



# Health Reform: What Happens Next?

Post-Election Briefing  
Topeka, Kansas  
December 4, 2012

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Kansas Health Institute



# Overview

- Election Results
- Health Insurance Exchange
- Medicaid Expansion and Reform
- Fiscal Outlook



# Health Insurance Exchange in Kansas

## Estimated Potential Users of Kansas Exchange

Characteristics	Number
Currently uninsured or insured with direct-purchase coverage and eligible for tax credits	193,000
Currently uninsured or insured with direct-purchase coverage and ineligible for tax credits	75,000
Currently covered by insurance through a small employer group; eligibility for tax credits varies	245,000
Eligible for tax credits if Kansas chooses to not expand Medicaid	43,000



# Medicaid Expansion

- The state must choose whether to expand Medicaid to adults under 138 percent of the Federal Poverty Level in 2014.
- KHI estimates that more than 240,000 Kansans are expected to enroll in Medicaid. Of those, more than 104,000 currently are uninsured.
- In its first year (2014), the expansion could increase state Medicaid costs between \$21 million and \$111 million. Our analysis indicates the increase will end up totaling about \$70 million.
- The state's share of the expansion costs from 2014 to 2020 could total between \$221 million and \$912 million. Our best estimate indicates it will end up closer to \$519 million.



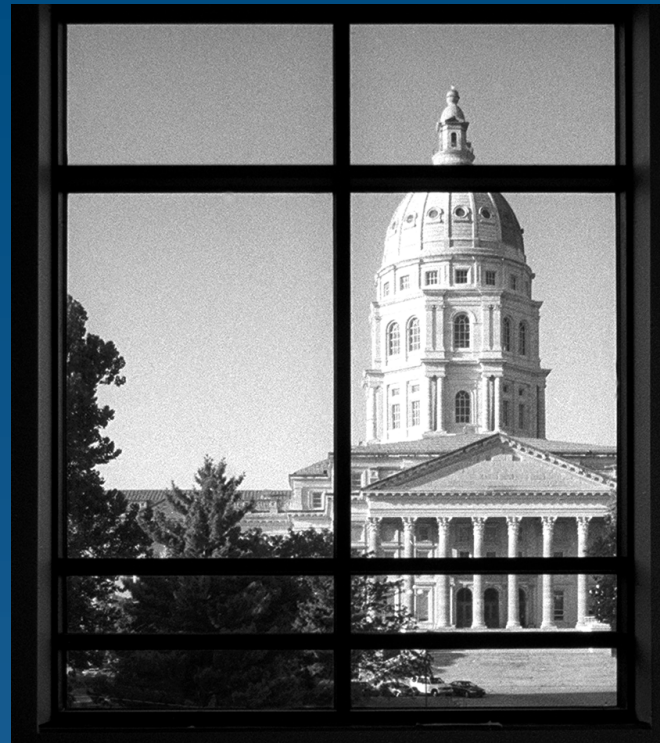
# KanCare Update

- Implementation activities continue for Jan. 1, 2013, start date.
- The three managed care companies were required to certify by Nov. 16 that their provider networks were established.
- Provider enrollment and training under way to prepare for new payment processes and service coordination.
- The state is nearly finished assigning Medicaid and CHIP members to each of the three MCOs. Pre-enrollment meetings and teleconferences are happening across the state.
- Aging and Disability Resource Center in place to help with enrollment questions. ADRC also takes over eligibility and enrollment for physical disability and frail elderly services.



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*Information for policy makers. Health for Kansans.*

# **The Affordable Care Act and the States**

**December 4, 2012**

**Robert Laszewski  
Health Policy and Strategy Associates, LLC  
Washington, DC**

## **We Face a Daunting Post-Election To-Do List**

- **The core elements of the Affordable Care Act (ACA) (“Obamacare”) are now settled law.**
- **There are and will be more lawsuits but it is not likely they will be decided before implementation and there is no indication the Supreme Court is inclined to overturn the law**
- **But will the Affordable Care Act be implemented in all states on time?**
- **How will the Medicaid expansion be implemented?**
- **How will the “fiscal cliff” be settled and what impact will it have on the ACA?**



## Stakeholders Pushing for Changes

- Insurers are worried about the new health insurance tax and the 3:1 age rating bands.
- The medical device industry is lobbying hard to get rid of the medical device tax.
- Employers are worried about the definition of full and part-time workers, minimum coverage requirements, and the impact on the new health insurance tax on fully insured small and mid-sized companies.
- Providers are out to get the Medicare Cost Board (IPAB) with a vengeance.

