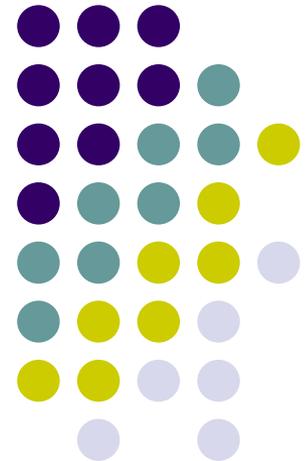


Federal Health Care Reform: Implications for New York

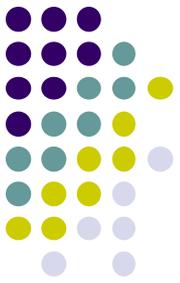
Division of Coverage and Enrollment
Office of Health Insurance Programs

Health Bureau
Insurance Department

June 2010

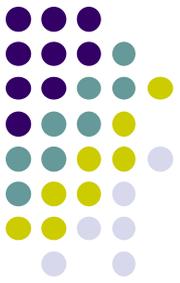


Federal Health Care Reform: Where We Are Now



- On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act of 2010 (H.R. 3590), the “Senate bill.”
 - This is the legislation adopted by the Senate on December 24, 2009, and adopted without amendment by the House on March 21, 2010.
- On March 30, 2010, President Obama signed the Health Care and Education Reconciliation Act of 2010 (H.R. 4872), the “Reconciliation bill.”
 - This legislation amends the Patient Protection Act.

Federal Health Care Reform: Where We Are Now



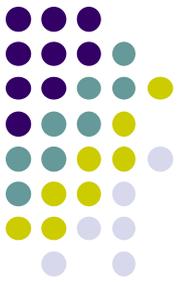
- Federal health care reform (HCR) requires and rewards significant investments in comprehensive, accessible reliable and more “seamless” health insurance coverage and systems of care.
- HCR provides a strong foundation and more equitable federal support for states like New York, that early on made a commitment to expand coverage to the uninsured.

