

U.S. HEALTH CARE REFORM'S EFFECTS ON PARITARIAN PLANS

PRESENTED TO THE

**AEIP CONFERENCE ON
EVOLVING HEALTHCARE:
NEW REFORMS AND LONG TERM
CARE**

MARCH 25, 2011

BY

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HEALTH CARE REFORM IN THE U.S.

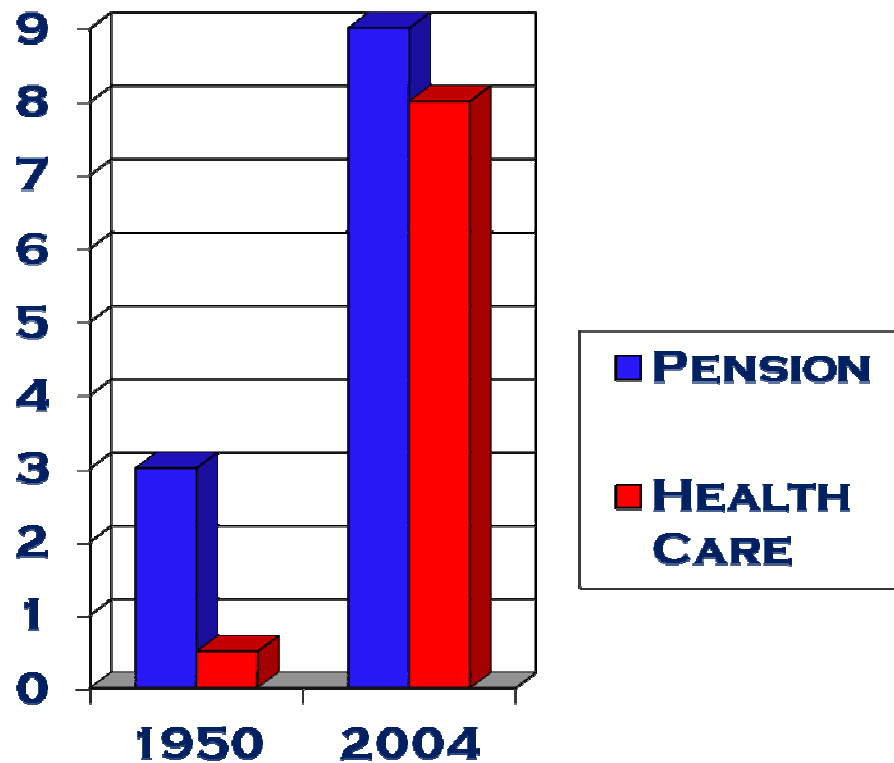
- **REPRESENTS A FUNDAMENTAL CHANGE IN HEALTH CARE POLICY**
- **FACTORS CONTRIBUTING TO ENACTMENT**
- **POLITICAL PROCESS**
- **LEGISLATIVE PROCESS**
- **SIGNIFICANT ELEMENTS AFFECTING MULTIEMPLOYER PLANS**
- **PUBLIC REACTION**
- **IMPLEMENTATION**
- **LONG-TERM CARE (CLASS ACT)**

FACTORS CONTRIBUTING TO ENACTMENT

COSTS

PENSION AND HEALTH CARE COSTS AS PERCENTAGE OF TOTAL EMPLOYER COMPENSATION COST

- PERCENTAGE OF TOTAL COMPENSATION FOR RETIREMENT 1950 AND 2004
- PERCENTAGE OF TOTAL COMPENSATION FOR HEALTH CARE 1950 AND 2004

