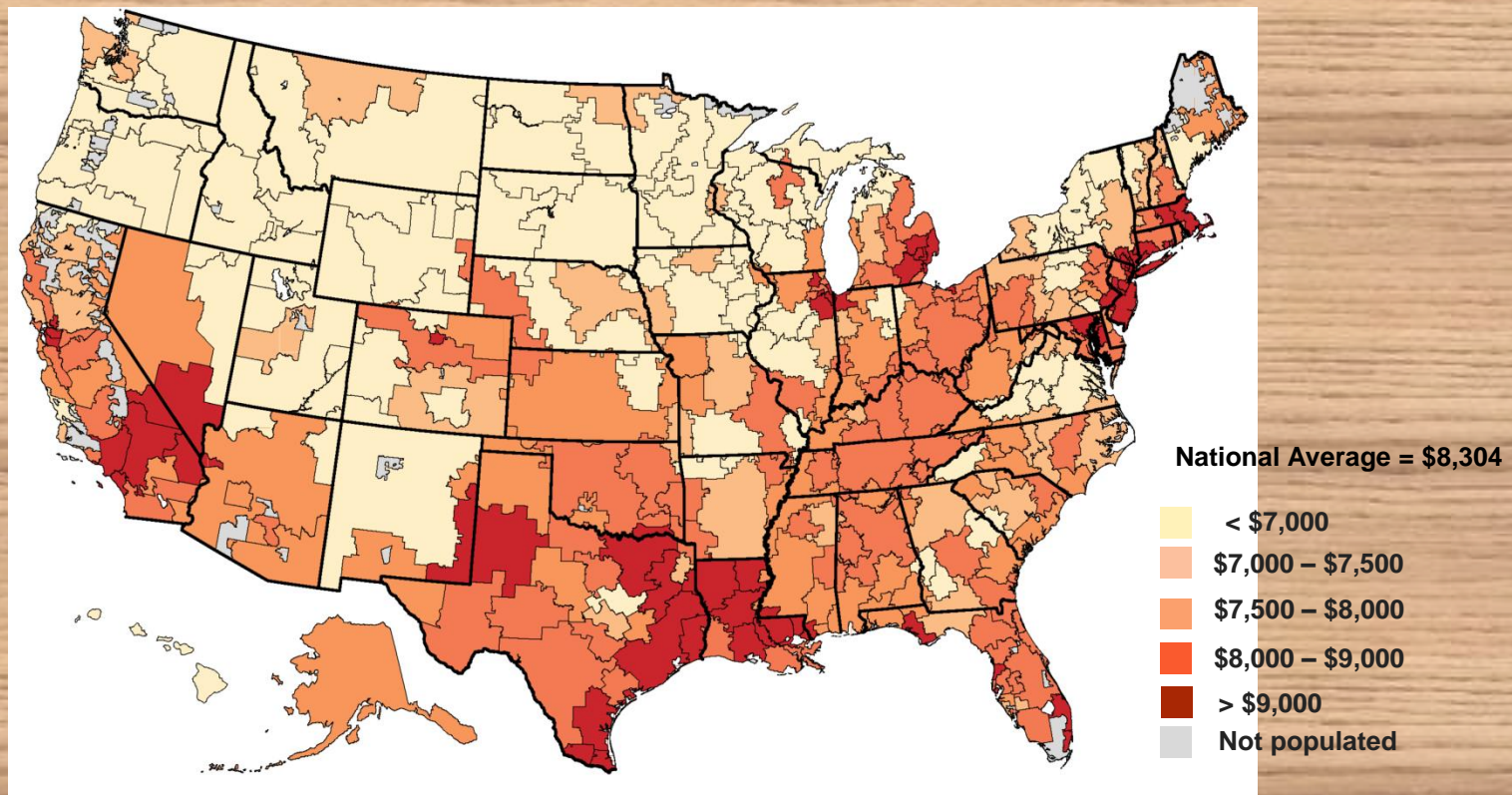
SOURCE: Data from the Government Accountability Office *The Federal Government's Long-Term Fiscal Outlook: January 2010 Update*, alternative simulation using Congressional Budget Office assumptions. Compiled by PGPF.

