# California Medical Association

## Federal Landscape
### Health Care Reform & Deficit Reduction

*Elizabeth McNeil*
*Vice President*
*Federal Government Relations*

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# STATUS OF HEALTH REFORM

- Historic Legislation
- Complex Law
- Outcome Unknown
- Repeal vs. Incremental Fixes

# STATUS OF HEALTH REFORM

- **SUPREME COURT DECISION**
- **NOVEMBER ELECTIONS**
- **IMPLEMENTATION HAPPENING NOW**
- **PHYSICIANS SHOULD FOCUS ON CMS AND HEALTH INSURANCE EXCHANGE ;**

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# STATUS OF HEALTH REFORM

- Election Scenario #1:
  R-President; R-Senate; R-House
  Repeal Health Reform
  No Replacement Strategy

- Election Scenario #2:
  President Obama; R-Senate; R-House
  No Repeal of Health Care Reform
  But Incremental Improvements

# STATUS OF HEALTH REFORM

- 2013 ECONOMIC AND POLITICAL CLIMATE
  KEEP FOCUS ON DEFICIT REDUCTION

- **2013 Issues: Entitlement Spending Cuts**
- Impact on Health Reform
- Medicare Reform despite slowed spending
- Medicaid Reform
- **2013 Sequestration Cuts of $1.5 trillion**
- $500 m cuts to Defense Department/Military
- Across the Board Non-Defense Cuts
- 2% Medicare Cuts

# Deficit Reduction Plans

- **Rep Paul Ryan – Republican Plan**
- Reduces deficit $4 T- tax and spending cuts
- Repeals Health Care Reform
- Medicaid Block Grants
- Medicare vouchers to purchase private health plans

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# Deficit Reduction Plans

- **President Obama Plan**
- Reduce deficit $4 T-spending cuts and tax increases on wealthy individuals and corps
- $248 billion in Medicare savings
- $73 billion in Medicaid savings
- $3.5 billion in public health savings

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# Deficit Reduction Plans

**President Obama Plan - Continued**

- Medicaid-SCHIP Blended Matching Rate
- Medicare IPAB on Steroids
- Cuts to all Other Provider Groups
- Seniors asked to pay more: co-pays, deductibles, premiums and Medi-gap
- IME Cuts – NO GME Cuts

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# WHAT COULD BE BIGGER THAN HEALTH CARE REFORM?

**Congressional Super Committee**

**Joint Select Committee on Deficit Reduction**

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# WHAT COULD BE BIGGER THAN HEALTH CARE REFORM?
# The Politics of Deficit Reduction

- **The Economy and the Deficit**
  **Will drive Medicare and Medicaid**

- **The State of Medicare and Medicaid**
  **will drive Health Care Reform Decisions**

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# SUPER COMMITTEE

- CONGRESSIONAL SUPER COMMITTEE charged with making $1.2-1.5 TRILLION IN SPENDING CUTS AND REVENUE INCREASES
- Super Committee and Congress Failed Miserably
- Sequestration Starts in 2013
  Automatic Across the Board Cuts Triggered

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# Sequestration Summary

- 50% of savings from Defense spending cuts
- 50% savings from remaining programs
- MEDICARE CUTS CAPPED AT 2%
- Other Non-Defense Program Cuts Higher than Medicare
- EXEMPT PROGRAMS: Social Security, Medicaid, VA, retirement funds and other programs

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# What's Driving Congress?

- Troubled Economy
- Deficit
- Government Spending
- Escalating health care costs
- Two biggest entitlement programs:
  Medicare and Medicaid

- The Cost of Not Covering the Uninsured

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# Sources of Growth in Projected Federal Spending on Medicare and Medicaid