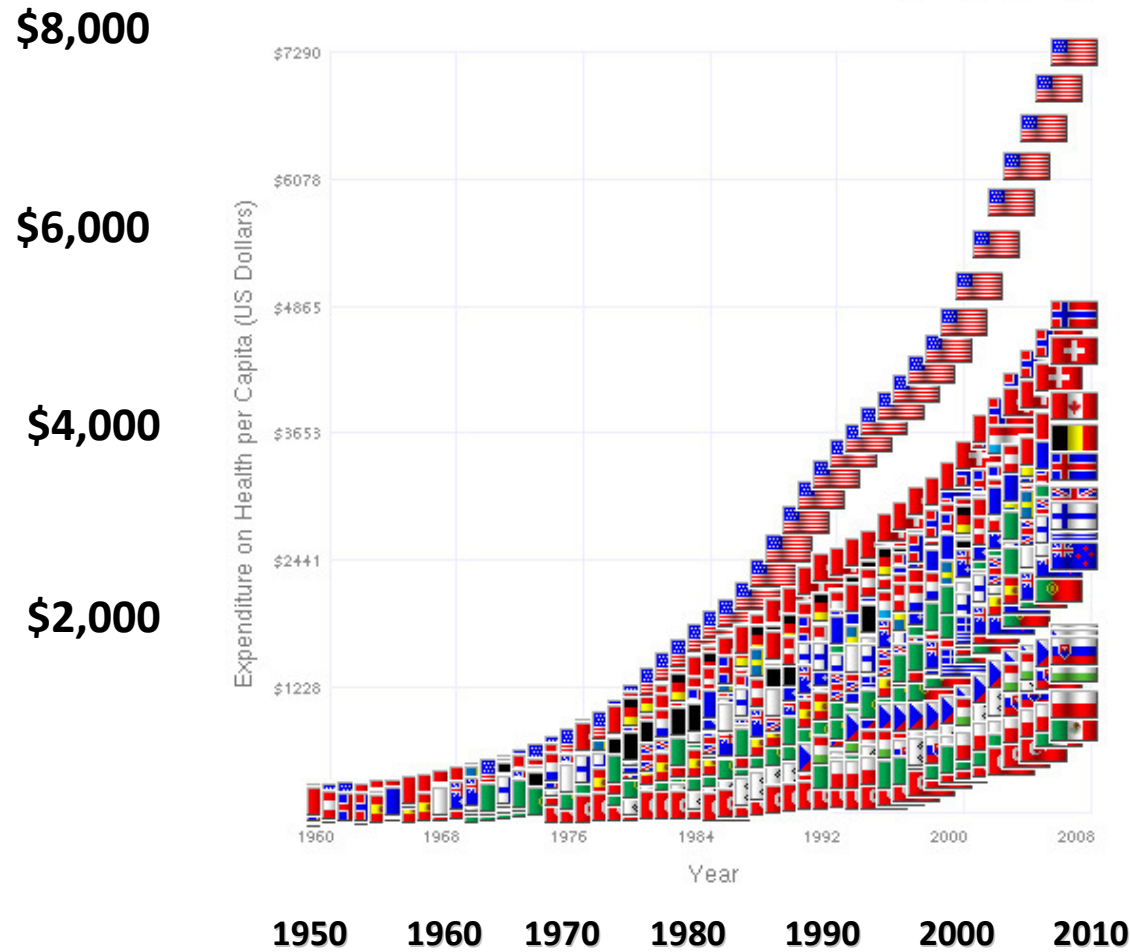


* EMPLOYEE BENEFIT RESEARCH INSTITUTE DECEMBER 2005 STUDY

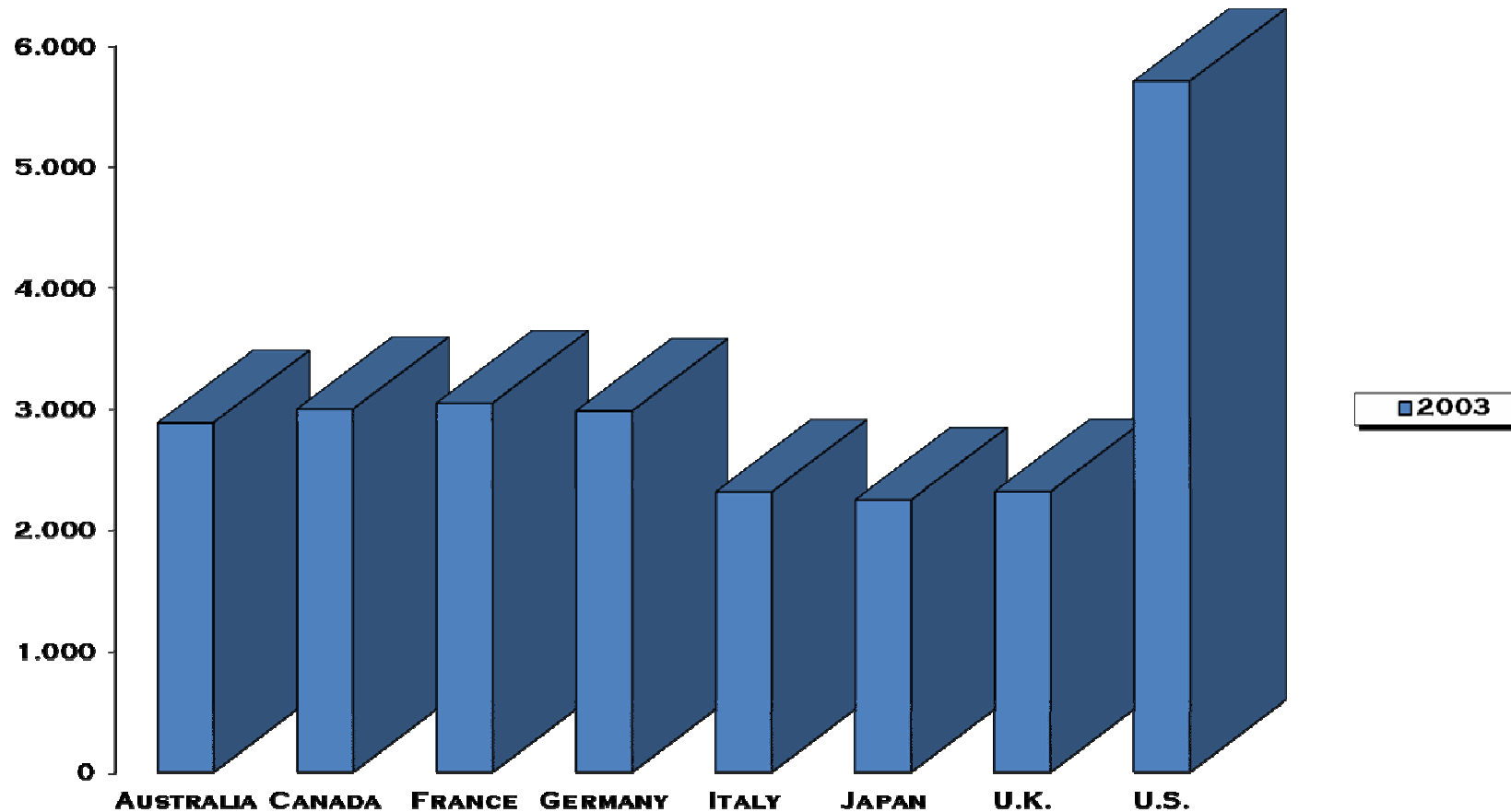
RELATIVE HEALTH CARE COST PER CAPITA 1980 – 2008

