



What Does Health Care Reform Mean to Us?

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I have no financial or consulting relationships with any pharmaceutical company, insurance company or supplier of health care equipment.

Affiliations & Disclaimers

- University of Nebraska Medical Center (UNMC)
 - Chief, Division of General Internal Medicine
 - Vice-Chair, Department of Internal Medicine
- American College of Physicians (ACP)
 - “Governor” of the Nebraska Chapter
- The views expressed tonight are mine alone and do not necessarily represent those of either of the above organizations.

Overview

- What are the key problems of the current system?
 - Why some people feel reform is needed.
- How did the legislation evolve over time?
 - The legislative “sausage factory”
- What are the key provisions of the new law?
 - What impact will they have on us?
 - How will they roll out over time?

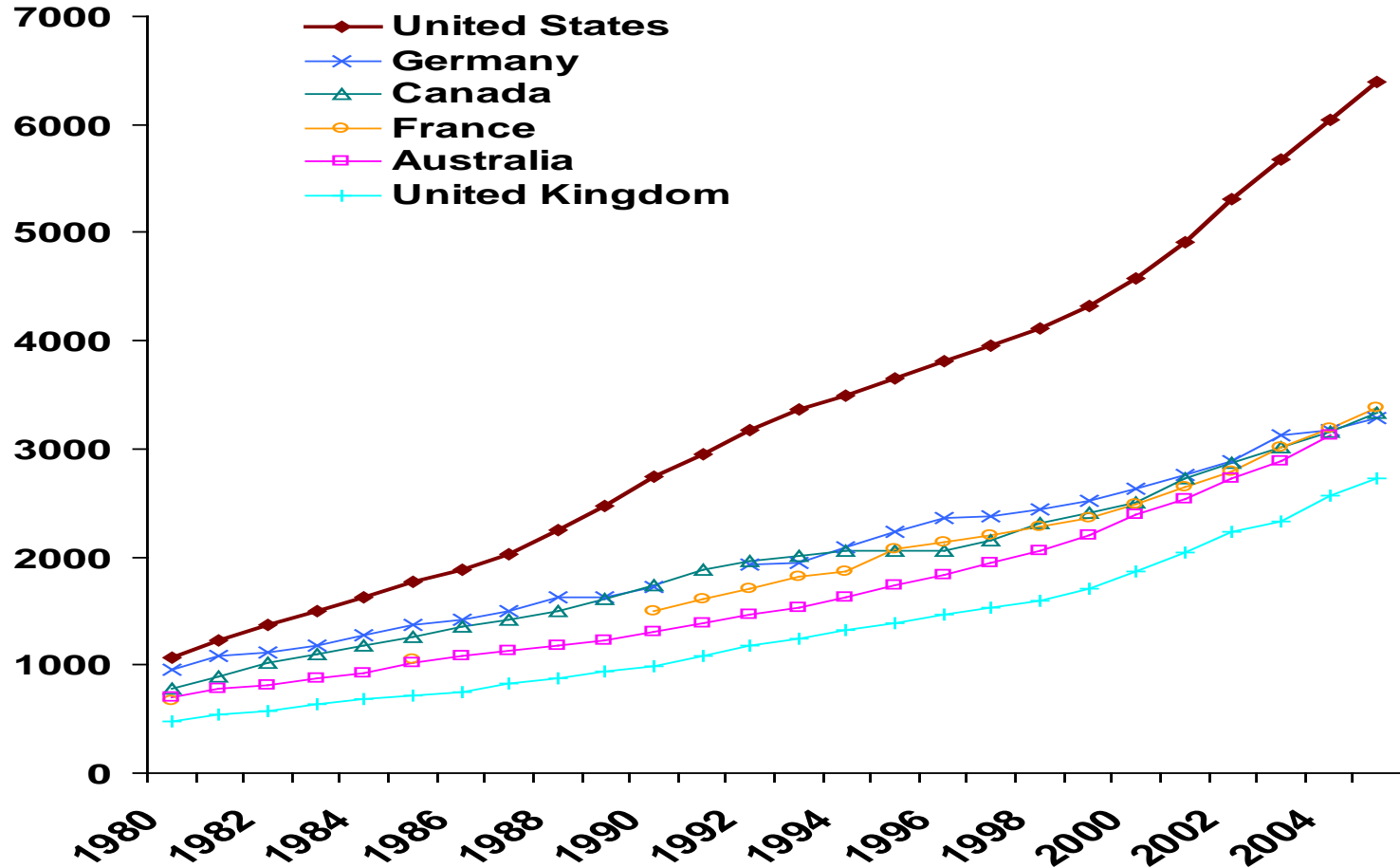
I do ***not*** intend
to debate the
pros or cons
of the legislation
that just passed.