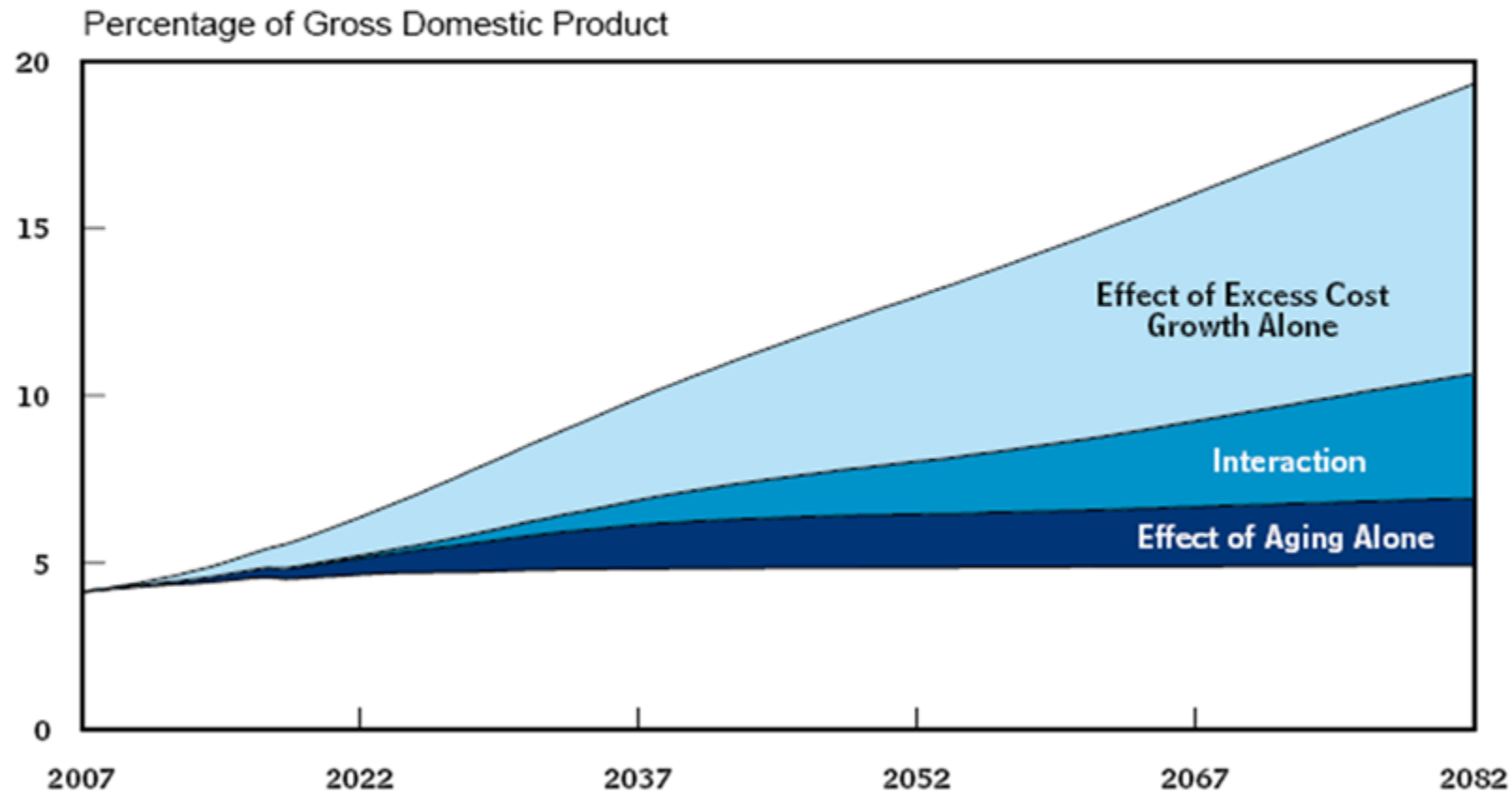
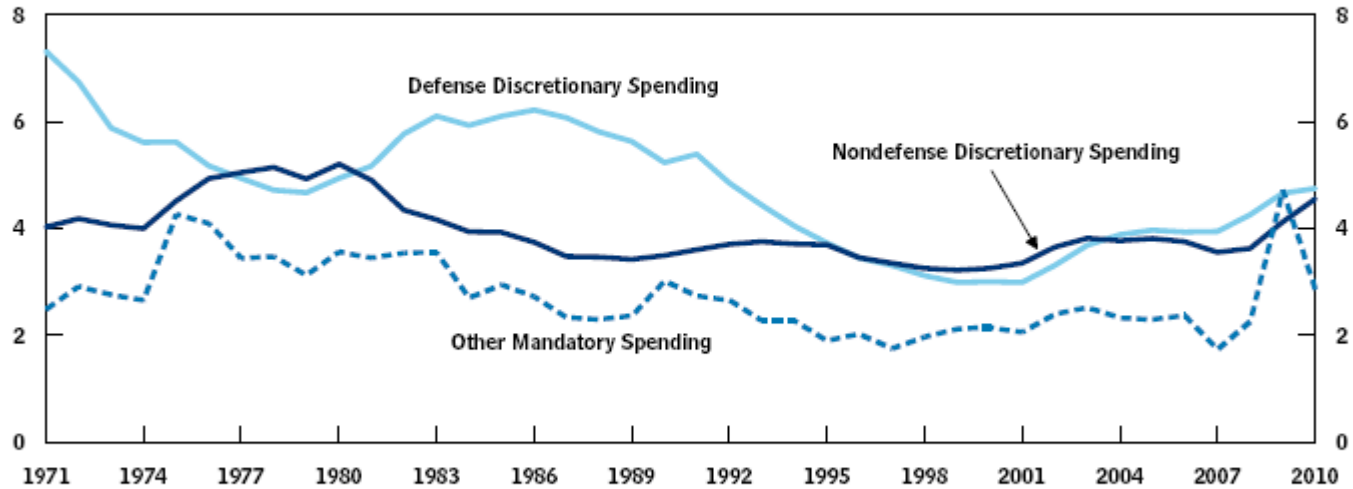


**Figure 5-2.**

## Other Federal Spending, by Category, 1971 to 2010

(Percentage of gross domestic product)



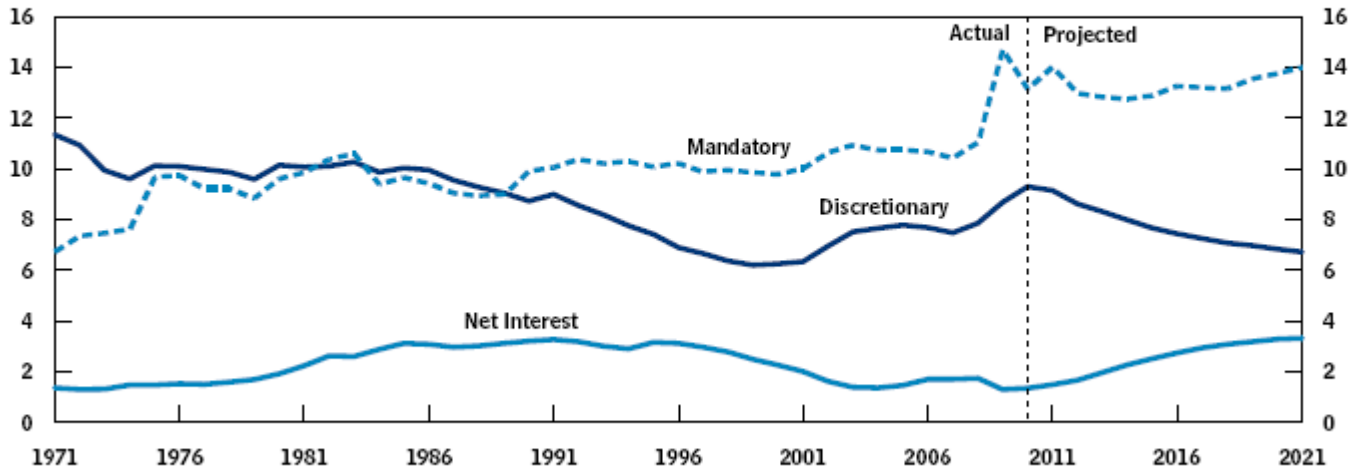

Source: Congressional Budget Office.

Note: Other federal spending is all spending other than for the major mandatory health care programs, Social Security, and interest payments on debt held by the public.

**Figure 3-1.**

## Outlays, by Category

(Percentage of gross domestic product)




Source: Congressional Budget Office.