OECD COUNTRIES IN US DOLLARS

by jameyer@jameyer.com

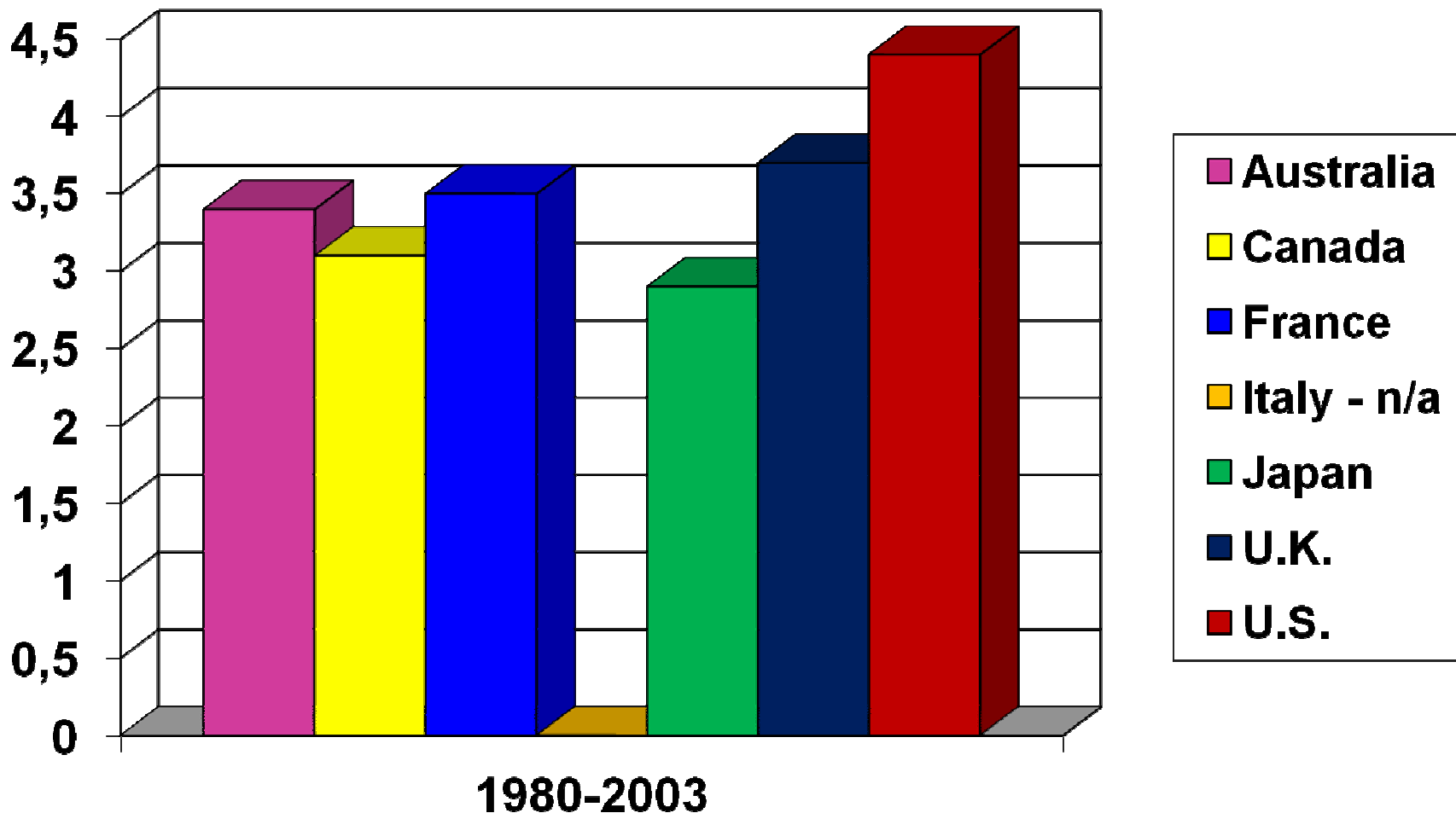


HEALTH EXPENDITURES PER CAPITA: U.S. AND SELECTED COUNTRIES



Source: Kaiser Family Foundation: Snapshots: Health Care Costs, using data from the Organization for Economic Co-operation and Development. *OECD Health Data 2006*, from the OECD Internet subscription database updated October 10, 2006. Copyright OECD 2006, <http://www.oecd.org/health/healthdata>.