Federal Health Care Reform: Where We Are Now



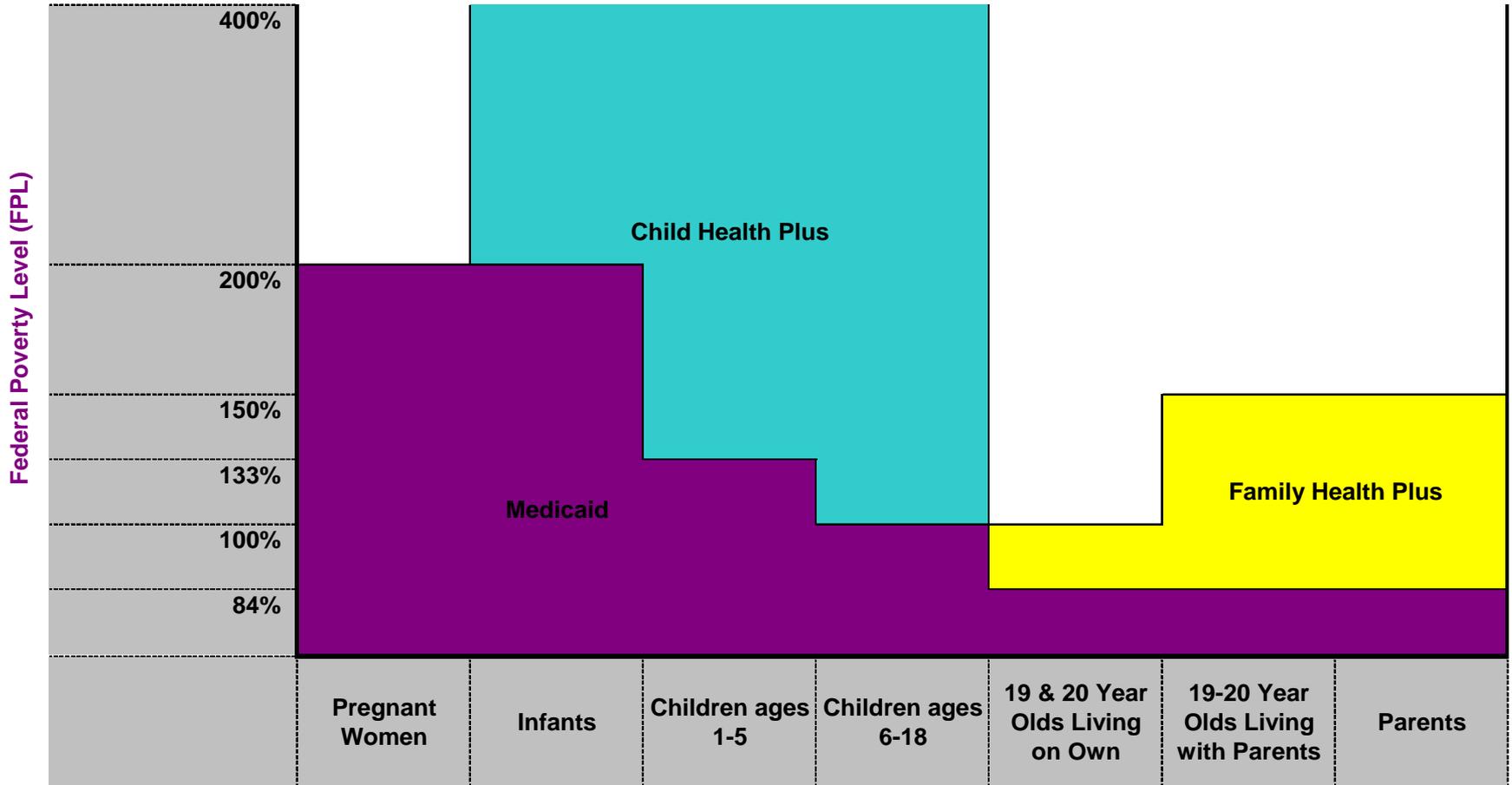
- Most of the major provisions of HCR take place starting in 2014 (Medicaid expansions, enhanced federal funding, establishment of the State Exchange, etc.).
- Others start in 2010 (controls on insurance companies, ability to keep a child on your policy until age 26, small business tax credits for purchasing health coverage) and following years (community based long term care incentives - 2011).

Where New York is Now: The Numbers

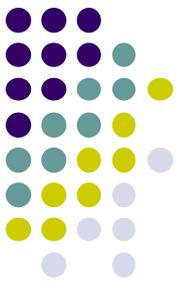


- Nearly 5 million New Yorkers are covered by public health insurance:
 - Medicaid insures 4.5 million people
 - Child Health Plus insures almost 400,000 children
- Over 10.5 million New Yorkers have employer-sponsored health insurance.
- 2.7 million New Yorkers are uninsured:
 - 2.3 million are adults ages 19-64
 - 343,000 are children

Where New York is Now: Eligibility for Children and Parents

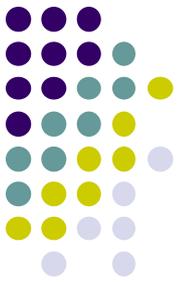


Where New York is Now: Eligibility for Adults and Persons with Disabilities



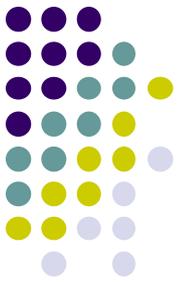
- In New York, adults and persons with disabilities (those without minor children in the home) are eligible for Family Health Plus up to 100% of the federal poverty level (FPL) and are eligible for Medicaid at lower poverty levels.
- Adults and their families are eligible for Healthy NY up to 250% FPL.