Key Problems of the Current System

- Health care costs too much.
- Too many people are uninsured or underinsured.

U.S. Health Care Costs Too Much

Annual Health Care Spending Per Person Per Year



Too much spending...

Not enough health

- Nearly one-third of US health care spending is on administration of our complex system.

From: Brownlee S. Overtreated: Why too much medicine is making us sicker and poorer. 2007

- Huge regional variation in spending:
 - Minneapolis: \$3,341 per Medicare enrollee
 - Miami: \$8,414 per Medicare enrollee
- Average health outcomes do not vary by region.
 - Actually a trend for more spending → worse outcome

• From: Dartmouth Atlas of Health Care: <http://www.dartmouthatlas.org>

- U.S. ranks #19 in preventable mortality

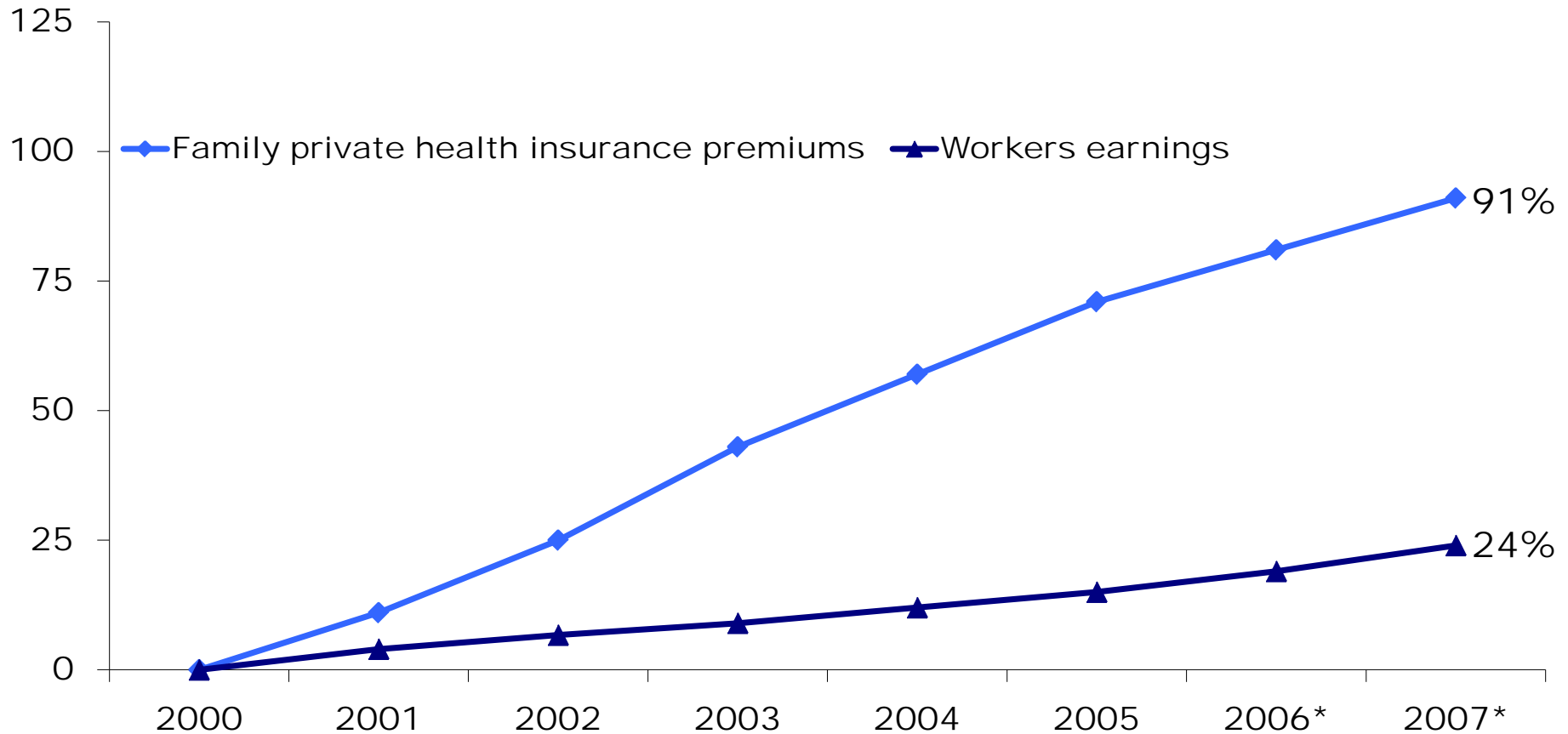
• from Nolte E, McKee M. Health Affairs 2008;27:58-71