# The Insurance Exchanges

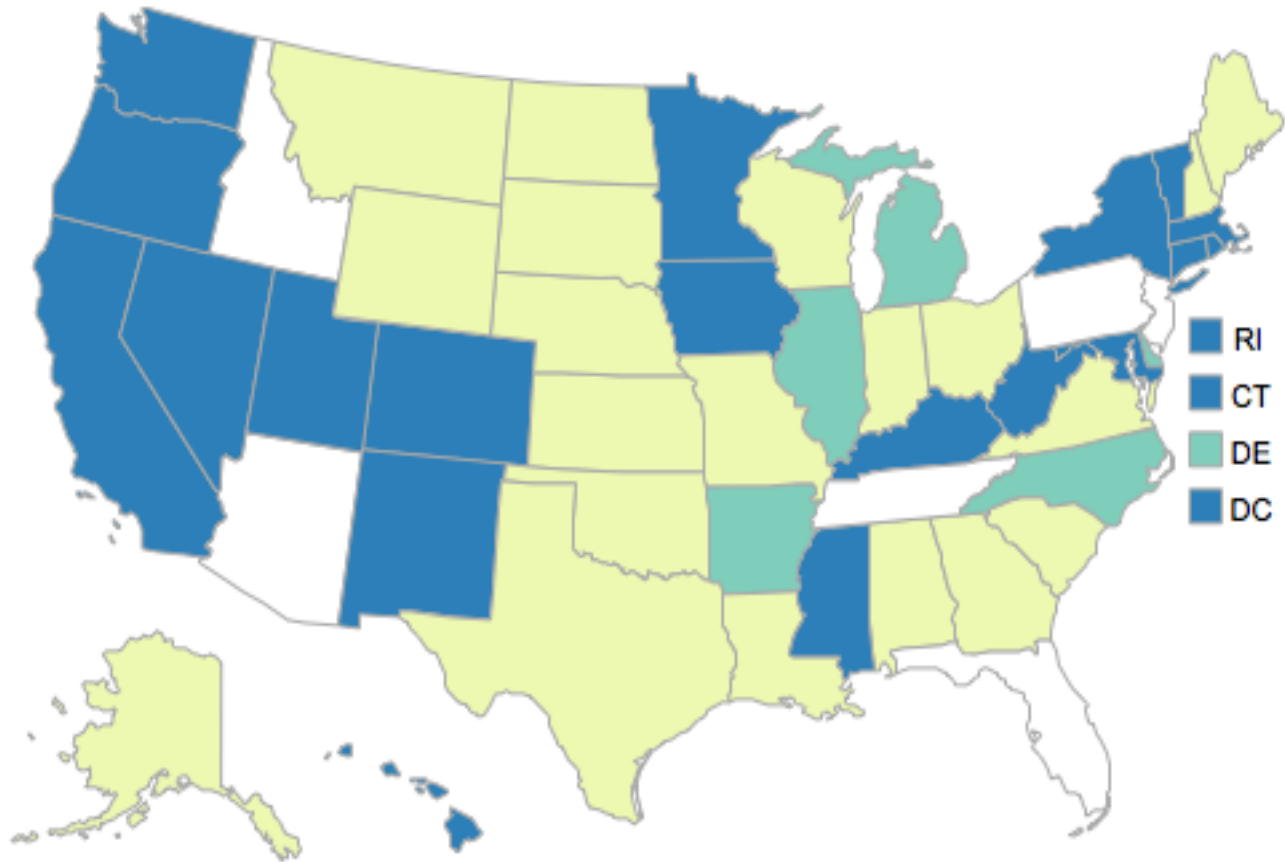
- Red states/blue states.
- 30 states will have Republican governors.
- We need transparency from the feds on whether they will really be ready with exchanges in less than 11 months.
- 18 states have so far said they will build an exchange on their own.
- 20 states are leaving it up to the feds.
- 5 are willing to do a partnership with the feds.
- 7 are still undecided on what they will do and have until December 14 to decide.