# What's Driving Physicians? Maintaining ACCESS TO CARE

- Traditional Medicare FFS Program

  Sustainable Growth Rate (SGR) Formula

  2011 Cut: 27.4%

  Sequestration and IPAB Cuts

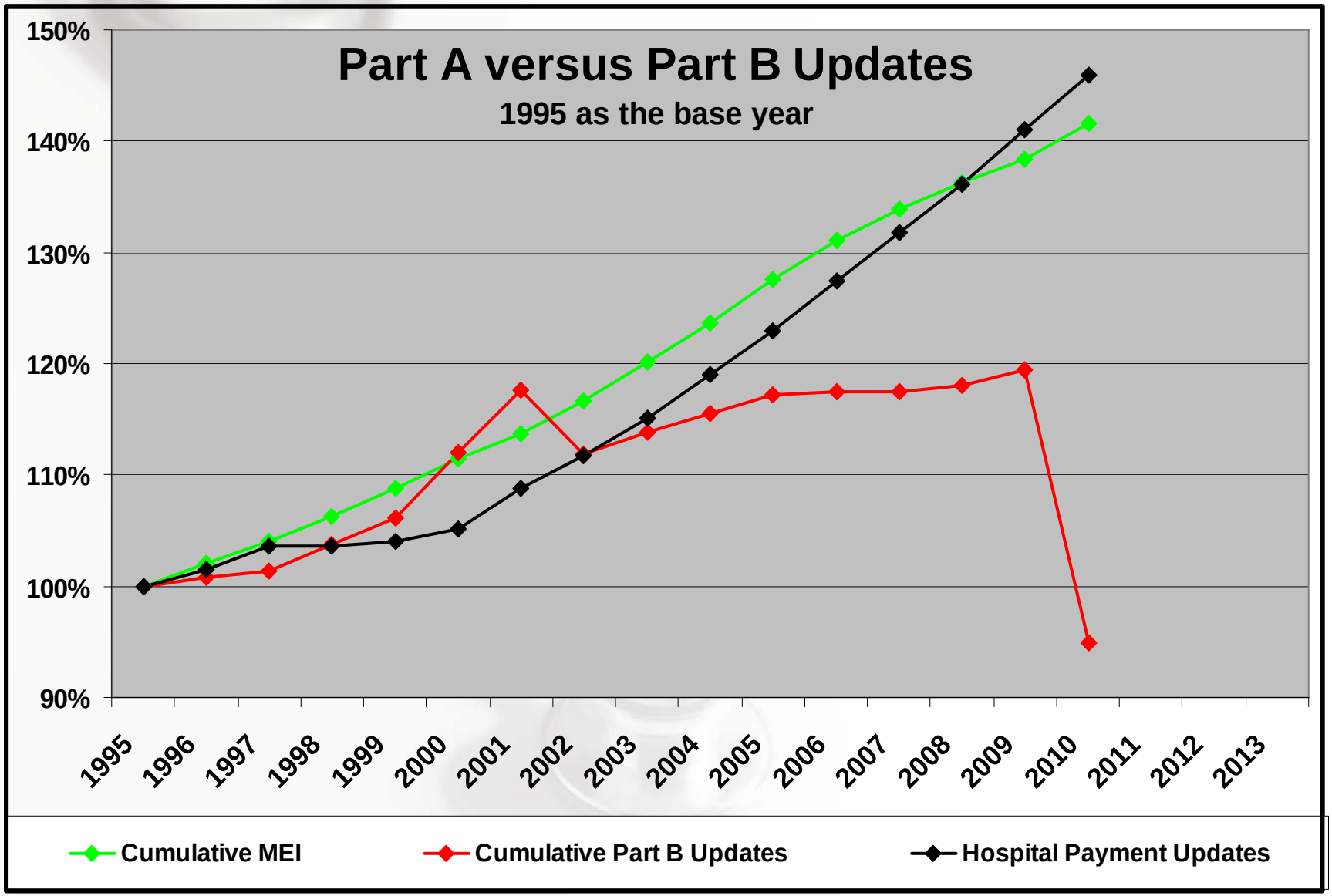
- Medicare Advantage HMO Program

  Payment rates transitioning down to FFS

  Quality Bonus/Risk Adjustment Methods

  Sequestration Cuts

# SGR vs. MEI


Part A versus Part B Updates
1995 as the base year
150%
140%
130%
120%
110%
100%
90%
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
Cumulative MEI
Cumulative Part B Updates
Hospital Payment Updates

# MEDICARE and MEDICAID'S INFLUENCE

- The Medicare Fee Schedule drives

  TriCare for Military Families

  All Private Sector Rates Tied to Medicare

  Could Influence the Health Exchange Rates

- Medi-Cal could enroll almost half of CA's uninsured. Rates are 50% below Medicare.
- These rates will determine whether there is access to doctors under health care reform.

# Medicare SGR Repeal
# CMA/AMA Plan

- **AMA/CMA and Organized Medicine Urging REPEAL OF SGR ($300 billion)**
- **3-5 years of Stability + Inflation Updates**
- **Test Innovative/Alternative Models**
- **Implement the Best Models**
- **New Proposal to Use Unspent Military Funds from the early troop withdrawals in Iraq and Afghanistan ($800 billion)**

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# CMA Message to Congress

- Repealing the SGR,

**IMPROVES ACCESS TO CARE**

**AND**

**MAKES ECONOMIC SENSE**

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# MEDICARE SGR REPEAL IMPROVES ACCESS TO CARE

- CMA-County Medical Society Survey:
- If substantial Medicare cuts occur, physicians said the following:
- 72% will reduce or stop taking new Medicare patients
- 55% will reduce the number of existing Medicare patients or quit Medicare altogether
- Real physician shortages in California

  Demand will soon outpace the supply by 20%

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# MEDICARE SGR REPEAL Makes Economic Sense

- 5 years ago it cost $48 billion to repeal SGR
- In 2011 it costs $300 billion to repeal SGR
- In 2016 it will cost nearly $600 billion