AVERAGE ANNUAL GROWTH RATES IN TOTAL HEALTH EXPENDITURES PER CAPITA IN U.S. AND SELECTED COUNTRIES



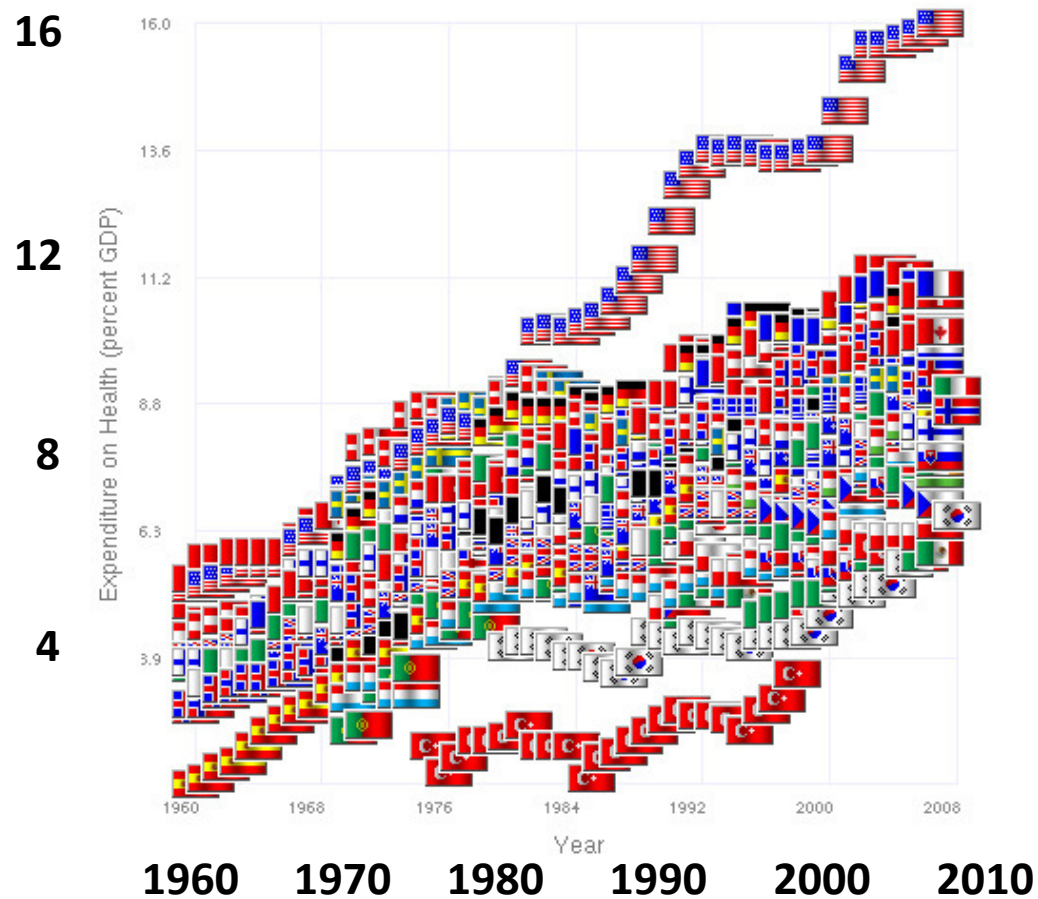
SOURCE: KAISER FAMILY FOUNDATION: SNAPSHOTS: HEALTH CARE COSTS, USING DATA FROM THE ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. *OECD HEALTH DATA 2006*, FROM THE OECD INTERNET SUBSCRIPTION

