HHS COMMITTEE #1
December 6, 2012

MEMORANDUM

December 4, 2012

TO: Health and Human Services Committee

FROM: Linda McMillan, Senior Legislative Analyst

SUBJECT: **Update: Affordable Care Act (Health Care Reform)**

Department of Health and Human Services Director Uma Ahluwalia will be present at this session to provide the Committee with an update on the Affordable Care Act and its implementation in Maryland and Montgomery County. Briefing material will be provided at the session.

Attached ©1-2 is a summary of the Affordable Care Act from the Kaiser Family Foundation.

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Summary of Coverage Provisions in the Affordable Care Act

On March 23, 2010, President Obama signed comprehensive health reform, the Affordable Care Act (ACA), into law. The following summary explains key health coverage provisions of the law including:

- The Medicaid expansion to 138% of the federal poverty level ($15,415 for an individual and $31,809 for a family of four in 2012) for individuals under age 65;
- The creation of health insurance exchanges through which individuals who do not have access to public coverage or affordable employer coverage will be able to purchase insurance with premium and cost-sharing credits available to some people to make coverage more affordable;
- New regulations on all health plans that will prevent health insurers from denying coverage to people for any reason, including health status, and from charging higher premiums based on health status and gender;
- The requirement that most individuals have health insurance beginning in 2014; and
- The penalties to employers that do not offer affordable coverage to their employees, with exceptions for small employers.

Expansion of Public Programs

The ACA provides for the expansion of Medicaid to individuals with incomes up to 138% of the federal poverty level based on modified adjusted gross income. This expansion creates a new minimum Medicaid eligibility level for adults and eliminates a limitation of the program that prohibits most adults without dependent children from enrolling in the program (though as under current law, undocumented immigrants are not eligible for Medicaid). Eligibility for Medicaid and the Children's Health Insurance Program (CHIP) for children with family incomes above 138% of the poverty level will continue at their current eligibility levels until 2019.

- The federal government will provide 100% federal funding for the costs of those who become newly eligible for Medicaid for years 2014 through 2016, 95% federal funding for 2017, 94% federal funding for 2018, 93% federal funding for 2019, and 90% federal funding for 2020 and subsequent years. States that have already expanded adult eligibility to 100% of the federal poverty level will receive a phased-in increase in the FMAP for non-pregnant childless adults.
- The recent Supreme Court ruling on the ACA limits the ability of the Department of Health and Human Services to enforce the Medicaid expansion. This change in enforcement authority may affect state decisions to implement the expansion.

American Health Benefit Exchanges

States will create the American Health Benefits Exchanges where individuals can purchase insurance and separate exchanges for small employers to purchase insurance. These new marketplaces will provide consumers with information to enable them to choose among plans. Premium and cost-sharing subsidies will be available to make coverage more affordable.

- Access to Exchanges will be limited to U.S. citizens and legal immigrants. Small businesses with up to 100 employees can also purchase coverage through the Exchange.
- Plans in the Exchanges will be required to offer benefits that meet a minimum set of standards. Insurers will offer four levels of coverage that vary based on premiums, out-of-pocket costs, and benefits beyond the minimum required plus a catastrophic coverage plan.
- Premium subsidies will be provided to families without access to other coverage and with incomes 100-400% of the poverty level ($23,050 to $92,200 for a family of four in 2012) to help them purchase insurance through the Exchanges. These subsidies will be offered on a sliding scale basis and will limit the cost of the premium to between 2% of income for those up to 133% of the poverty level and 9.5 % of income for those between 300-400% of the poverty level.
- Cost-sharing subsidies will also be available to people with incomes between 100-250% of the poverty level to limit out-of-pocket spending.

Changes to Private Insurance
New insurance market regulations will prevent health insurers from denying coverage to people for any reason, including their health status, and from charging people more based on their health status and gender. These new rules will also require that health plans provide comprehensive coverage that includes at least a minimum set of services and caps annual out-of-pocket spending.

- Health plan premiums will be allowed to vary only based on age (by a 3 to 1 ratio), geographic area, tobacco use (by a 1.5 to 1 ratio), and the number of family members.
- Young adults will be allowed to remain on their parent's health insurance up to age 26.
- Health insurers will be prohibited from imposing lifetime limits on coverage and will be prohibited from rescinding coverage, except in cases of fraud.
- New health plans will be required to cover certain preventive services with no cost-sharing.
- Increases in health plan premiums will be subject to review.
- Insurers will be required to spend at least 80% of premiums on medical costs or pay rebates back to consumers.