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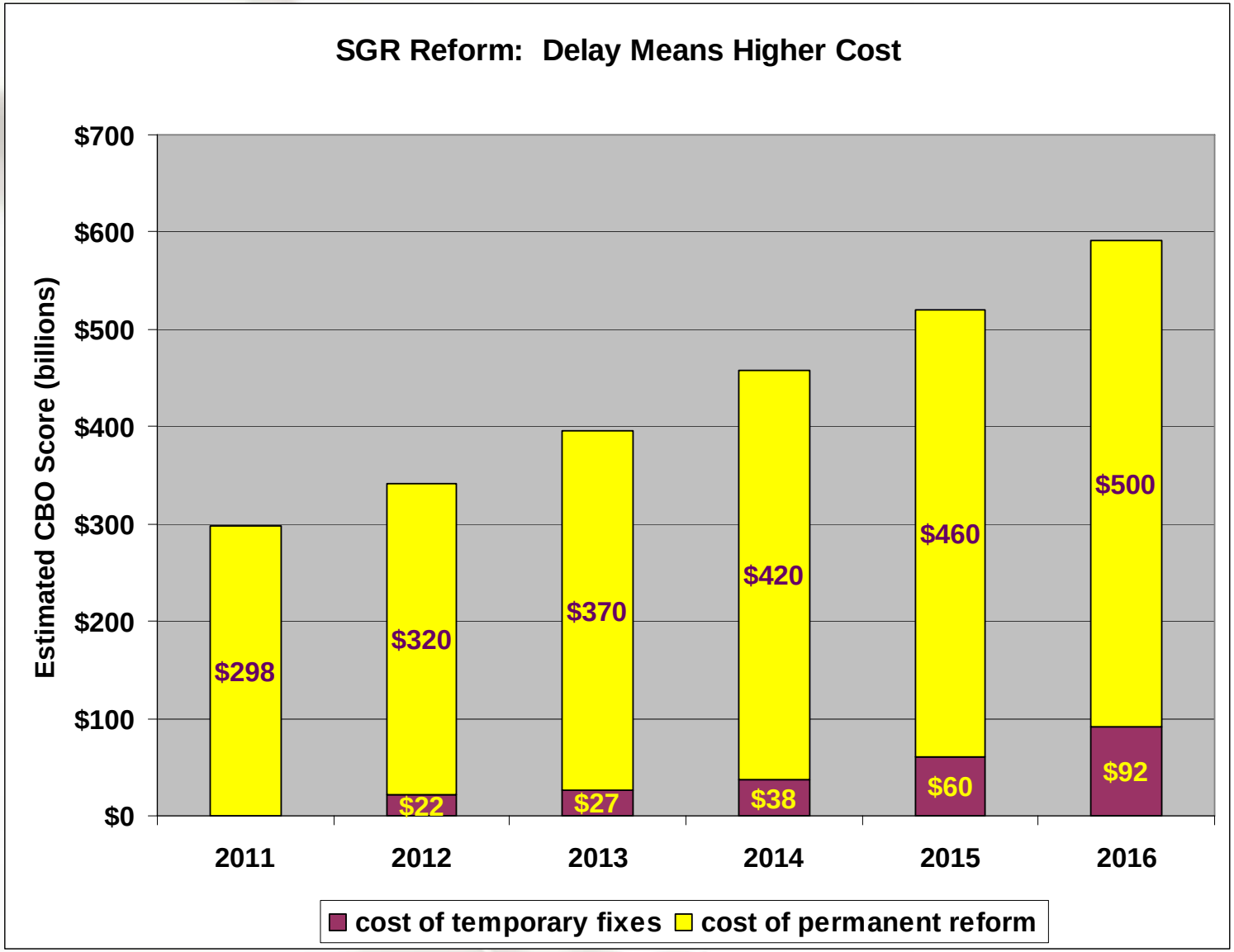
SGR Reform: Delay Means Higher Cost
Estimated CBO Score (billions)
$700
$600
$500
$400
$300
$200
$100
$0
$298
$320
$22
$370
$27
$420
$38
$460
$60
$500
$92
2011
2012
2013
2014
2015
2016
cost of temporary fixes
cost of permanent reform

# MEDICARE SGR REPEAL MAKES ECONOMIC SENSE

- Access to Care and Jobs: Lewin Group Report
- The report states, "…strong physician practices not only ensure the health and well being of communities but also critically support local economies and enable jobs, growth and prosperity."
- If physician practices are forced to close, the entire California economy will suffer.

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# Medicare SGR Repeal Makes Economic Sense

- **In 2009, California office-based physicians**
- Created a total of $137.9 billion in revenue
- Supported 458,397 jobs
- On average, each physician supported 5.8 jobs
- Contributed $106.3 billion in wages and benefits for employees
- On average, each physician supported $1,355,894 in total wages and benefits
- Supported $7,215.5 million in local and state tax revenues

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# Medi-Cal Rate Reduction California Status:

- **10% Physician Rate Cut Proposed by State**
- **Highest Copayments in Nation**
- **Limits patients to 7 office visits/year**
- **CA rates rank 47th; 50% below Medicare**
- **2/3 of CA doctors cannot participate**
- **Half Medi-Cal patients can't find a doctor**
- **CMS approved the 10% cut**
- **CMA won a court injunction to stop the cuts**

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# Medi-Cal Rate Reduction

- CMA opposing cuts because
- Violates Federal Equal Access laws
- Will Cause Patients Irreparable Harm
- Costs the State and Federal Govt More
- Severely hinders implementation of health care reform: 3 million uninsured to Medi-Cal

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# Health Care Reform

- The Economy and the Deficit and
- The status of Medicare and Medicaid
- WILL DRIVE THE FUTURE OF
  HEALTH CARE REFORM
- Can we afford the ACA?
- Can we afford not to adopt the ACA?