Immediate Reforms: Market Reforms – 6 Months



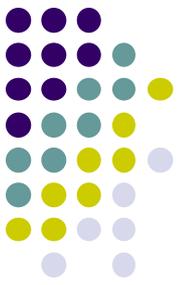
- Prohibit lifetime limits on insurance
- Restrict annual limits; annual limits prohibited 1/1/14 and after
- Prohibit rescissions
- Prohibit pre-existing condition exclusions for children
- No cost-sharing for preventive care

Immediate Reforms: Market Reforms – 6 Months



- No cost-sharing for preventive care
- No discrimination based on salary
- All emergency care at in-network rates; no prior authorization required
- Enhanced disclosure and transparency
 - Rating, claims payment, enrollment data, etc.
- Enhanced appeal rights
 - Fully-insured plans must comply with state appeal laws.

Immediate Reforms: Dependent Coverage Extension – 6 Months



- Married or unmarried young adults up to age 26 (through age 25) can continue coverage on a parent's plan.
- This is a minimum standard for states, which states can exceed.
- NYS' dependent coverage extension is to age 30 (through age 29) and will overlay with federal law.

Immediate Reforms: High Risk Pool Funding - 2010



- Sec'y must establish risk pool program within three months of enactment; program ends 1/1/14.
- Designed to provide coverage to high risk people with pre-existing conditions.
- \$5B in federal funding available for states or nonprofits.

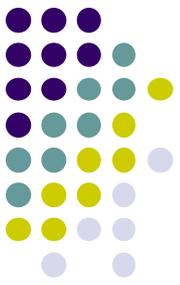
Immediate Reforms: High Risk Pool Funding - 2010



- Eligibility:
 - US citizen or lawfully present
 - No creditable coverage for 6 months prior to application
 - Has a pre-existing condition

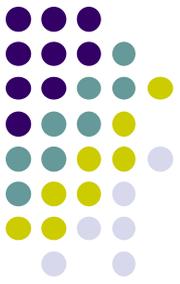
- NYS applying for funding.
 - Challenge to provide grants to states without high risk pool and to guarantee issue states like NYS.

Immediate Reforms: Early Retiree Reinsurance – 90 days



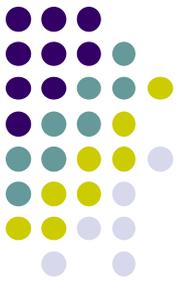
- \$5B in federal funding.
- Helps employers maintain retiree coverage for early retirees ages 55 and over who aren't Medicare-eligible.
- Reimburses employer-based plans 80% for individual plan year claims between \$15,000 and \$90,000 (amounts adjusted annually).
- Plan must have cost-savings programs for people with chronic and high-cost conditions.

Immediate Reforms: Premium Rate Review - 2010

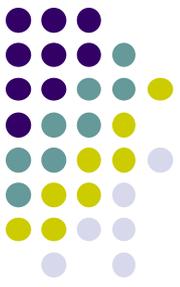


- \$250M in federal funding over 5 years.
- Grants to states starting 2010 to help states review and approve premium rates and make recommendations to Sec'y.
- Secretary must develop annual rate review process through which insurers will submit justification for unreasonable premium increases to the Sec'y and state.

Immediate Reforms: Premium Rate Review - 2010

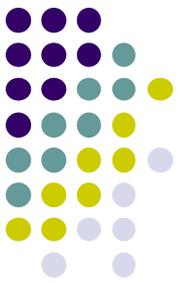


- Plans must report MLRs to Sec'y and include information on spending for (1) clinical services, (2) activities that improve quality of care, and (3) non-claims costs including taxes and licensing or regulatory fees.
- Starting 2011, MLR of 85% for large group and 80% for individual and small group markets required or plans must issue rebates.
- Sec'y to work with NAIC to establish standard definitions.



Immediate Reforms: Consumer Assistance - 2010

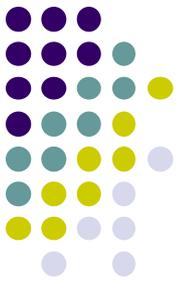
- \$30M in grants to states to establish health insurance ombudsman programs.
 - Assist with insurance complaints and appeals, track complaints, provide consumer education and assistance, and resolve problems obtaining premium subsidies.
- By 7/1/10: HHS must establish web portal for individuals and small businesses to obtain information about public and private insurance options.