Too Many People are Uninsured

- Latest Census figures: > 46 million
 - Debates over who is included in that figure
 - Non US Citizens – 9.3 million
 - Over 3X poverty level – 10.1 million
 - “Young Invincibles” – 10.9 million
 - Eligible but not enrolled in gov’t Coverage – 4.3 million
 - Already covered by Medicaid – 6.4 million
 - » <http://www.gop.gov/policy-news/09/09/10/census-uninsured-data>
- Estimates of uninsured *Americans* range from 10.6 million to 30+ million.

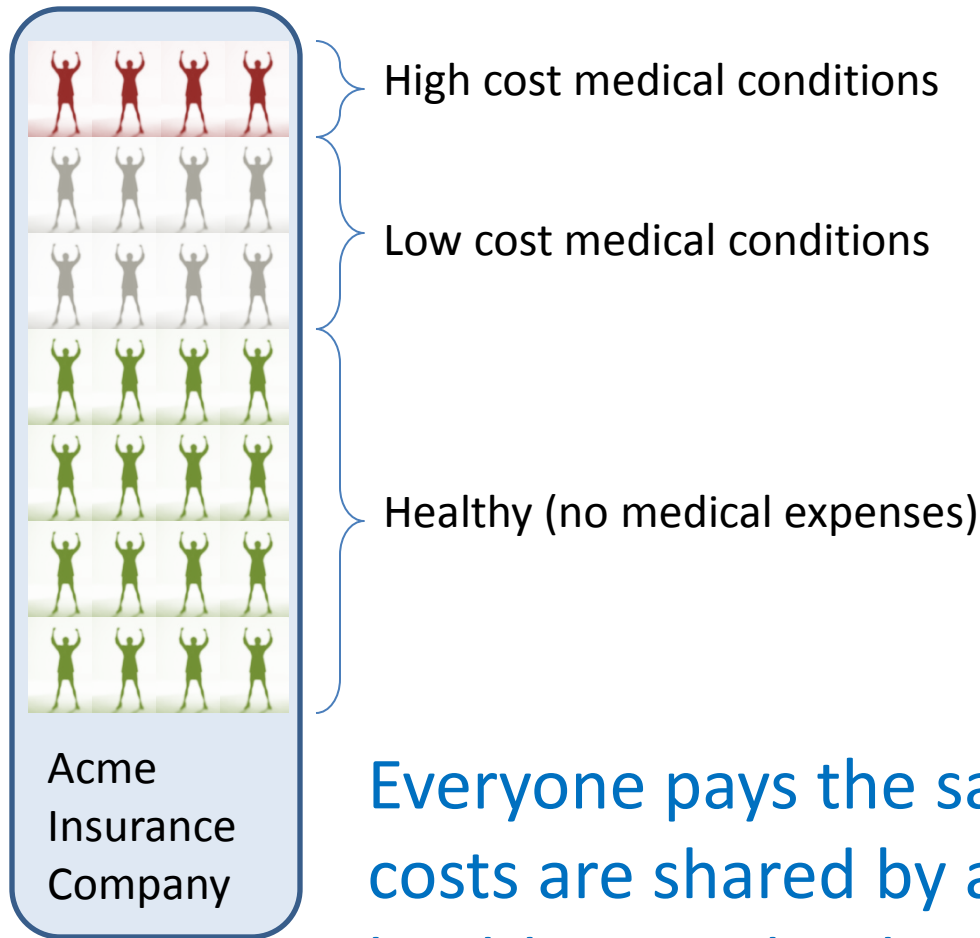
Cost of health insurance is skyrocketing