Individual Mandate
All individuals will be required to have health insurance, with some exceptions, beginning in 2014. Those who do not have coverage will be required to pay a yearly financial penalty of the greater of $695 per person (up to a maximum of $2,085 per family), or 2.5% of household income, which will be phased-in from 2014-2016. Exceptions will be given for financial hardship and religious objections; and to American Indians; people who have been uninsured for less than three months; those for whom the lowest cost health plan exceeds 8% of income; and if the individual has income below the tax filing threshold ($9,500 for an individual in 2011).

Employer Requirements
There is no employer mandate but employers with more than 50 employees will be assessed a fee of $2,000 per full-time employee (in excess of 30 employees) if they do not offer coverage and if they have at least one employee who receives a premium credit through an Exchange. Employers with 50 or more employees that offer coverage but have at least one employee who receives a premium credit through an Exchange are required to pay the lesser of $3,000 for each employee who receives a premium credit or $2,000 for each full-time employee (in excess of 30 employees).

- Large employers that offer coverage will be required to automatically enroll employees into the employer's lowest cost premium plan if the employee does not sign up for employer coverage or does not opt out of coverage.

For more information about the Affordable Care Act, see the summary of the law at http://www.kff.org/healthreform/8061.cfm.

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This publication (#8023-R) is available on the Kaiser Family Foundation's website at www.kff.org.

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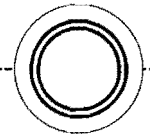
Health Care Reform
Past, Present, and Future



MONTGOMERY COUNTY

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DECEMBER 06, 2012

Health Care Reform
Past, Present, and Future

MONTGOMERY COUNTY DEPARTMENT OF HEALTH AND HUMAN SERVICES

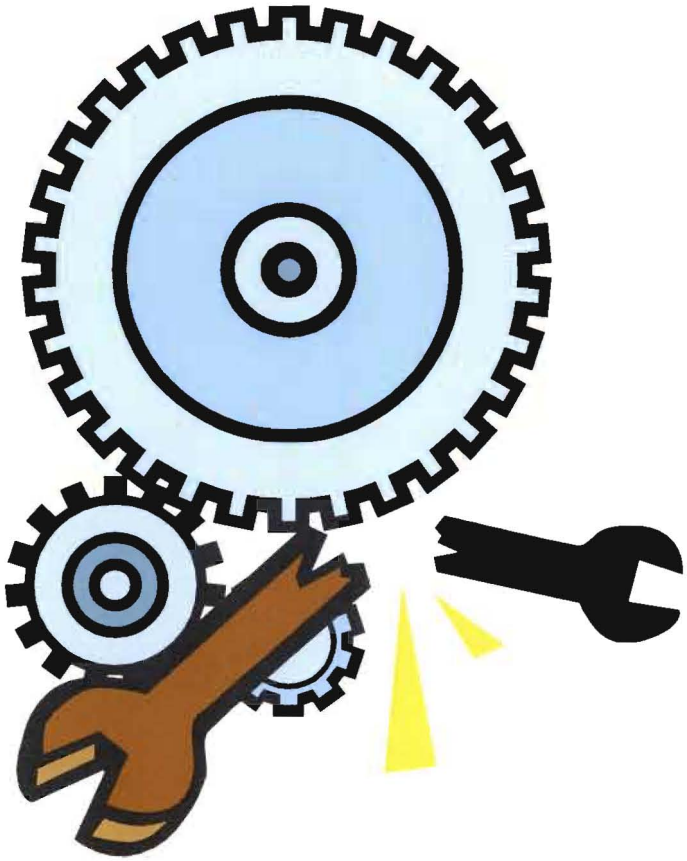
DECEMBER 06, 2012

Corrected

Health Care Reform
Past...

THE ROAD TO HEALTH CARE REFORM

Why Health Care Reform Occurred



- **Costs**
  - Unaffordable to Individuals
  - Excessive Growth in Overall Costs
- **Quality & Safety Concerns**
  - Uneven & Inconsistent
  - Disparities in Outcomes
  - Preventable Medical Errors
- **Access**
  - Rising Uninsured/Underinsured Population
  - Decreasing Provider Availability
- **Inadequate Use of Health IT**
  - Clinical Information
  - Program Management
- **Sickness vs. Wellness**
  - Primary Focus on Disease...Not Wellness
  - Under-investment in Public Health

Patient Protection and Affordable Care Act

- The *Patient Protection and Affordable Care Act* requires each state to establish a "***health insurance exchange***" by 2014.
- Expands Medicaid to include individuals with incomes up to 138% of the federal poverty level – effective 1/2014.
- Establishes tax credits for individuals with incomes between 138% - 400% of the federal poverty level – effective 1/2014.
- Establishes tax credits for small businesses that provide health insurance to employees – effective 1/2014.