DATABASE UPDATED OCTOBER 10, 2006. COPYRIGHT OECD 2006, <http://www.oecd.org/health/healthdata>.

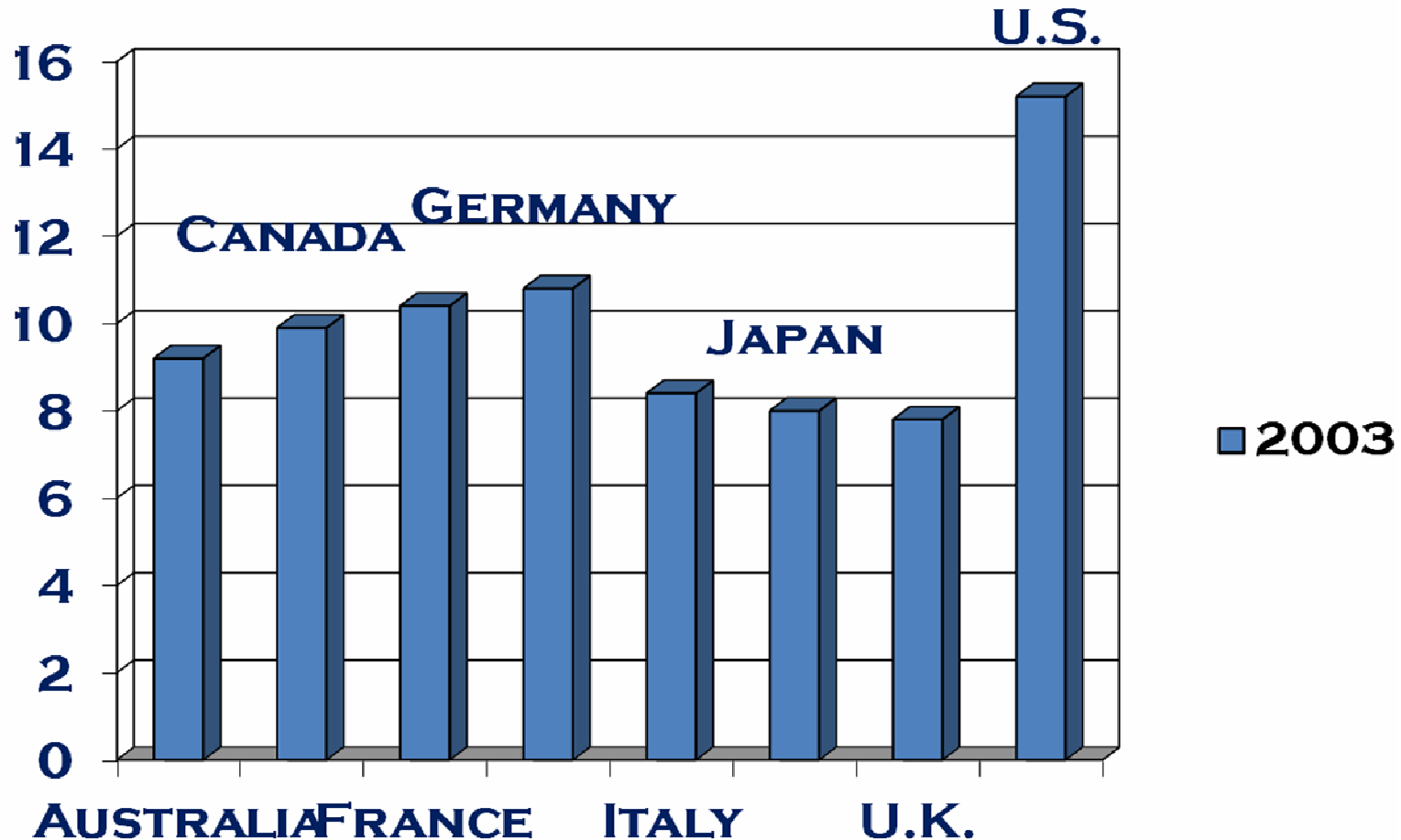
RELATIVE HEALTH CARE COST AS A PERCENT OF GDP 1980 – 2008