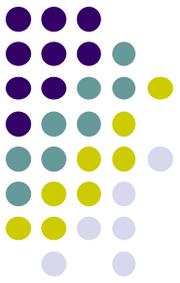
Immediate Reforms: Consumer Assistance - 2012

- Within 12 months, Sec'y, in consultation with NAIC, will develop standards for coverage documents so they are understandable.
- Within 24 months of enactment, plans must provide summary of benefits and coverage explanation, including:
 - Uniform definitions
 - Coverage and cost-sharing description
 - Exceptions, reductions and limitations
 - Other provisions

Grandfathered Plans



- “If you like your health coverage, you can keep it.”
- Effective immediately and permanently applies to coverage in effect as of date of enactment.
- Group policy holders can add new members/employees and family members.



Grandfathered Plans

- Grandfathered plans do not have to comply with most reforms except:
 - Prohibition on rescissions
 - Prohibition on pre-existing condition exclusions
 - Prohibition on annual and lifetime limits
 - Dependent coverage extension to age 26
 - Prohibition on excessive waiting periods

Later Reforms: 2014 Market Reforms



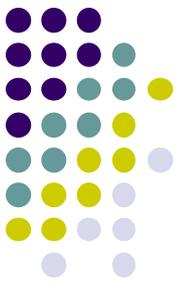
- Guaranteed issue
 - NYS already has guaranteed issue.
- Adjusted community rating
 - No discrimination based on gender or health status
 - Limited age rating (3:1), tobacco rating (1.5:1)
 - Minimum standards for states; NYS' pure community rating may remain in place.

Later Reforms: 2014 Market Reforms



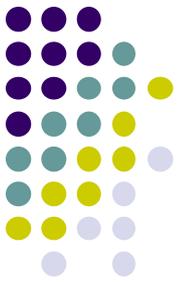
- No pre-existing condition exclusions.
- No annual coverage limits.
- Deductibles in small group market limited to \$2,000 individual/\$4,000 family.

Key Components of HCR: State Insurance Exchange



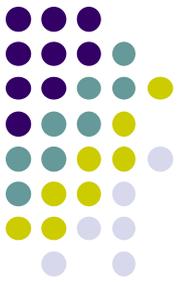
- States must establish “American Health Benefit Exchange” for individuals and “Small Business Health Options Program (“SHOP Exchange”)” by 1/1/14– to help individuals and small businesses locate, purchase/enroll in private and public coverage, secure affordability credits and subsidies.
- Emphasis on “paperless” verification- eligibility determinations through federal data matching- SSA, Homeland Security, Treasury.

Key Components of HCR: State Insurance Exchange



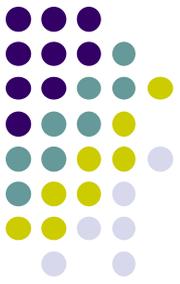
- Planning grants to states within one year of enactment. Renewable to 2015. By 1/1/15, states must show that exchange can be self-sustaining.
- States can merge the individual and SHOP exchanges into one exchange.
 - Small business has 1-100 employees
 - States can change definition to 1-50 employees prior to 1/1/16.

Key Components of HCR: State Insurance Exchange



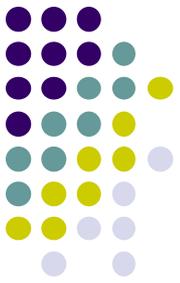
- Exchanges must be administered by the state or a non-profit.
- If states do not establish Exchanges, Sec'y will establish.
- Exchange must offer qualified health plans.
- States can require Exchange to offer additional benefits but must pay for them.
- Sec'y to establish Exchange plan certification criteria -- quality improvement, accreditation, provider choice, etc.
- Only US citizens and "lawfully present" can purchase coverage through Exchange.
- Starting 2017, states may allow large group offerings in exchange.