Percent change



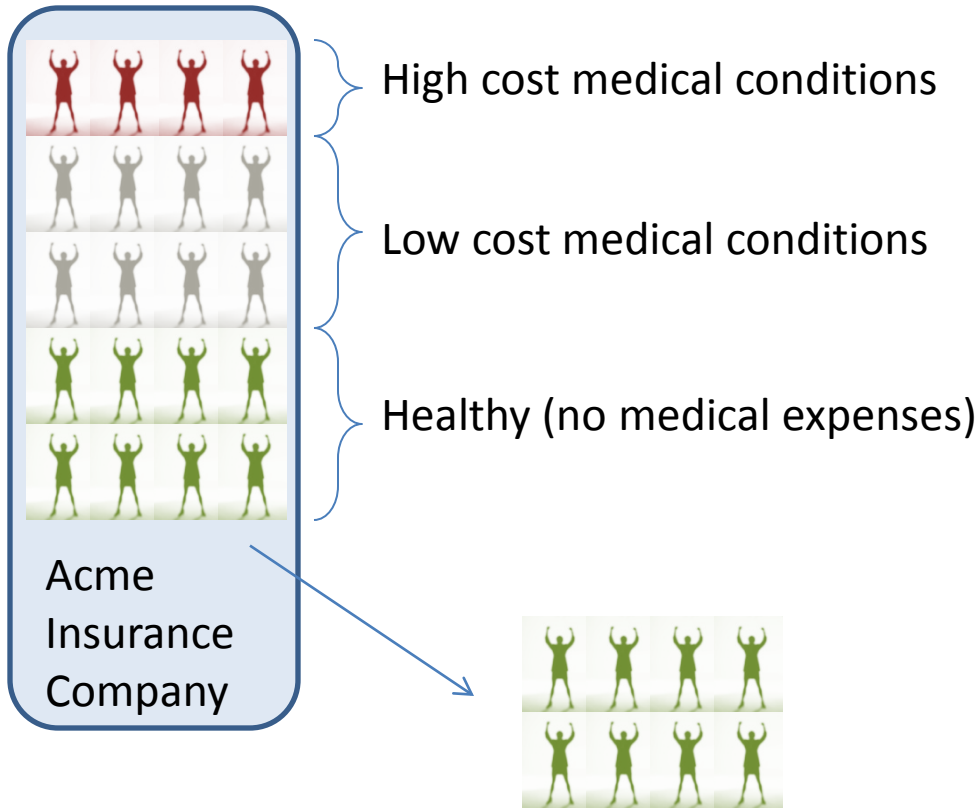
Adapted from: Schoen C et al. Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending. Commonwealth Fund Report. December 2007

The Vicious Cycle of Rising Insurance Costs



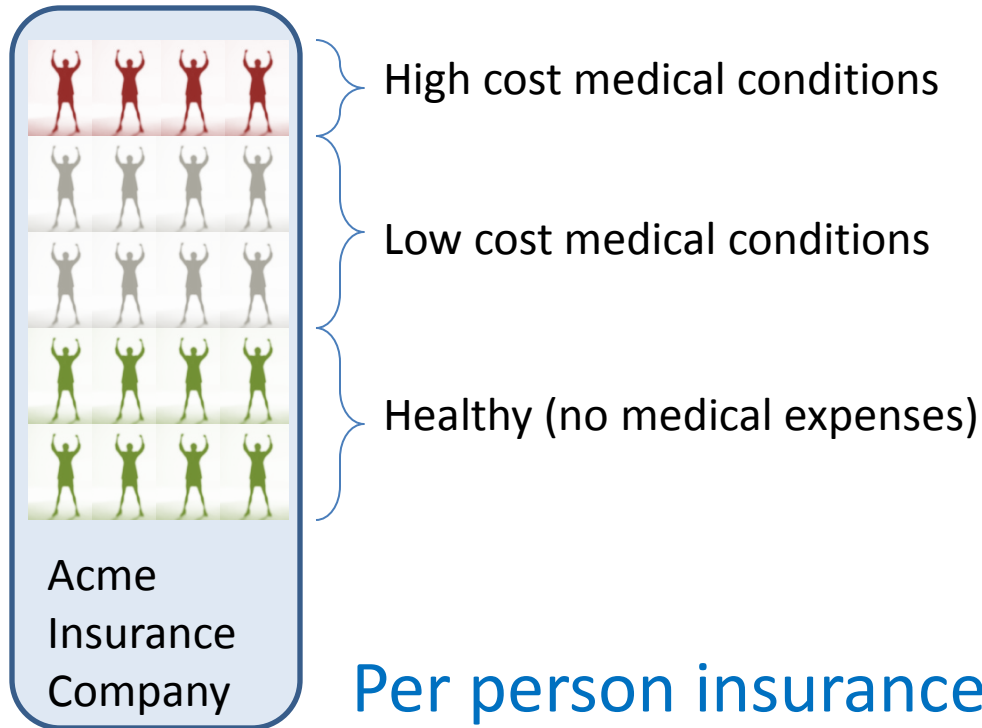
Everyone pays the same premium and the costs are shared by all. If there are enough healthy people, the individual cost is affordable.