**"That we are in the midst of crisis is now well understood. Our nation is at war . . . And, our health care is too costly."**

**-Obama Inaugural Address**


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# CMA Principles for Health Care Reform

- Universal Access to Care
- Assistance for Low-income Families to Afford Health Insurance
- Health Insurance Exchange
- Choice, Competition, Insurance Reform
- Broad-based Financing
- Medicare Delivery Reform

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# CMA Principles for Health Care Reform

## CMA Survey 43% Support/43% Oppose

**CMA supported the coverage expansion, insurance industry reforms, affordable premiums, investments in primary care, public health and the physician workforce.**

**While the ACA provided coverage, it does not ensure access to a physician. Improvements need to be made.**



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# California Congressional Leaders

## U.S. House of Representatives

### California Leadership – Clean Sweep

*Speaker Nancy Pelosi*

*Chairman Henry Waxman-Energy Commerce*

*Chairman Pete Stark-Ways & Means*

*Chairman George Miller- Ed Labor*

*Leader Xavier Becerra*

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# Health Reform Summary

- Coverage
- Insurance Industry Reforms
- Health Insurance Exchange
- Medicare Payment Reform-Quality
- Prevention, Wellness, Public Health
- Health Care Professional Workforce
- Revenue

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# Health Reform

## California's ~7.4 million Uninsured

*~1.4 million undocumented not covered*

*~3 million to Medi-Cal*

*~3 million to private coverage in Exchange*

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# Health Reform

## Coverage Expansion – 2014

*Individual mandate*
*Individual tax credits 133-400% FPL*

*Medicaid Expansion to 133% FPL*
*Primary Care Rate Inc to Medicare*
*100% federally financed phased to 90% 2020*

**No Employer Mandate but Penalties**
**Small Business Tax Credits**

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# Health Reform

## Health Insurance Exchange – 2014

*Health Plan Standards & Benefits*

*Choice of Private Health Plans*

*Allows Patients to Choose Out-of-Network, Non- Contracted Physicians*

*Enrollment Initially Limited to Uninsured*

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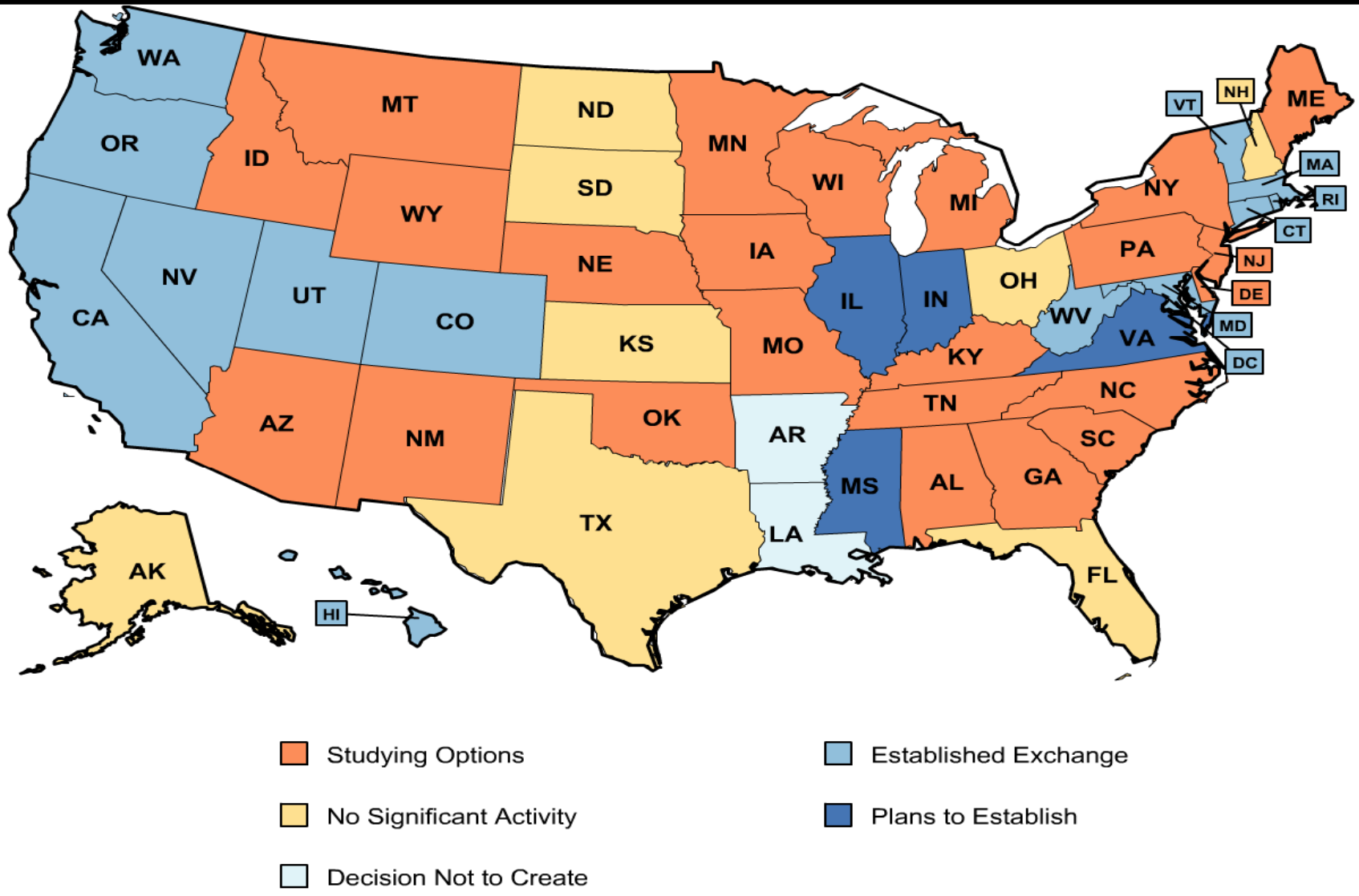
# State Action on Exchanges



# Health Reform
# Health Insurance Exchange

- CA Public Entity: 5 Member Board
- Active Purchaser Like Massachusetts
- Ind Mandate, Premium Subsidy, Guaranteed Issue, and perhaps Employers Dropping Coverage will expand the Exchange Rapidly
- Enormous market influence
- 4 Plan Levels: Bronze, Silver, Gold & Platinum with different cost-sharing