Patient Protection and Affordable Care Act

(continued)

- Creates both ***Individual*** and ***Small Business Health Options Program*** (SHOP) Exchanges.

- Provides determination of qualified health plans to participate in the Exchange – four "***metal***" levels: Platinum, Gold, Silver, and Bronze.

Patient Protection and Affordable Care Act

(continued)

- Several key provisions of the Patient Protection and Affordable Care Act include:
  - Coverage extended to children with pre-existing medical conditions – in effect today;
  - Parents can continue to provide health insurance coverage for children until the age of 26 – in effect today;
  - Insurance companies are now prohibited from canceling policy coverage when an enrollee is sick – in effect today;
  - All new insurance plans must cover preventive care *and* medical screenings – in effect today;
  - All new health plans must cover certain services (such as mammograms & colonoscopies) free of charge – 1/2014;

Patient Protection and Affordable Care Act

(continued)

- Women's Preventive Services will be covered free of charge - in effect today and will impact Qualified Health Plans in the HIX as of 1/2014;
- Lifetime dollar limits prohibited in relation to ess*ential health benefits* within new policies – effective 1/2014;
- Individuals affected by the Medicare Part D coverage gap have received a $250 rebate
  - 50% of the gap was eliminated in 2011
  - The gap will be completely eliminated by 2020;
- All health insurance companies must inform the public when a rate increase of 10% (or more) is requested for individual or small group policies – in effect today.

Health Care Reform

Present...

- Maryland Health Connection will serve as the state's Health Insurance Exchange; providing a "no wrong door" approach to help residents determine health insurance eligibility. The site will be fully operational as of October 2013 to facilitate open enrollment.

www.marylandhealthconnection.gov

- Maryland Health Connection will be a competitive, accessible marketplace, enabling residents to search for *and* enroll in affordable health insurance plans as well as determine eligibility for Medicaid and federal tax credits.

maryland health connection

Welcome to Maryland Health Connection
—a new marketplace opening in October 2013.

Maryland is making great strides to build a new marketplace for individuals, families and small businesses to learn about their insurance options, compare different plans and enroll for health coverage. This new marketplace, Maryland Health Connection, is scheduled to open in October 2013. You can come back to this site to determine if you qualify for federal tax credits to help pay for your health insurance or if you or a member of your family is eligible for Medicaid or another program such as the Children's Health Insurance Program. Small businesses will utilize Maryland Health Connection to find plans that best meet the needs of employees and qualify for tax credits.

Maryland Health Connection is building a strong infrastructure to support the marketplace by working with health insurance carriers, insurance producers, assisters and advocates. Maryland Health Connection will be supported by a call center and in-person assistance will be available statewide by individuals known as

TEXT FOR UPDATES

Sign-up for SMS updates by texting the keyword **Connected** to **69302**

- Individuals, families and small businesses will be able to:
  - Compare health insurance options;
  - Calculate total out-of-pocket costs based on eligible subsidies or tax credits;
  - Enroll in the health plan that addresses his/her coverage needs;
  - Connect to a ***Connector Entity*** that, in addition to a ***Call Center***, will assist with enrollment within the Exchange.

maryland health connection

- Maryland Health Connection will expand access to the 730,000 residents who are currently without health insurance.
  - 147,000 statewide enrollees projected in the first year
  - 52% expansion in the HIX and 48% expansion into Medicaid
- Establishes the requirements for *qualified health plans* authorized to be listed within the Exchange.
  - Selection process currently under review by the Exchange Board.
- Provides federal subsidies & tax credits to individuals up to 400% of the federal poverty level to assist with insurance costs.
- Lowers uncompensated care costs in the health care system; resulting in lower insurance premiums across the state.

maryland health connection

- Establishes a core set of benefits essential to every health insurance plan offered in Maryland:
  - Ambulatory Patient Services
  - Emergency Services
  - Hospitalization
  - Maternity & Newborn Care
  - Mental Health & Substance Use Disorder Services
  - Prescription Drugs
  - Rehabilitative & Habilitative Services and Devices
  - Laboratory Services
  - Preventive, Wellness Services & Chronic Disease Management
  - Pediatric Services (Including Oral & Vision Care)

maryland health connection

- **Open Enrollment begins <u>October 2013 and will continue through March 2014</u>.**

- Enrollment assistance will be provided (1) online, (2) in person, or (3) via telephonic support to residents seeking coverage.