## The Insurance Exchanges...

- **California is pushing forward with an “active purchaser” exchange.**
- **PA Insurance Commissioner: “Our worst fear is rushing to build something for the sake of building it and having it not be functional.”**
- **Why should Republican governors take the risk of screwing up an already controversial Democratic health care law?**
- **States that let the feds do it can later pick up the exchanges after the feds have worked the problems out.**

# State Insurance Exchanges

November 15, 2012 - Kaiser News



## Current plans



# The Medicaid Expansion—Will They or Won't They?

# The States' Medicaid Option

- The ACA required all states to join with the feds in universally expanding Medicaid access for all families and individuals up to 133% (138%) of the federal poverty level.
- While many states already cover everyone to 100% of poverty, some do not.
- Texas has 6 million uninsured in large part because it doesn't cover single individuals and only covers parents whose income is up to 26% of poverty (poverty line for an individual is \$11,170).
- If Texas declines to expand its Medicaid program under the ACA 1.8 million Texans will not be covered.

## Number of People That Would Be Covered Under the ACA's Medicaid Expansion in States That Brought the SCOTUS Suit

Alabama	351,567
Alaska	42,794
Arizona	105,428
Colorado	245,730
Florida	951,622
Georgia	646,557
Idaho	85,833
Indiana	297,737
Iowa	114,691
Kansas	143,445
Louisiana	366,318
Maine	43,468
Michigan	589,965
Mississippi	320,748

Nebraska	83,898
Nevada	136,353
North Dakota	28,864
Ohio	667,376
Pennsylvania	482,366
South Carolina	344,109
South Dakota	31,317
Texas	1,798,314
Virginia	372,470
Wisconsin	205,987
Utah	138,918
Washington	295,662
Wyoming	28,899



# The 2014 to 2019 Cost for Key States to Expand Medicaid and the Federal Share

Source: Kaiser Commission on Medicaid and the Uninsured

State	Total State Medicaid Spend	Total Federal Spend	Total State and Federal	Federal Share of Incremental Cost
Florida	\$778 million	\$19.5 billion	\$20.2 billion	94%
Louisiana	\$285 million	\$7.1 billion	\$7.4 billion	96%
Texas	\$2.1 billion	\$51.7 billion	\$53.8 billion	95%
Kansas	\$166 million	\$3.5 billion	\$3.6 billion	95%