OECD COUNTRIES

by jameyer@jameyer.com



TOTAL HEALTH EXPENDITURES AS SHARE OF GDP, U.S. AND SELECTED COUNTRIES

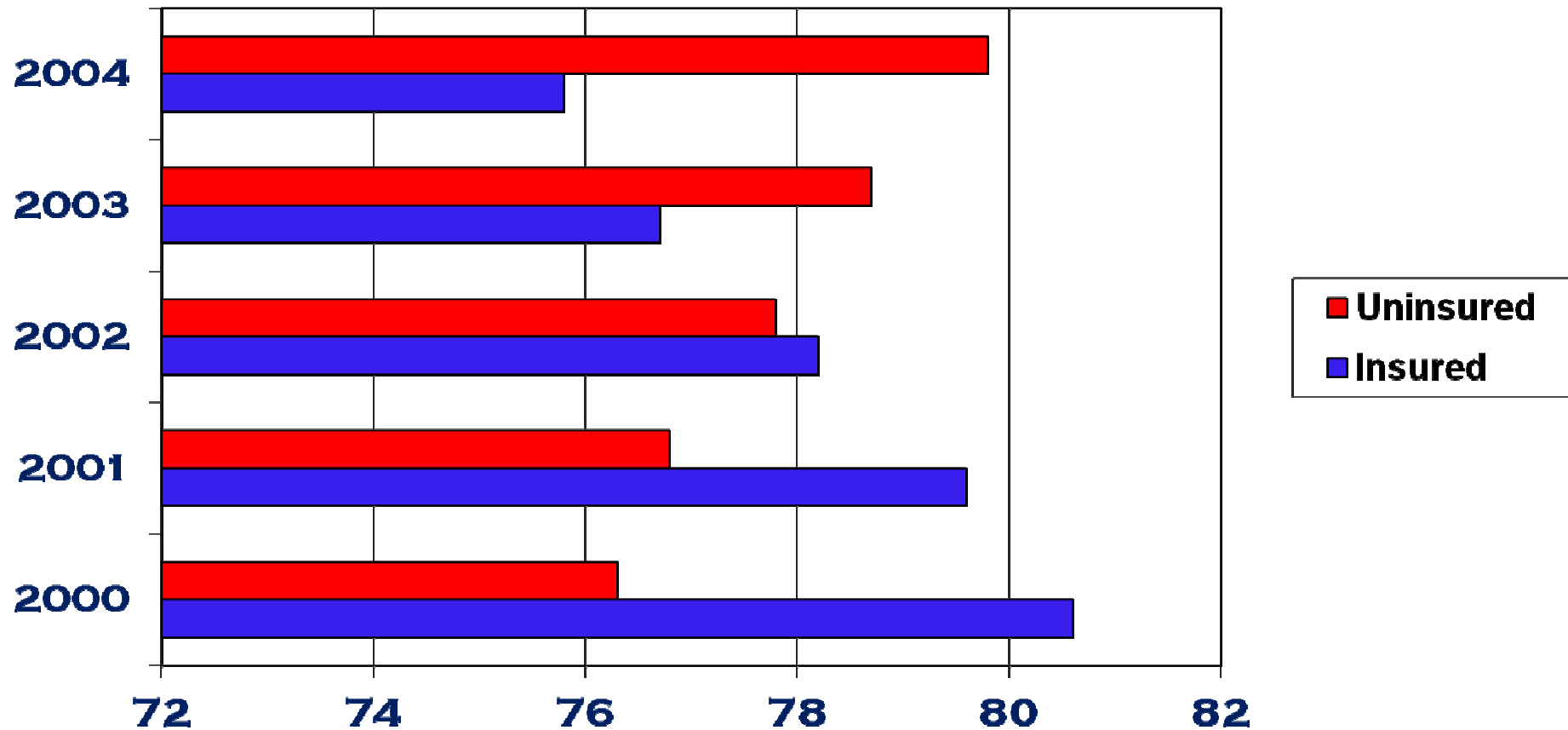


SOURCE: KAISER FAMILY FOUNDATION: SNAPSHOTS: HEALTH CARE COSTS, USING DATA FROM THE ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. *OECD HEALTH DATA 2006*, FROM THE OECD INTERNET SUBSCRIPTION