Health Care Reform
Future...

IMPACT OF
HEALTH CARE REFORM
WITHIN
MONTGOMERY COUNTY?

Montgomery County

- **120,000** Montgomery County residents are currently uninsured.
- **45,000** residents will remain uninsured despite health care reform provisions. As a result, County General Fund support must continue for (1) Montgomery CARES, (2) Care for KIDS and (3) Maternity Partnership.
- An additional **20,000** residents will be ineligible if Maryland does not enact the *Basic Benefit Plan Option*.
  - Highly unlikely at this time – increasing the total number of uninsured persons to 65,000 in the County.
  - Legal immigrants (persons with less than five years of legal residency) will be negatively impacted.

Montgomery County
(continued)

- Altogether, **55,000** Montgomery County residents will be eligible for coverage as a result of health care reform.
  - 52% of residents will enroll in the HIX and 48% will enroll via Medicaid (eligibility and redetermination workload over time).
  - Full expansion is expected over the next three years.
  - **Concern**: The anticipated impact on the County's network of social services is unknown at this time.

Health Care Reform Related Activities

- October 2010 conference held in Montgomery County.
- 100+ healthcare professionals, advocates, and policy makers attended.
- *Objective*: develop priority areas and strategies to move Montgomery County towards the goal of universal health care and maximize opportunities under the Patient Protection and Affordable Care Act.

Health Care Reform Related Activities
(continued)

Six areas of focus within Montgomery County:

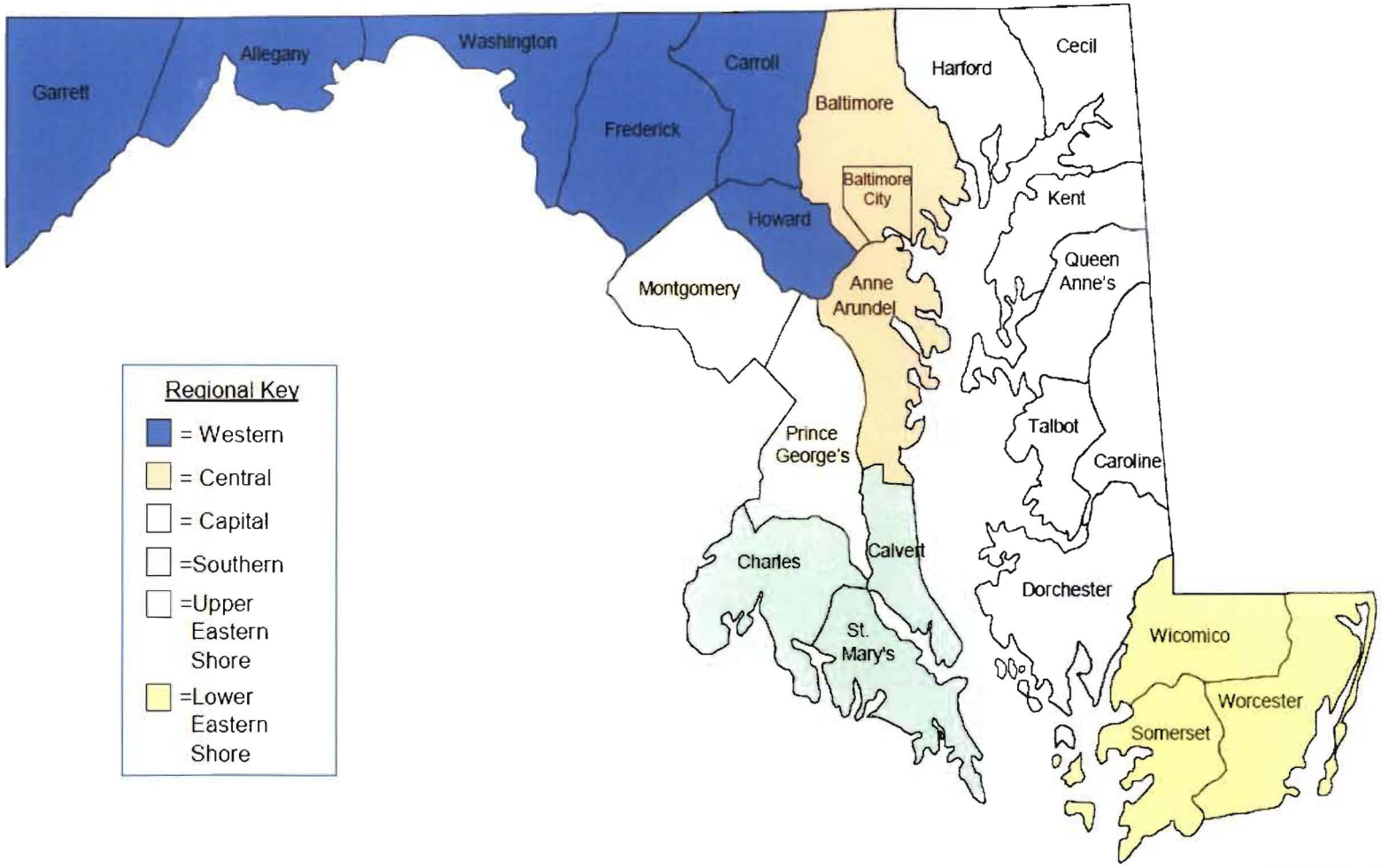
- Community-Based Delivery System
- Public Health and the Community
- Aging and Long-Term Care
- Behavioral Health Financing and Delivery
- Workforce
- Health Information Technology and Exchange