NOTE: Baseline interest rate is assumed to be 5.0 percent.

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Variations in Healthcare Spending

Chart 1: Medicare Spending per Beneficiary, by Hospital Referral Region, 2006



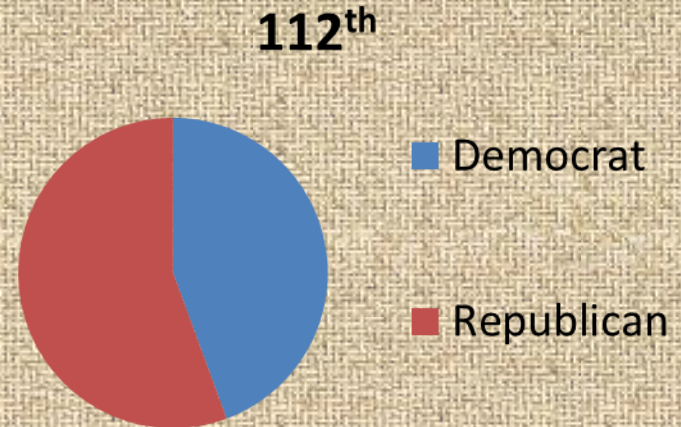
Source: The Dartmouth Atlas of Health Care. (2009). *The Policy Implications of Variations in Medicare Spending Growth*. Link: http://www.dartmouthatlas.org/atlases/Policy_Implications_Brief_022709.pdf.
Note: Data adjusted for age, race, and sex but not price. Category definitions as in source document.



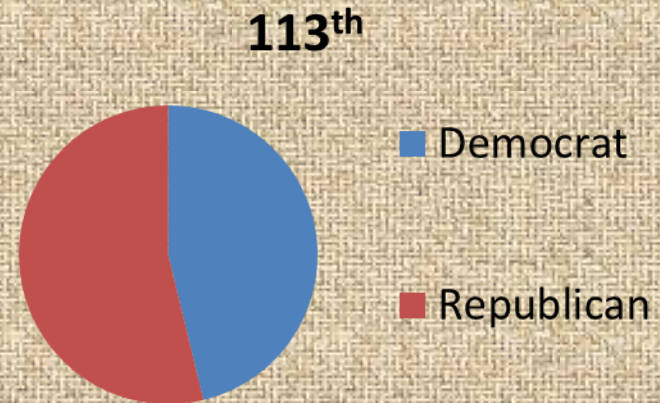
THE 113TH CONGRESS

Change to House Make-up

- 112th Congress
 - 242 Republicans
 - 193 Democrats



- 113th Congress
 - 234 Republicans
 - 201 Democrats*

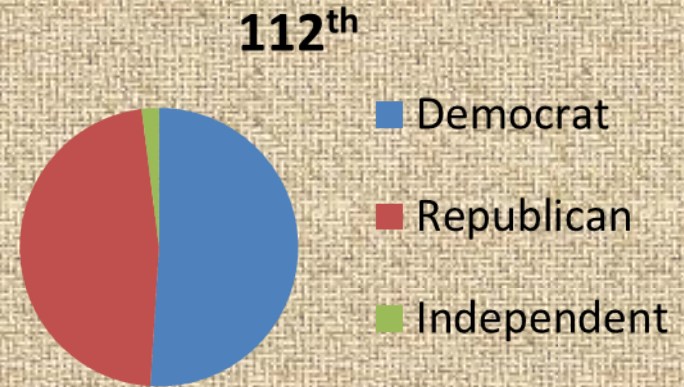


* 2 seats remain undecided but are widely expected to be won by the Democrat candidate