Key Components of HCR: State Insurance Exchange



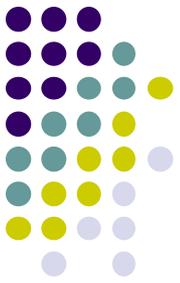
- Exchange functions include:
 - Web site and toll-free hotline
 - Information on public programs
 - Electronic premium estimation tool
 - Grant exceptions to the individual coverage mandate
 - Require plans to submit justification for premium increases
 - Require plans to be transparent in providing information
 - Develop quality improvement guidelines

Key Components of HCR: State Flexibility



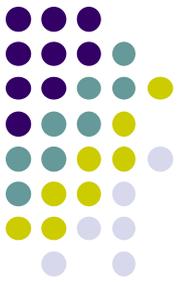
- **Basic Health:** optional program states can offer for people 133-200% FPL
 - Outside exchange
 - States receive 95% of federal money they would have received had enrollee received premium credit
 - Competitive bid process
 - Must offer care coordination
- **CO-OPs:** member-run non-profit insurers
 - Start 2013
 - \$6B in federal start-up funding

Key Components of HCR: Exchange Qualified Plans



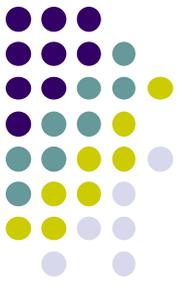
- Certified as providing essential benefits.
- Licensed insurer in good standing.
- Offer at least one gold and one silver plan.
- Essential benefits include at least emergency, hospital, maternity, ambulatory care, mental health, substance abuse, drugs, rehabilitative and habilitative services and devices, lab, prevention and wellness, and pediatric services.

Key Components of HCR: Exchange Qualified Plans



- Four coverage levels:
 - Platinum – 90% actuarial value
 - Gold – 80% actuarial value
 - Silver – 70% actuarial value
 - Bronze – 60% actuarial value
- Catastrophic plan for people under 30 and people with a financial or hardship exemption from the mandate.
 - High deductible plan with very minimal first dollar coverage.

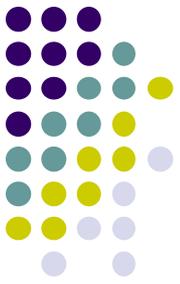
Key Components of HCR: Individual Mandate



- Starting 2014, people will be required to have “minimum essential coverage,” which can be qualifying employer coverage, grandfathered plans, Medicaid, Medicare, CHIP, VA coverage, etc.
- Phased-in penalty for not having coverage

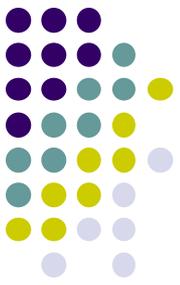
<u>Year</u>	<u>Penalty</u>
2014	greater of \$95 or 1% of income
2015	greater of \$325 or 2%
2016	greater of \$695 or 2.5%
2017 and beyond	COLA increase
Maximum family penalty is \$2,085.	

Key Components of HCR: Individual Mandate



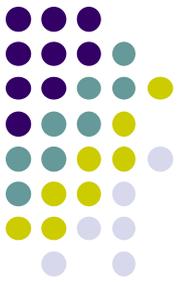
- Exceptions: religious objectors, undocumented, incarcerated.
- Exemptions: unaffordable, income under tax filing threshold, Indian tribes, hardship waiver, uninsured less than three months.
- Verification through IRS.

Key Components of HCR: Affordability Credits



- Affordability and cost-sharing subsidies start in 2014.
- Tied to second lowest-cost silver plan.
- Tax credits are refundable and payable in advance.
- U.S. citizens and lawfully present individuals only.
- 87% of NYS uninsured should qualify for some assistance.