Currently planning follow-up conference to occur in 2013.

Department of Health and Human Services

- **Departmental Response to Health Care Reform**
  - Monitor federal and state decisions/regulations
    - Advisory Committee Membership
  - Expansion of Primary Care
    - Prevention and Continuity of Care Services
  - Continuation of Service Integration Activities
    - Behavioral Health
    - Social Services
  - Interest in applying for *Connector Entity* designation for the Capital Region (Montgomery & Prince George's Counties)

Department of Health and Human Services
(continued)



Considerations for Responding to Connector Entity RFP

- Many uncertainties remain at this time. If HHS were to seek *Connector Entity* status, the following questions would have to be satisfactorily answered:
  - Adequacy of Funding?
    - Start-up Costs
    - Compensation
  - Can We Achieve Policy Alignment Within a Bi-County Structure?
    - Partnership with Prince George's County will be required
    - Additional partnerships to be developed with service providers
  - Defined Infrastructure Needs & Capacity to Adequately Ramp Up?
    - Information technology upgrades
    - Development of memorandums of understanding
    - Readily accessible enrollment sites

FUNDING

- HHS continues to advocate for appropriate funding levels to successfully absorb the anticipated increase in (1) screening, (2) eligibility and (3) outreach functions within the new Health Insurance Exchange.
  - HHS is currently evaluating any gaps/opportunities where the County may be able to provide assistance.
- HHS remains vocal regarding the establishment of realistic funding levels for the designated Connector Entities.
- HHS wants to be designated as an *Essential Community Provider* for clinical services by HIX entities.

FUNDING
(continued)

- Additional state funding will be required to increase the existing number of care providers in order to meet the anticipated demand for services *and* build local provider capacity to do the same.
- The development of protocols/procedures will be required to leverage philanthropic financial support of our system; including a strategic approach to maximize community benefit.

POLICY

- HHS is currently evaluating the expansion of School-Based Health Centers and High School Wellness Centers. If implemented, services will be provided to parents, siblings and neighbors within the school's immediate community.
- Development of policies to integrate all Eligibility functions onto the HIX platform.
- HHS is establishing a "*No Wrong Door*" philosophy throughout the department.
  - Ongoing HHS Process Technology Modernization initiative is a significant component of this effort.

POLICY
(Continued)

- HHS will continue to support:
  - The integration of Behavioral Health and Primary Care Services
  - The integration of Substance Abuse and Mental Health Services

INFRASTRUCTURE

- In preparation for health care reform, the Department will evaluate/adjust the roles and responsibilities of the current entities in the safety net system of care:
  - HHS
  - Hospitals
  - Montgomery CARES provider community
  - Primary Care Coalition
- HHS will continue to utilize Healthy Montgomery to:
  - Assess the County's needs
  - Gauge investments at the (1) community, (2) systems, (2) patient level
  - Enhance partnerships with the County's hospital network

INFRASTRUCTURE

(continued)

- Additional steps will be taken to maximize existing clinic capacity – both within HHS and Montgomery CARES.
  - Staffing resources
  - County investment in an Electronic Health Records system in all clinics ($1.2m) to improve care management and billing capabilities.
- HHS will utilize data to evaluate performance and track progress towards outcomes.
- HHS is restructuring its relationship with the County's Minority Health Initiative/Program; thus increasing collaboration and promoting awareness of current & future needs regarding ACA implementation and beyond.

Health Care Reform

Past, Present, and Future

Q&A

Thank you!

Uma S. Ahluwalia, Director

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