Change to Senate Make-up

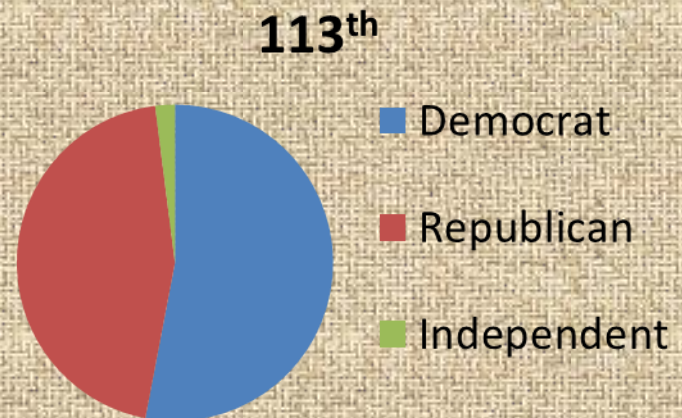
○ 112th Congress

- 51 Democrat
- 47 Republican
- 2 Independent



○ 113th Congress

- 53 Democrat
- 45 Republican
- 2 Independent





IMPACT ON KEY HEALTHCARE ISSUES

Key Takeaways

Affordable Care Act

- The ACA is here to stay
 - For now ...
- Republican plan
 - Aggressive oversight
 - Repeal controversial pieces
 - Resist at State level
- Obama Administration
 - Additional pragmatism and flexibility
 - The race is on ...

Entitlement Reform

- Sweeping changes are off the table
 - Medicare Premium Support
 - Medicaid Block Grants
- Structural changes will require compromise on taxes
 - Eligibility age
 - Means testing
 - Provider fees, etc.



ACA Implementation

Issue	Outlook
Individual Mandate	✓
Consumer Protections	✓
Subsidies & Exchange Framework	Probable Administrative delay/flexibility to States, but generally maintained.
Demos and Grants	Probable modest reductions in some grant programs, such as Public Health Fund.
Taxes	Possible reduction/elimination of some sector-specific taxes.



Medicare Reform

Issue	Outlook
Premium Support	X
Increase Retirement Age	Probable.
Coinsurance Reform	Probable.
New Provider Cuts	Probable.
New Med. Adv. Cuts	Likely expiration of Star Rating program. Additional cuts possible.
ACA Cuts	✓



Medicaid Reform

Issue	Outlook
Block Grants	X
Global Cap on Per Capita Spending	Possible.
ACA Eligibility Expansion	Some Administrative flexibility provided to States through negotiation.
Provider Fee Reductions	Probable.
FMAP Reform	Possible.



Additional Healthcare Issues

Issue	Outlook
Medical Malpractice	Possible.
SGR Reform	Possible.
IPAB	Possible restructuring, could strengthen <i>or weaken</i> .
Part D rebates/BIO-exclusivity	Unlikely.
ESI Tax Exclusion	ACA “Cadillac Plan” tax possibly modified. Tax exclusion could be revisited in debt deal.