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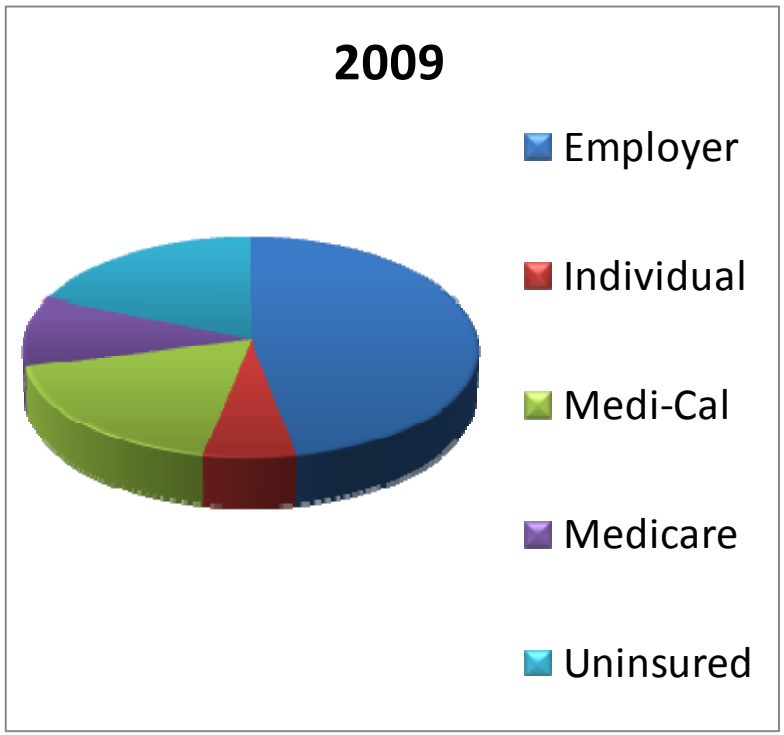
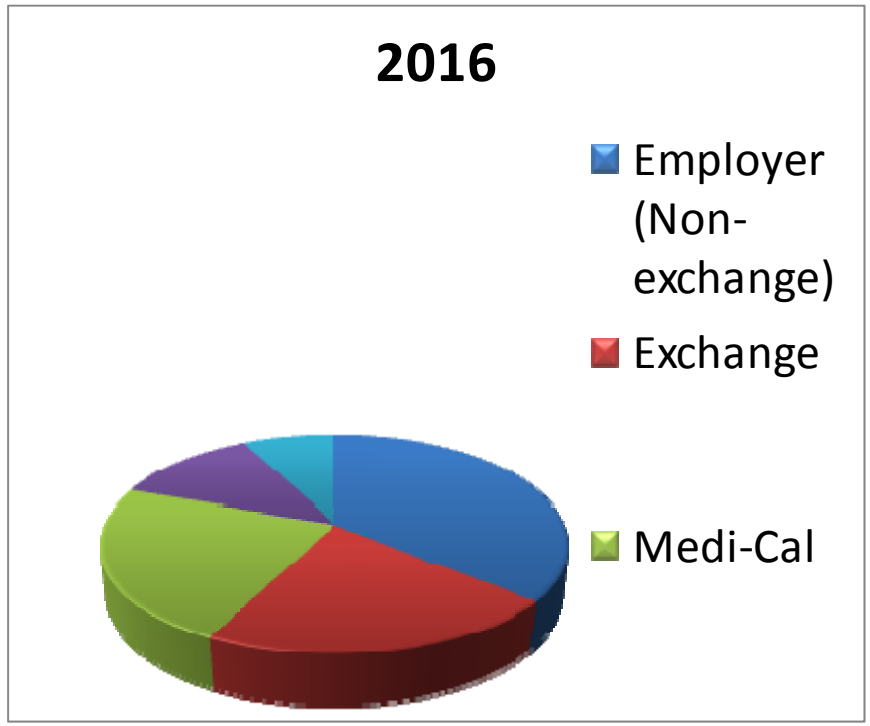
# Exchange Enrollment Estimates

## Enrollees' Health Insurance Coverage by Source



# Federal Benchmark Options

| Benchmark Plan Option | Choice(s) in California under the Benchmark Option | | |
|---|---|---|---|
| One of the three largest state employee plans by enrollment | Kaiser HMO | Blue Shield Basic HMO | Anthem Blue Cross PERS Choice PPO |
| One of the three largest federal employee health plans by enrollment | Blue Cross Blue Shield Basic | Blue Cross Blue Shield Standard | Government Employees Health Association (GEHA) |
| Largest HMO plan offered in the state's commercial market by enrollment | Large Group Kaiser Traditional HMO | | |
| One of the three largest small group plans in the state by enrollment* | Small Group Anthem Blue Cross (Solution 2500) PPO | Small Group Kaiser HMO | Small Group Blue Shield (Spectrum PPO Plan 1500 Value) |

* The small group plans will not likely be confirmed until after March 31, 2012.

# Health Reform

- **<u>Health Insurance Exchange: CMA Issues</u>**

  Inclusion of Safety Net Physicians

  Risk Adjusted Rates

  Individual Physician Quality Reporting

  CO-OP  Inclusion

  Essential Health Benefits Package

  Competitive Rates to Ensure Access to Care

  Market Influence

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# Health Reform

## Insurance Industry Reforms 2010/2014

*85% Medical Loss Ratio*

*Adequate Provider Networks*

*No Bans for Pre-existing Conditions*

*No Rescinding Coverage*

*Community Rating with Limits*

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# Health Reform

## Allows Coops in the Exchange
## Consumer Operated and Oriented Plans

Not run by government or insurers
Not for Profit
Licensed to Sell Insurance In CA
Same Benefits Offered
$6 billion loans for start up costs-repaid 5 yrs
Grants to build reserves-repaid 15 yrs
Physicians can form, lead and operate

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# Health Reform

- Medical Liability
- Pilot programs
- No expansion of California's successful MICRA law around the country
- MICRA protected for California physicians

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# Health Reform

- Early implementation: Insurance Reforms
- Ban on Pre-Existing Conditions
- Ban on Recission (CMA)
- Parent's Covering Young Adults
- Medicare expansion 55-64 yr olds
- Medical Loss Ratio 85% (CMA)

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# Health Reform

## Public Health, Prevention and Wellness

## Physician Workforce Restoration

*Redistributes GME slots*

*Primary care*

*State grants; NHSC scholarship and loan repayment $$; health professionals & diversity programs; cultural competency*

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# Health Reform
# Important Programs