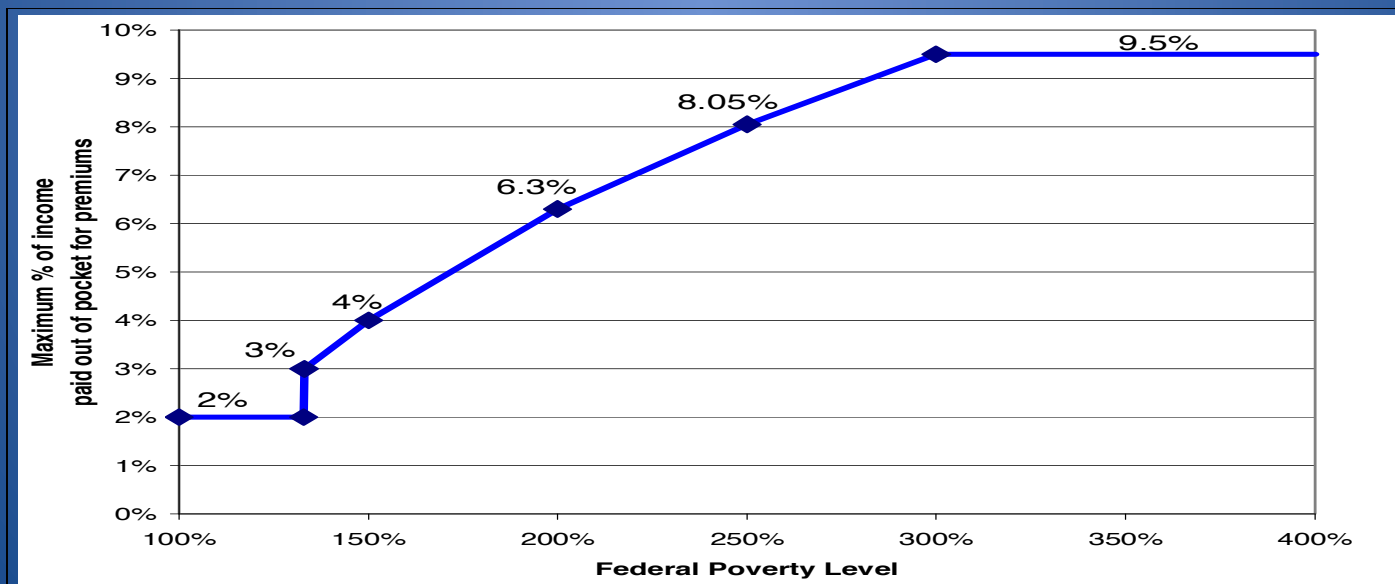
# The States and the Medicaid Decision

- If a state decides not to expand Medicaid to 133% of poverty, those between 100% of poverty and 133% of poverty (3.5 million of the 15 million estimated nationally to gain coverage) are eligible for the insurance exchanges and the federal premium subsidies.
- But those between 100% of poverty and 133% of poverty are responsible for paying premiums of 2% of their income (\$30,000 of income = \$600 a year in premium costs).
- Their insurance subsidies are also targeted to the Silver Plan—which is calculated to pay only 70% of health care costs.

# The ACA's Premium Subsidies Cap Insurance Premium Cost at a Percentage of Income

**2012 Federal Poverty Levels for a Family of Four**

% Of Poverty	100%*	133%*	150%	200%	300%	400%
Annual Income	\$23,050	\$30,657	\$34,575	\$46,100	\$69,150	\$92,000



# Medicaid or the Insurance Exchange?

- The CBO has estimated that the Court ruling could lead to enough states refusing to expand Medicaid that 6 million lose what would have been their eligibility.
- However, the CBO has also estimated that 3 million of those would become eligible for subsidies in the insurance exchanges (100% to 133% of poverty).
- The CBO has estimated that Medicaid will cost an average \$6,000 a person to cover.
- The CBO says it will cost an average of \$9,000 to subsidize a person in the exchanges—\$3,000 more per person than Medicaid.

# Let's Do a Deal

- If the states refuse to expand Medicaid they not only leave money on the table but they will also risk angering the provider lobby looking forward to less unreimbursed care.
- Rather than rejecting all of the federal money, Republican governors might well use the Court decision as leverage to cut a more favorable deal with the Obama administration.
- They might use the money to convert the payment to a block grant and then privatize much or all of their Medicaid market.
- States might propose expanding eligibility only to 100% of poverty.

## Expand Only to 100% of Poverty?

- Problematic for the Obama administration to accept.
- Those between 100% and 133% of poverty would be eligible for the insurance exchange.
- However, the CBO says it costs \$3,000 more per person to cover them in the exchange—and that would be paid for by taxpayers in other states.
- Those in the exchange are subject to deductibles, co-pays, and premium payments in the exchange.

# The “Fiscal Cliff”



## The “Fiscal Cliff” Timeline

- Almost every tax cut enacted since 2001 will expire on December 31, 2012.
- Last year’s \$1.2 trillion budget deal sequestration spending cuts begin on January 1, 2013.
- The Treasury Department estimates that another debt ceiling increase will be needed about mid-February.
- The current funding authority for the federal government expires on March 27, 2013—without another agreement the federal government would be shutdown.