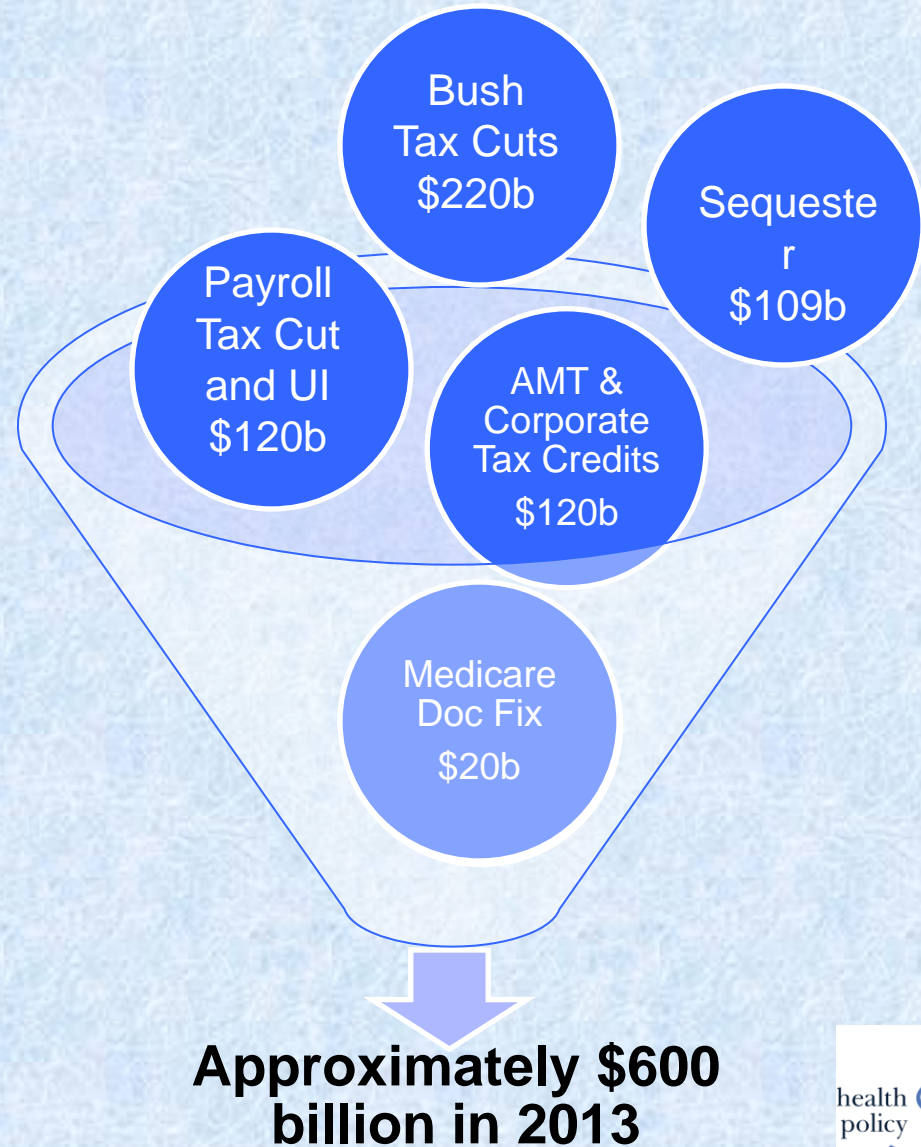
LAME DUCK SESSION



Agenda for Discussion

- SGR
- “Tax Extenders”
- The Fiscal Cliff:
 - Bush Tax Cuts
 - Sequester
 - Payroll Tax Cuts & Unemployment Insurance

What is the “Fiscal Cliff”?





Sequester 101

- Automatic spending cuts enacted in the Budget Control Act of 2011
 - Part of deal to increase debt limit through 2012
 - BCA also included \$1+ trillion in savings from new discretionary spending caps
 - Intended to force Congress to act on broader deal
- First sequester enacted in 1985
 - Implemented in 1986 and part of 1990, otherwise blocked
- Divides cuts between defense and non-defense programs
 - Medicaid and other safety net programs are exempt
 - Medicare are limited to 2% and apply only to providers
- White House will issue sequester directive on January 2
 - Departments then have 120 days to implement
- If unchanged, will reduce Federal outlays by \$1.2 trillion through 2021

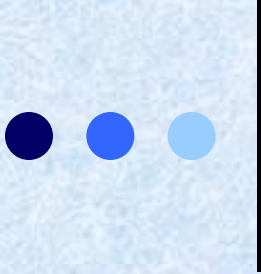
What Can Congress do About it?



● Kick the Can

● Down payment + Framework with New Trigger

● Grand Bargain



Components of a Grand Bargain

- \$2-4 trillion in deficit reduction over 10 years
- Corporate tax reform
 - Reduce deductions, complexity and rates
- Individual tax reform
 - Cap or eliminate some deductions
 - Rates unclear
- Entitlement reform
- Additional discretionary spending cuts
 - Could replace or revise the sequester

What's in the Way?