DATABASE UPDATED OCTOBER 10, 2006. COPYRIGHT OECD 2006, www.oecd.org/health/healthdata.

ACCESS

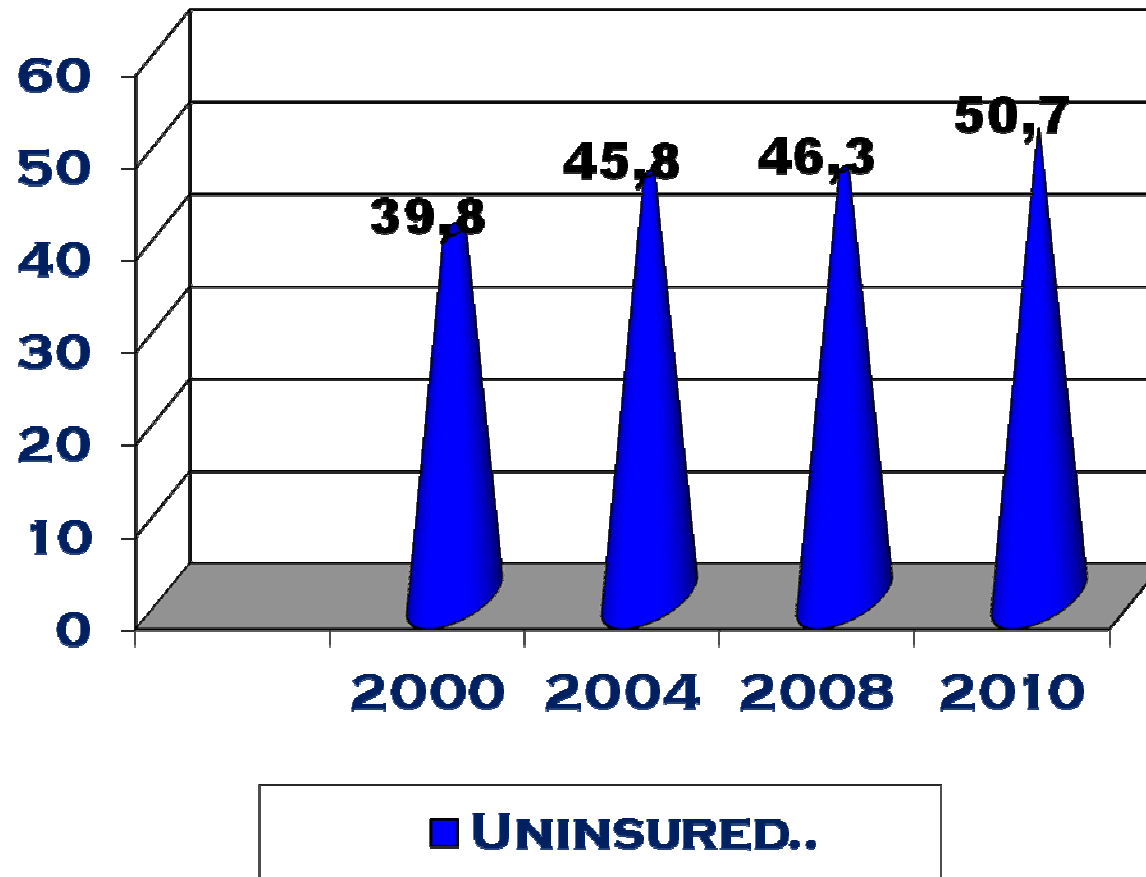
MIDDLE-INCOME ADULTS AGE 25-54

UNINSURED'S. THOSE RECEIVING EMPLOYMENT BASED INSURANCE



**SUCH MIDDLE-INCOME ADULTS WERE 26.7% MORE
LIKELY TO BE UNINSURED IN 2004 THAN IN 2000**

AMERICA'S GROWING UNINSURED (IN MILLIONS)