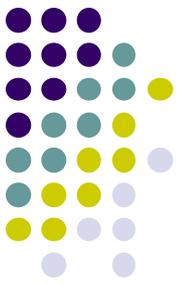
Key Components of HCR: Affordability Credits



- Subsidies based on income:

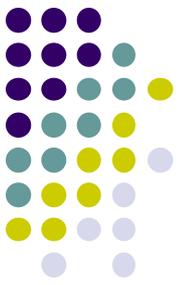
% of Federal Poverty Level	Income for Family of 4	% of Income for Premiums
Up to 133%	\$29,327	2%
133% up to 150%	\$29,327 - \$33,075	3% - 4%
150% up to 200%	\$33,075 - \$44,100	4% - 6.3%
200% up to 250%	\$44,100 - \$55,125	6.3% - 8.05%
250% up to 300%	\$55,125 - \$66,150	8.05% - 9.5%
300% up to 400%	\$66,150 - \$88,200	9.5%

Key Components of HCR: Employer Requirements



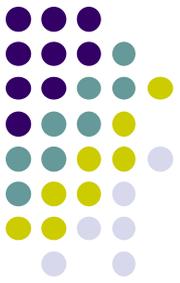
- Starts in 2014 and applies to employers over 50.
- If employer does offer coverage and at least one full time employee receives subsidized coverage through the Exchange, the employer must pay a penalty of \$3,000 for each employee receiving a subsidy, or \$2,000 per employee, whichever is smaller.
- If employer does not offer coverage and at least one employee receives subsidized coverage through the exchange, the employer must pay a penalty of \$2,000 for each employee receiving a subsidy.
- The first 30 employees are excluded when calculating penalties.

Key Components of HCR: Small Employer Tax Credits



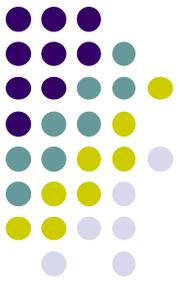
- Businesses up to 25 employees (phased out for 10-25).
- Average wages of \$50,000/year or less (phased out for \$25,000-\$50,000).
- Up to 35% of employer contribution starting in 2010.
 - 25% for tax-exempt businesses.
- Up to 50% starting in 2014.
 - 35% for tax-exempt businesses.
- Employer must contribute at least 50% of premiums.
- Total credit for up to 5 years.
- New York is a high cost, high premium state and there is no geographic indexing of tax credits.

Key Components of HCR: Reinsurance



- As of 1/1/14 and for three years, states must establish or contract with a reinsurance entity.
- The program should stabilize premiums when risk of adverse selection related to changes is the greatest.
- Insurers and third party administrators will pay into reinsurance entity. The entity will collect payments and disburse them to insurers covering high-risk enrollees.

Other HCR Provisions

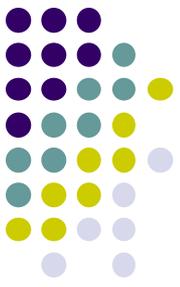


- No “public option.”
- Financed by higher Medicare payroll taxes on wealthy, excise taxes on high cost insurance and cuts to Medicare and Medicaid DSH payments.

Key Components of HCR: Medicaid Expansion



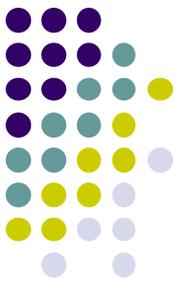
- Starting in **2014**, mandated Medicaid expansion to 133% FPL for most adults and children.
- Mandated expansion does not include certain groups- elderly, disabled/Medicare individuals, but establishes an additional “pathway” for most adults under 65, with eligibility up to 133% Modified Adjusted Gross Income (MAGI).
- Expansion parents must enroll their children in coverage to qualify.



Key Components of HCR: Medicaid Simplification Mandates

- **Starting in 2014**, no resource test for most populations- pregnant women, most families, children, single adults. (already part of NY MOE).
- Requirement to move to adopt “modified adjusted gross income” (MAGI) test further streamlines eligibility determinations (new 5% disregard for MAGI populations; existing deductions continue for elderly, disabled).