- Programs to decrease health care disparities
- Programs to promote linguistic and cultural competency by providers
- Programs to encourage a more diverse physician workforce
- Programs to improve access to quality of care

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# Health Reform

## Medicare Reform = Delivery System Reform

### What Resonated with Policy-Makers?

*Medicare cost growth unsustainable*
*Medicare's broad influence*
*SGR is broken*
*Value over volume*
*Geographic variation in spending*
*Rewarding coordination of care*
*Emphasis on primary care*
*Quality and accountability*

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# Health Reform

**Clinical Effectiveness Research**

-Clinical tool for physicians

-Prohibits using info for coverage, benefit, and payment decisions by Medicare

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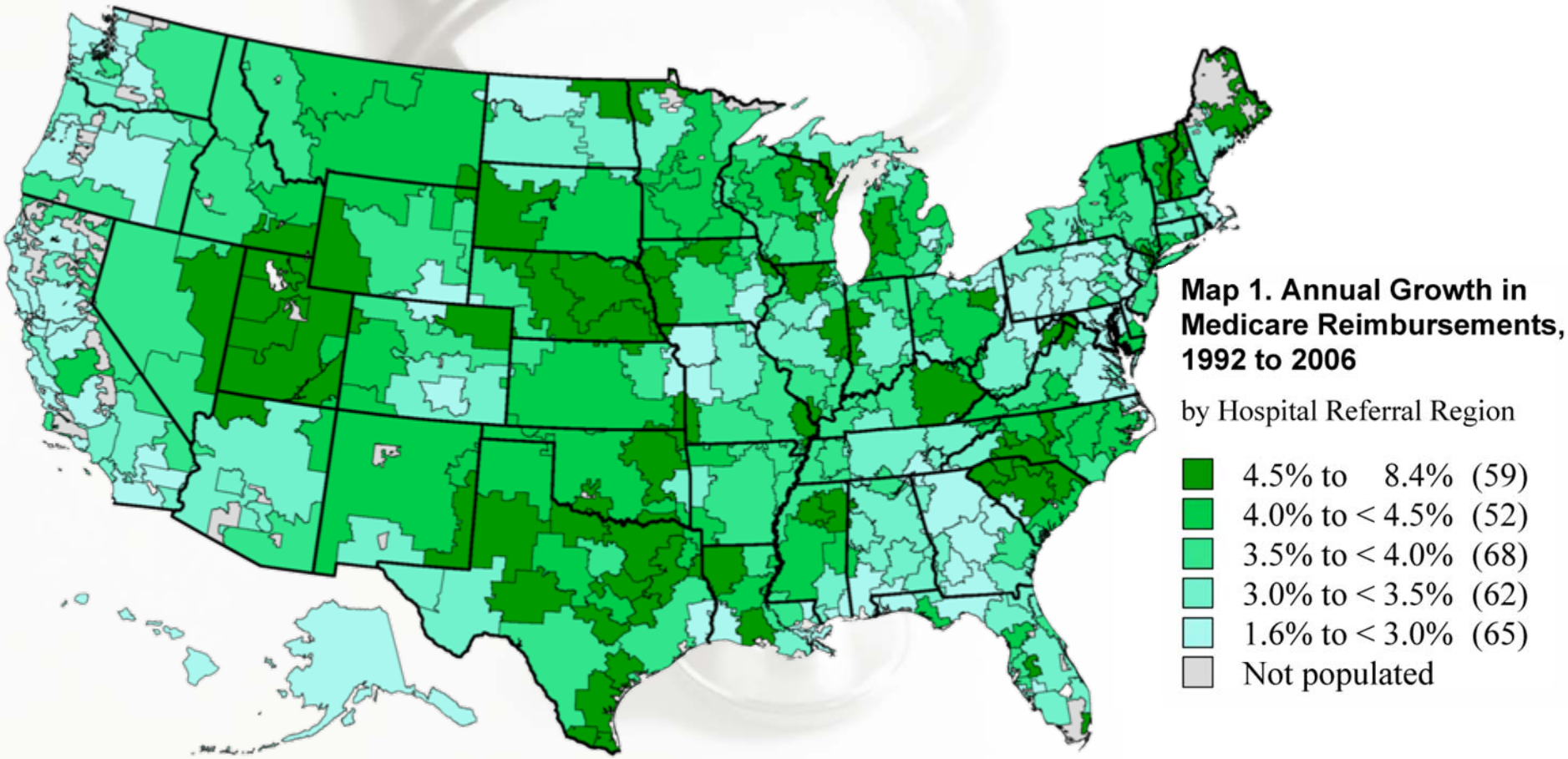
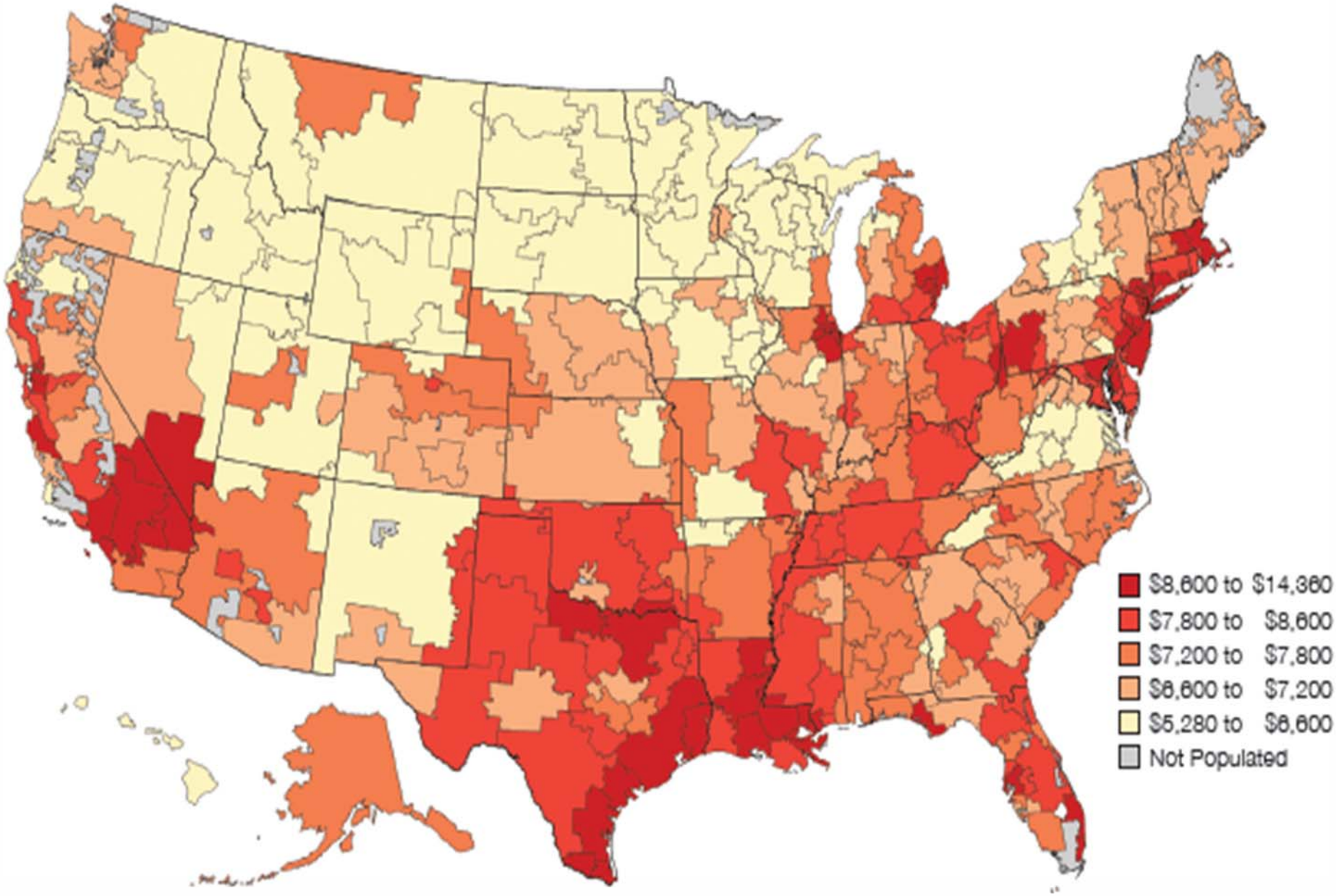
# The Influence of Dartmouth