Agreement on Taxes

Increase Liability on High Income Households

Increase Revenue by Limiting Deductions and Encouraging Growth

Agreement on Entitlements

Focus on Providers a la the ACA

Structural Reforms



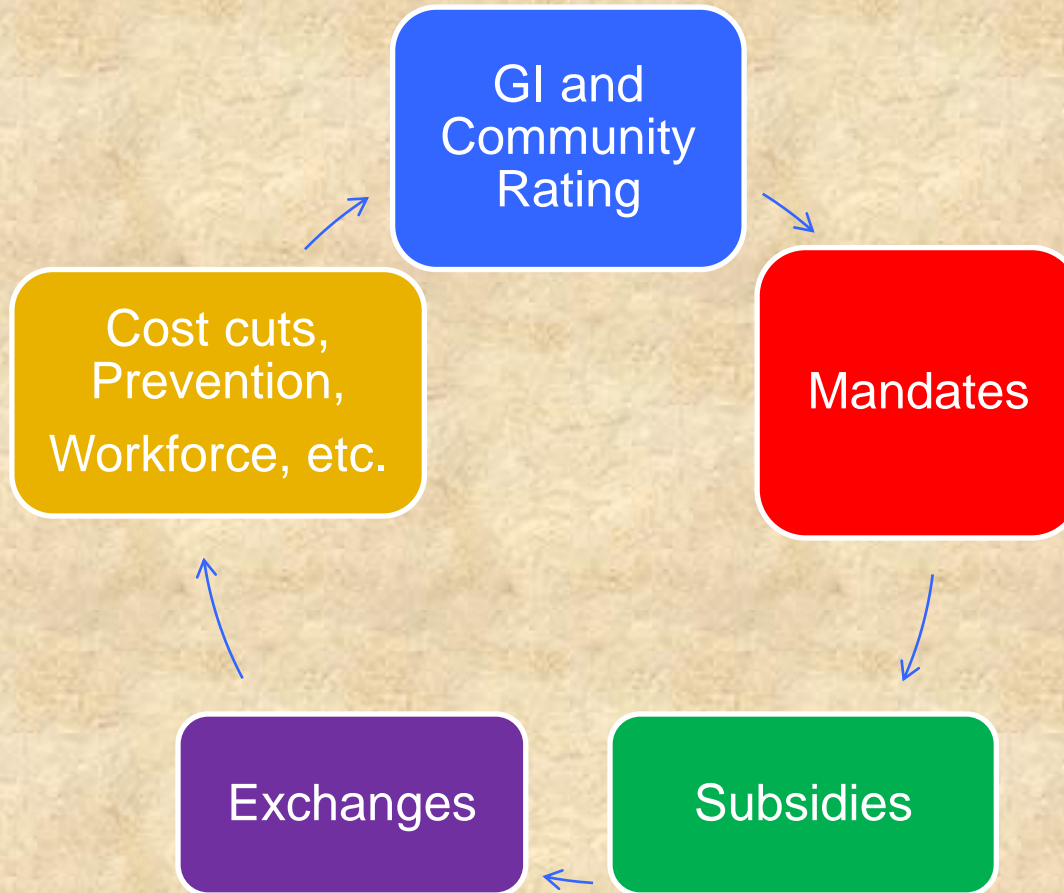
Legislative Timeline for 2013

- February: Vote to increase debt limit likely necessary
- March: Expiration of CR for discretionary spending programs
- April-May: Congressional budget process
- March/June/December: Expiration of Medicare SGR patch
- December: Last chance to extend Bush tax cuts



ADDITIONAL CONSIDERATIONS FOR STATES

The ACA Dominos ...





Status of ACA Implementation



Immediate
Benefits
2010

Delivery
Reforms
2011-2014

Coverage
Expansions
2014-2017

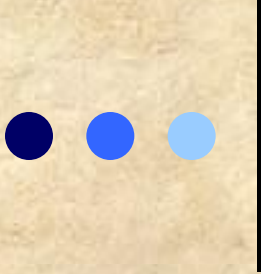


Regulatory Timeline for 2013

- January: Certification of State Exchanges
- February: POTUS budget due
- May: Deadline for departments to implement sequester cuts
- April-November: Medicare “Reg Season”
- Mid-Year: State Medicaid Expansion election probably necessary
- November: Open enrollment period for Exchanges begins