# **“The Fiscal Cliff” Components and 2013 Value**

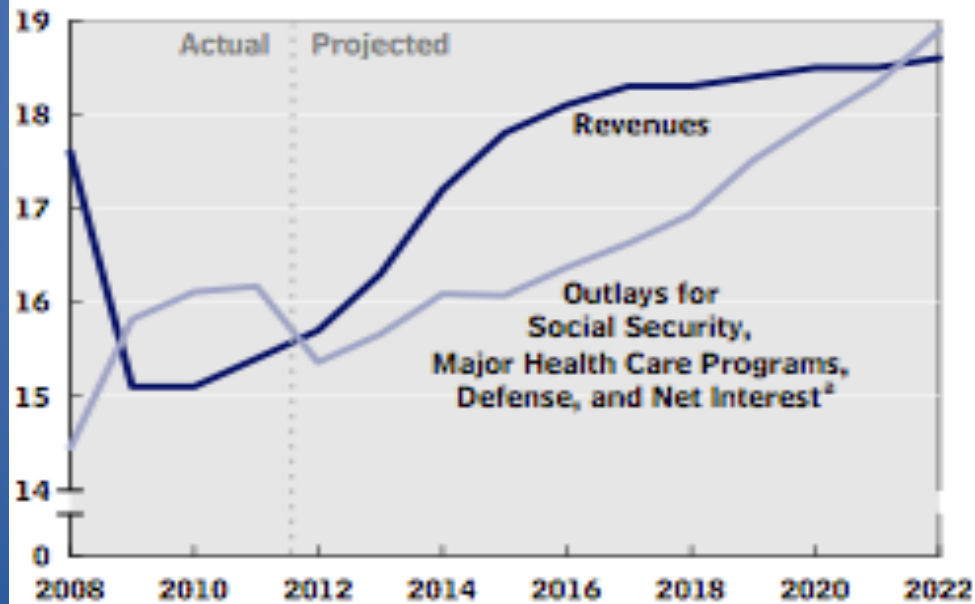
- Expiration of all Bush tax cuts – \$210 billion.**
- Cost to “patch” alternative minimum tax (AMT) - \$130 billion.**
- Cost to extend the 2% payroll tax holiday - \$110 billion.**
- Sequestration cuts; one-half defense and homeland security and one-half from other discretionary spending - \$109 billion.**
- R&D and other business tax benefit expirations - \$85 billion.**
- Cost to continue special unemployment benefit extension - \$35 billion.**
- One-year Medicare doc fix - \$25 billion.**



# If the 2012 Fiscal Status Quo Continues, Social Security, Health Care Entitlements, Defense, and Debt Interest Exceed Federal Revenue by 2022

## Outlays for Major Programs Compared with Total Revenues Under the Alternative Fiscal Scenario

(Percentage of gross domestic product)



Source: Congressional Budget Office.

# Selected Savings Options for Mandatory Spending – 2020 Impact

- Repeal health insurance and Medicaid expansion under the ACA - \$150 billion.
- Block grant Medicaid per the Ryan plan - \$50 billion.
- Increase senior share of Part B premiums from 25% to 35% of costs - \$40 billion.
- Raise Medicare eligibility age in 2020 to age-67 - \$30 billion.
- Reduce Medicare costs by increasing cost sharing for both Medicare and Medicare supplement policies - \$10 billion.
- Reduce the Social Security inflator from average prices to average wages - \$30 billion.

# Selected Savings Options on Discretionary Spending – 2020 Impact

- **Limit TRICARE benefits for Defense Department employees - \$14 billion.**
- **Cap increases in military pay - \$2 billion.**
- **Limit highway funding to expected highway revenues - \$11 billion.**
- **Reduce National Institutes of Health Funding - \$2 trillion.**
- **Restrict Pell Grants to needier students - \$1 trillion.**
- **Finance the food safety and inspection program through fees - \$1 trillion.**

# Selected Revenue Options– 2020 Impact

- Let Bush tax cuts expire and don't patch the AMT - \$550 billion.
- Extend Bush tax cuts for families under \$200K in annual income, patch the AMT, and extend 2010 estate tax rates - \$110 billion.
- Limit itemized deductions to 15% of income - \$150 billion.
- Phase-out the mortgage interest deduction - \$50 billion.
- Increase the Medicare payroll tax by 1% - \$80 billion.

# 2013

- The ramp-up to the Affordable Care Act Implementation is on a very tight timeframe.
- Lots of employer, health plan, provider, and state government decisions to be made over a short period of time.
- The “fiscal cliff”—will we go over it or finally get our fiscal house in order, or something in between?
- Past 2013, the the health care system will look very different than it does now.