## *(if the U.S. behaved like San Francisco . . .)*



# Medicare Spending per Beneficiary, 2005



# Health Reform

- CMA MEDICARE VICTORIES

  - Value Modifier: Medicare rates should be cost and risk-adjusted

  –CA DOCTORS ARE EFFICIENT

  - Medicare Payment Localities should be updated to MSAs

- CMA prevented $600 million in California physician payment cuts aside from the SGR

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# Health Reform

## Medicare Reforms

### Accountable Care Organizations-ACOs

*Physician-led; No hospital involvement required*

*Loose affiliation, large medical groups, integrated systems*

*Coordinate care & report on quality*

*Shared savings to ACO for reducing Part A & B expenditures in region: Benchmark*

*Pathway to anti-trust relief*

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# Health Reform

- ACO Regulations
- Burdensome Requirements
- Governance
- 65  Quality Measures – PQRI/Hospital
- Spending Benchmark Good for California
- Risk/Cost Adjusted; National  Growth Rate
- 2 Payment Tracks:50-65% Shared Savings
- Downside Financial Risk

# STATUS OF HEALTH REFORM

- **Physician Payment and Delivery Reform**
- Accountable Care Organizations (ACOs)
- Innovation Center ACO, Bundling, Medical Home
- Value Modifier
- Physician Compare Website
- Hospital Payment changes: Readmits/HAC/DSH
- CO-OPS
- Primary Care & HPSA Surgeon 10% Bonuses

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# Status of Health Reform

- **New Payment Models in Health Reform**
- SGR Alternatives
- Medical Home
- Partial and Full Capitation
- Shared Savings Payments
- 10% Primary Care & HPSA Surgeon Bonus
- Medi-Cal PCP Increase to Medicare  2 yrs

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# Status of Health Reform

- **New Payment Models Continued**
- Value Modifier Payment Methodology
  Payment based on quality reporting and individual physician spending above or below the national per capita level.
- Quality Reporting Bonus
- E-Prescribing Bonus
- HIT Adoption Funding

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# Status of Health Reform

- **New Hospital Payment Changes Impacting Physicians:**
- Bundling
- Hospital Readmissions
- Hospital Acquired Infections
- Reduced DSH Payments
- GME Funding

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# ALTERNATIVE PAYMENT MODELS

- Congress is willing to put more resources into health care if physicians are willing to
- Collaborate and Coordinate care
- Engage in Quality Improvement
- EHR

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# ALTERNATIVE MODELS
# CMA Proposing to CMS

- **CMS Innovation Center- $12 Billion**
- Physician Organization – Coordinate Care
- Private Contracting
- Medical Home Expansion
- Reducing Clinical Variation
- ACO Transition Model for Solo/Small Groups
- Patient Registries
- Physician Feedback Programs
- Palliative Care Medical Home
- All of these must have quality improvement component
- Medical Groups, Independent Physicians, Medical Societies

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# Profound Market Changes

- **Driven by Private Sector**
- **Accelerated by Health Care Reform**
- **Exacerbated by the Economy & the Politics of Deficit Reduction**

**Influenced by Patient Lifestyle Decisions**

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# Profound Changes

- **Predictions: Physician Consolidation**
- Independent Practice Model in Decline
- Larger Physician Groups are the Future
- Physicians Aligning with Hospitals
- Foundations, ACOs, Medical Homes
- Concierge Direct Practice Physicians
- PHYSICIANS ALIGNING WITH PLANS

# Profound Changes

- 6 million newly insured Californians
- New investments in public health and prevention
- Health Insurance Exchange will have enormous influence over health plans and providers

# Profound Changes

- CMA will continue to lead the way
- CMA will defend the sanctity of the physician-patient relationship
- CMA will help physicians succeed In the Era of Health Care Reform

# CMA Physician Advocacy
# Physicians Can Guide Health Reform

"Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has."

- Margaret Mead

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