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An Update on Federal Health Care Reform

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UPDATE ON FEDERAL HEALTH CARE REFORM

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Impact of Affordable Care Act, if Implemented

- New world of challenges, opportunities & responsibilities
- No one size fits all approach
- Successful implementation of law rests on the decisions, preferences, political will and needs of individual states
 - Medicaid expansion
 - Health insurance exchanges
 - Health system capacity & planning
 - Population health improvements
 - Health care markets & industry transformation



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State Budget Woes

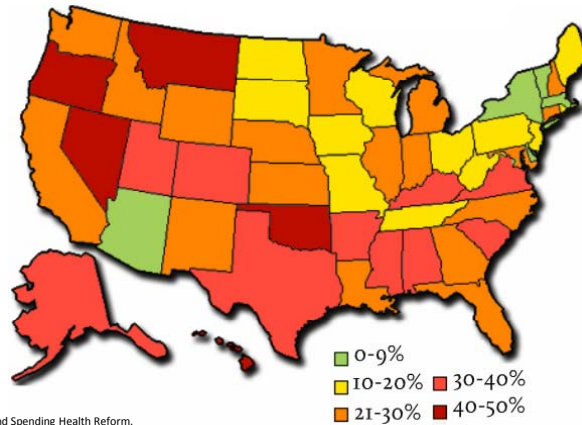
- 42 states and DC have closed or working to close budget shortfalls of approx. \$103 billion for SFY2012 (15.9%, General Fund Budget)
 - ARRA aid to states ended, 2011
- Federal deficit reduction efforts and impact on state budgets



Medicaid & Health Care Reform

- Medicaid expansion most substantial cost of PPACA for states
 - Costs will vary according to uninsured/enrollment gaps and outreach efforts
 - 100% federal financing 2014-2016 for newly eligible; 90% by 2020
- Medicaid largest line item in many state budgets; state spending for Medicaid to increase to 29% of state budgets in 2012
 - Largest increase in history
 - 2012 state budgets account for expiration of extended FMAP (ended June 2011)
- Medicaid officials in nearly every state enacting variety of cost cutting measures
 - 18 states reported eliminating, reducing or restricting benefits
 - 39 states lowered provider payments in 2011; 46 in 2012

Federal Medicaid Spending Increase (2014-2019)



Source: Medicaid Coverage and Spending Health Reform, Kaiser Family Foundation and Urban Institute, 2010.

Options

- States cannot realistically opt-out of Medicaid and MoE efforts prohibit reducing eligibility
- Critical to address delivery system challenges, rising costs and high uninsurance/under-insurance rates
 - Increase community-based care options, move long term care out of institutional setting
 - Increase care management & medical home models (chronic disease and dual eligible population)
 - Emphasis on community, prevention & wellness interventions
 - Managed care
 - Reimbursement reductions/benefit reductions
 - Super Committee considered dual eligible change to managed care plans

Implementation: Reality vs. Rhetoric

- All states have taken action to implement reform (blue states moving faster)
- Efforts include:
 - Creating health reform tasks forces, commissions, special committees and boards (at least 31 states, DC and the Virgin Islands have developed one or more health reform entities)
 - Appointing officials
 - Passing legislation (17 states have passed exchange legislation)
 - Applying for federal grants (all states except AK)



Budget Challenges to Health Care Reform

- Previous budget deal to avert government shutdown in April contained \$8B in health spending cuts
- Super Committee update



Legal Challenges to Health Care Reform

- Legislators in at least 40 states proposed to limit, alter or oppose selected state or federal action
- Conflicting appellate court decisions
 - 11th Circuit – struck down individual mandate
 - 6th Circuit – upheld mandate
 - 4th Circuit – can't decide until 2014
 - DC Circuit – upheld mandate
- 2012 Presidential election; Republican president empowered to repeal law

Key Insights: SCOTUS Ruling

- Anti Injunction Act could delay ruling past 2014 – if insurance penalty deemed a tax
- Law could be struck down in part (mandate) or in whole – “severability” clause
- Constitutionality of mandated Medicaid expansion



Moving Forward

- Health system changes despite PPACA challenges
 - Insurance reforms, provider integration, demonstrations/pilots, grants/scholarship programs, etc.
- Health system transformation critical
- State and local delivery system reform innovations