Key Components of HCR: Medicaid Simplification Mandates



- **By 2014**, individuals can apply for and enroll in Medicaid, CHP or the Exchange through a State-run Website.
- Coordination of enrollment procedures/seamless enrollment for all programs (MA, CHP, Exchange) required.
- Single form, with on-line, in person, mail and telephone application options required for Exchange- Medicaid, CHP, tax subsidies.

Key Components of HCR: Maintenance of Effort (MOE)

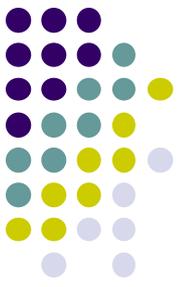


- MOE means the state can not impose any eligibility standards, methodologies or procedures that would be more restrictive than what existed in the Medicaid or CHP programs on the date of enactment of HCR.
- Per MOE, no resource test, reduced eligibility levels, FTF interview, finger imaging or other more restrictive provisions than current law can be implemented going forward.

Key Components of HCR: Maintenance of Effort (MOE)



- MOE continues for adults until 2014; can be modified for certain adults (e.g. parents) starting in 2011 based on certification of budget deficit.
- MOE continues for children, under CHP and Medicaid, until 2019.
- Low income children will continue to be covered (in New York, up to 400% of the federal poverty level) either through Medicaid, CHP, or the Exchange



Key Components of HCR: Other Medicaid Provisions

- Delivery system reforms emphasizing primary care and prevention, linking payments to outcomes, and rewarding care coordination.
- Demonstrations (e.g. Pediatric Accountable Care Organizations, bundled payments for integrated care around a hospitalization).
- DSH allocation reductions (reductions in hospital payments based on reduced numbers of uninsured patients)



Key Components of HCR: Other Medicaid Provisions

- Drug rebates
- Primary care physician rate increases
- Adult vaccine and other preventive care – 1% fmap increase for selected services.
- 6% fmap increase for consumer directed home and community based attendant and support services
- Other community based LTC, dual eligible coordination demos and options

Key Components of HCR: Fiscal Impact for New York



- The federal Medicaid matching rate for “newly eligible” individuals will be 100% for the first three years, starting in 2014, ramping down to 90% going forward beginning in 2020.
- The federal matching rate for children in the Child Health Insurance Program (CHIP) above 133% FPL will also be increased to 88%, starting in October 2015.

Key Components of HCR: Fiscal Impact for New York



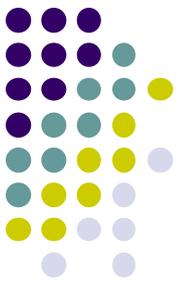
- The federal Medicaid matching rate for the childless adults we currently cover in New York will also be significantly increased, starting at 75% in 2014, and ramping up to 90% going forward in 2020.

Key Components of HCR: Fiscal Impact for New York



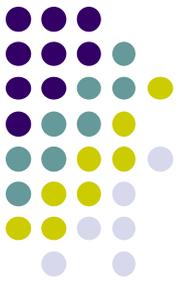
- HCR estimated to provide about a 1 billion dollar net additional Medicaid benefit to New York in 2014, factoring in the costs of enrolling nearly 1 million additional New Yorkers.
- This does not yet factor in any future DSH reductions based on reducing uninsured (formula to be determined by HHS).

Recap: Where We Are and Where We Want to Be



- New York State has enacted significant public health insurance reforms and expansions over the last several years, including the statewide Enrollment Center, COBRA extension and dependent coverage extension.
- HCR will bring further changes to public and private health coverage in New York, including greater integration using a state-based “Exchange,” with Medicaid as a strong foundation.

Recap: Where We Are and Where We Want to Be



- HCR mandates electronic pathways to public and subsidized private coverage.
- Advances in technology can facilitate coverage improvements and help streamline processes.

Recap: Where We Are and Where We Want to Be



- HCR provides New York the resources and reform framework to help us reach our goals of affordable, comprehensive coverage and access to care for all New Yorkers.