When health care costs rise, premiums go up...



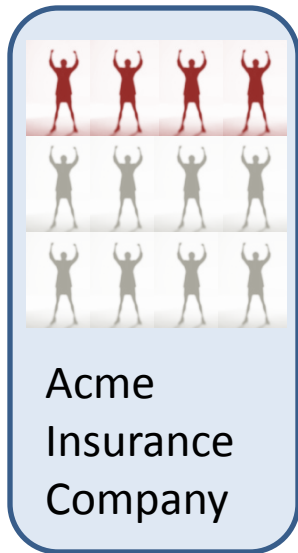
Some of those who are healthy drop their insurance.

Now there are fewer healthy people with insurance.



Per person insurance premiums must rise.

Pretty soon, only sick people have insurance...



High cost medical conditions

Low cost medical conditions

And they cannot afford the premiums.

Insurance companies respond by dropping sick patients and refusing to insure those with pre-existing conditions.

A Solution to the Vicious Cycle

1. New insurance regulations prevent companies from barring or dropping high-cost beneficiaries.
2. Mandates to have insurance prevent people from “gaming” the system and waiting to buy insurance until they get sick.

Note: #1 will not work without #2

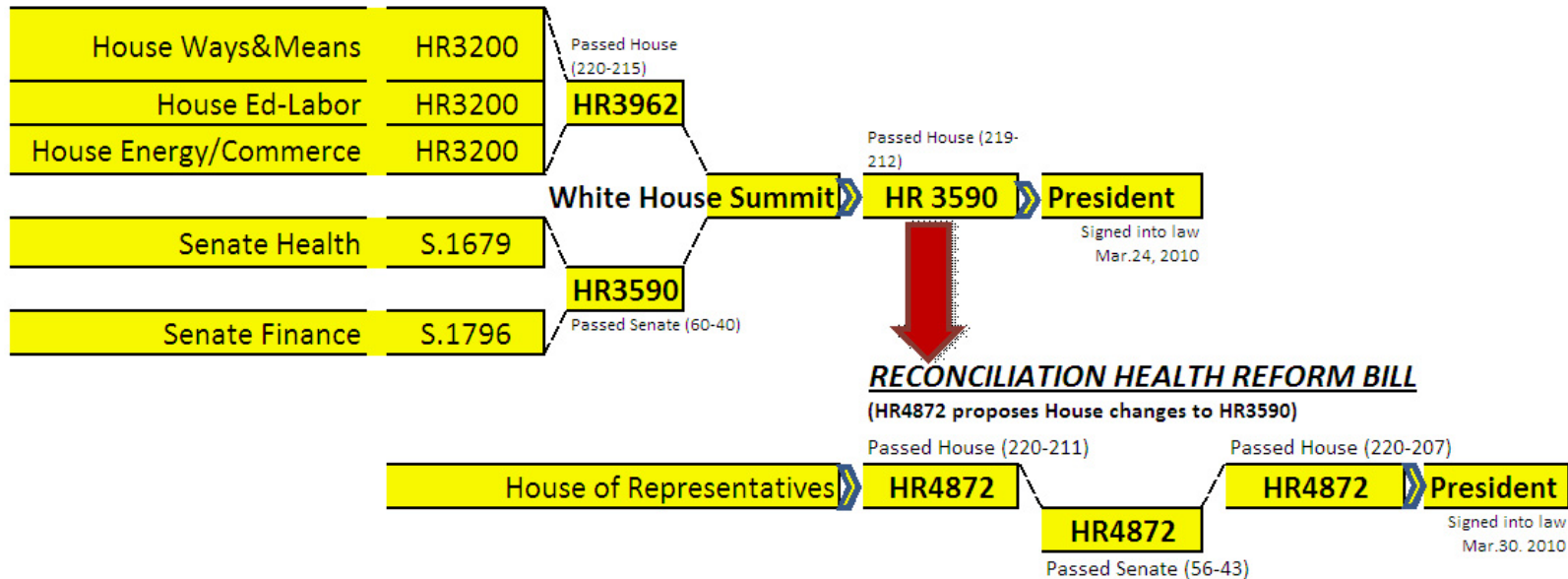
The Safety Net

- Since 1986, federal law requires that ***any*** patient who comes to an emergency department must be treated to the point of medical stability.
- Thus, when uninsured patients get sick enough, they get care.
- The costs are paid for mostly by those who are covered by health insurance.