ACA Implementation Issues



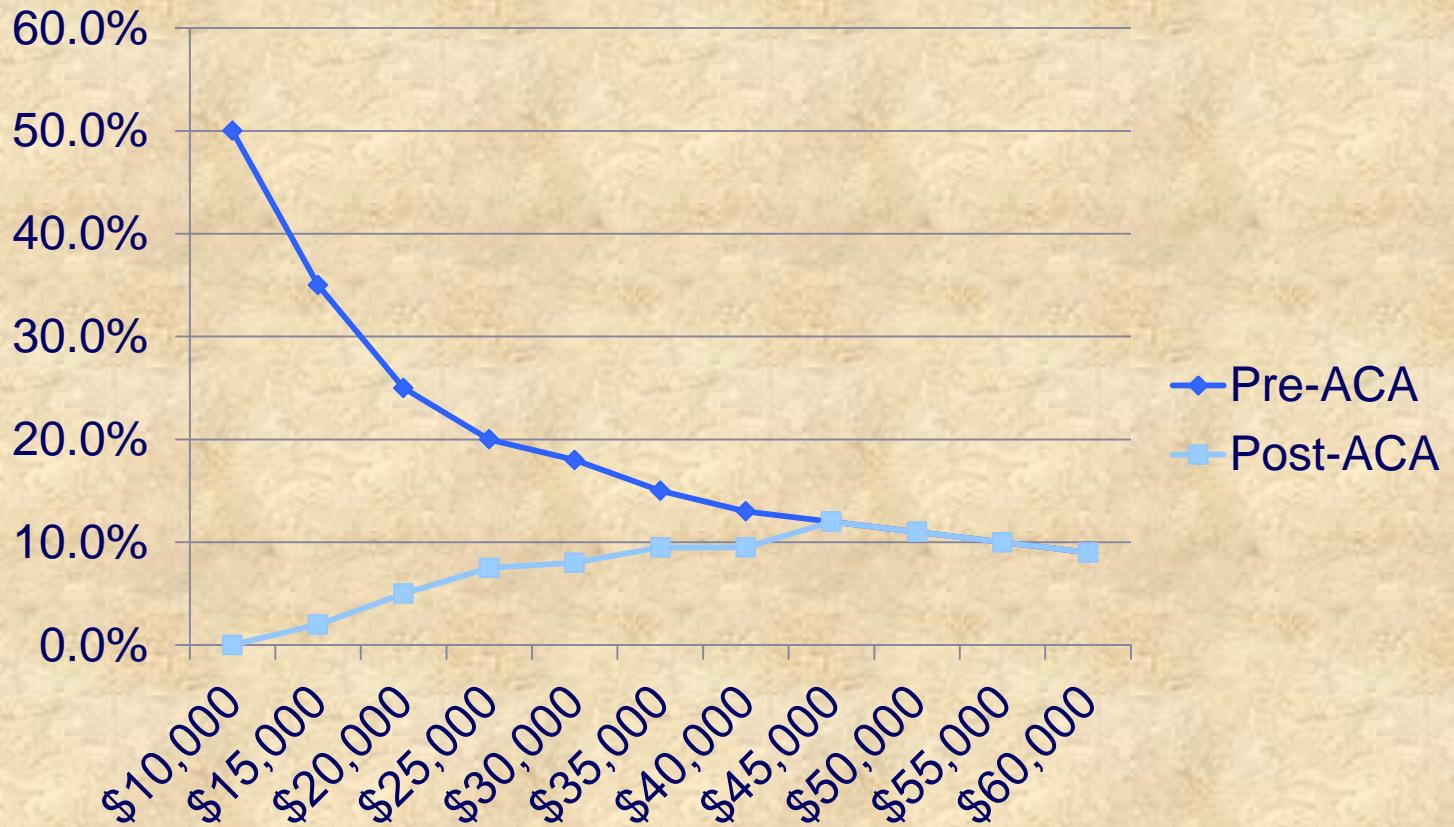


Impact of ACA on Insurance Coverage

		Pre-ACA	2016	2022
Pre-ACA	Medicaid/CHIP	34	32	32
	Employer	153	159	162
	Non-group	24	28	30
	Uninsured	<u>53</u>	<u>56</u>	<u>54</u>
	<i>Total</i>	267	273	282
Post-ACA (+/-)	Medicaid/CHIP		17	17
	Employer		-4	-3
	Non-group		-2	-3
	Exchanges		20	22
	<i>Uninsured</i>		-30	-33
# of Uninsured		55m	26m	27m
% of Eligible		81%	93%	93%

*Source: CBO July 2012 Updated Analysis of ACA Coverage Changes

Comparison of Pre- and Post-ACA Premium Contributions*



*As % of Income for Single Adult



THANK YOU

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