The Legislative Process

(The Congressional Version of March Madness)

FEDERAL HEALTH REFORM BILL



The New Law: Highlights

- Health insurance for an additional 32 million Americans.
- New regulations governing insurance industry
 - Eliminate pre-existing conditions ban
 - Require coverage for preventive services
- Funds programs to test innovations in payment systems, malpractice reform, etc.

Changes to Medicare

- Prohibits cuts to mandated benefits.
- Optional benefits (e.g. eyeglasses) can be cut at the discretion of Medicare Advantage plans.
- The prescription drug “Doughnut Hole” will be phased out.
- Additional preventive services covered.

The New Law Does Not Contain:

- A public option
- Death panels
- Federal funding for abortions
- “Cornhusker kickback”

The Controversy in a Nutshell

- Is this too much government involvement?
- Can we afford it?

Too Much Government?

- Currently, more than half of health care spending in the U.S. is from government sources.
- After the new law takes effect:
 - The government will have a greater role in regulating private insurance.
 - About 15 million people will be added to Medicaid
 - About 15 million people will buy insurance through a private insurance exchange.
 - About 160 million people will continue to be covered by employer-based private insurance.

Can We Afford It?

- The non-partisan Congressional Budget Office says there will be a modest increase in health care spending but that the deficit will be reduced by \$143 billion over ten years.
- But, there is a lot of uncertainty in such long-range forecasts.

How Do the Changes Roll Out?

(On subsequent slides, taxes and benefit reductions are noted in blue)

2010

- Temporary insurance program for the uninsured.
- Insurers cannot deny coverage for children with pre-existing conditions.
- Dependents up to age 26 can keep parents' insurance.
- Insurers cannot set lifetime coverage limits and cannot cancel insurance.
- Medicare prescription “Doughnut Hole” starts closing
 - \$250 rebate: about 48,000 Nebraskans may qualify.
- Tax credits for small businesses wanting to buy insurance.
- 10% Tax on indoor tanning salon services starts.

2011

- Medicare prescription drug “Doughnut Hole” closes further:
 - Cost of drugs in the “hole” reduced by 50%
- Government payments to Medicare Advantage insurance plans will be reduced.
 - Affects about 13% of Nebraska Medicare beneficiaries.

2012

- Medicare prescription drug “Doughnut Hole” continues to close such that it is gone by 2020.
 - Exclusions of higher income seniors

2013

- New Medicare Taxes
 - Increased Medicare payroll tax for individuals earning more than \$200,000 and couples earning more than \$250,000 annually.
 - New Medicare tax on unearned income for those in the above income brackets.
 - Would affect about 1.4% of Nebraskans
- Flexible spending accounts will be limited to \$2500 annually.

2014

- Health insurance mandatory for most.
 - Except...Native Americans, religious objectors, those with financial hardship
 - Those under 30 have option for catastrophic-only coverage.
 - Expansion of Medicaid to 133% of poverty level.
 - Need-based government subsidies to buy insurance.
 - Penalties up to \$2,085 per family phased in through 2016
- Tax credits for small businesses (<25 employees) who offer insurance for their workers.
- Penalties for companies with > 50 employees who do not offer insurance if their employees receive government-subsidized insurance.

2018

- Tax on “Cadillac” employer-sponsored insurance Plans.
 - Affects plans costing more than \$10,200 for individuals and \$27,500 for families.
- Increases threshold for deducting unreimbursed medical expenses to 10% of adjusted gross income.

Useful Web Sites

- UNMC Health Care Reform Analysis
 - <http://www.unmc.edu/healthcarereform>
- Kaiser Family Foundation Summary:
 - http://www.kff.org/healthreform/upload/housesenatebill_final.pdf
- Washington Post Calculator:
 - <http://www.washingtonpost.com/wp-srv/special/politics/what-health-bill-means-for-you/>
- Fact Checking Web sites:
 - <http://www.politifact.com/>
 - <http://www.factcheck.org/>