•ECONOMIC POLICY INSTITUTE BRIEFING PAPER 2005
•MSNBC MSN POLL 2008 = 2010

OTHER FACTORS AFFECTING ACCESS

- **INSURANCE COMPANY ABUSES**
 - **PRE-EXISTING CONDITION EXCLUSIONS**
 - **SMALL GROUP MARKET INCREASINGLY COSTLY**
 - **INDIVIDUAL MARKET OFFERED**
 - **LIMITED COVERAGE**
 - **HIGH COSTS**
 - **UNRESTRICTED CANCELATION POLICIES**
 - **RELATIVELY LOW ANNUAL AND LIFETIME LIMITS**

QUALITY

MEDICAL ERRORS

RESULT IN OVER
100,000 DEATHS
EACH YEAR
THE EQUIVALENT OF

1.8 PLANE
CRASHES PER DAY

THE COMMONWEALTH FUND

RELATIVE RANKING AMONG DEVELOPED NATIONS

Exhibit ES-1. Overall Ranking

Country Rankings	
	1.00–2.33
	2.34–4.66
	4.67–7.00



	AUS	CAN	GER	NETH	NZ	UK	US
OVERALL RANKING (2010)	3	6	4	1	5	2	7
Quality Care	4	7	5	2	1	3	6
Effective Care	2	7	6	3	5	1	4
Safe Care	6	5	3	1	4	2	7
Coordinated Care	4	5	7	2	1	3	6
Patient-Centered Care	2	5	3	6	1	7	4
Access	6.5	5	3	1	4	2	6.5
Cost-Related Problem	6	3.5	3.5	2	5	1	7
Timeliness of Care	6	7	2	1	3	4	5
Efficiency	2	6	5	3	4	1	7
Equity	4	5	3	1	6	2	7
Long, Healthy, Productive Lives	1	2	3	4	5	6	7
Health Expenditures/Capita, 2007	\$3,357	\$3,895	\$3,588	\$3,837*	\$2,454	\$2,992	\$7,290

Note: * Estimate. Expenditures shown in \$US PPP (purchasing power parity).
 Source: Calculated by The Commonwealth Fund based on 2007 International Health Policy Survey; 2008 International Health Policy Survey of Sicker Adults; 2009 International Health Policy Survey of Primary Care Physicians; Commonwealth Fund Commission on a High Performance Health System National Scorecard; and Organization for Economic Cooperation and Development, *OECD Health Data, 2009* (Paris: OECD, Nov. 2009).



PRESIDENTIAL POLITICS

- **DEFINITIVE ISSUE OF 2008 PRESIDENTIAL CAMPAIGN**
 - **PUBLIC SUPPORTED PLAN FOR STRUCTURAL REFORM**
 - **OPPOSED PROPOSAL TO TAX EMPLOYER SPONSORED BENEFITS**
 - **CONTRIBUTED TO:**
 - **OBAMA LANDSLIDE**
 - **CONTROL OF BOTH HOUSES BY DEMOCRATS**
 - **“SUPER MAJORITY” (FILIBUSTER PROOF) SENATE**
 - **WITH THESE MAJORITIES PASSAGE OF DEMOCRATIC AGENDA WAS CERTAINTY**

LEGISLATIVE PROCESS

- **OBAMA ADMINISTRATION TRIED TO AVOID MISTAKES OF CLINTON ADMINISTRATION**
 - **LEFT MAJOR DESIGN DECISIONS TO CONGRESS**
 - **SENATE FINANCE COMMITTEE TOOK CONTROL OF PROCESS**
 - **CHAIRMAN WANTED AT LEAST APPEARANCE OF BI-PARTISAN PRODUCT - DELAYED ACTION**
 - **INDIVIDUAL SENATORS TOOK OPPORTUNITY TO CUT DEALS FOR THEIR OWN STATES, SLOWING THE PROCESS**
- **TURNING POINT – DEATH OF MASSACHUSETTS SENATOR KENNEDY**
 - **ELECTION OF REPUBLICAN SCOTT BROWN COST DEMOCRATS THEIR SUPER MAJORITY**

LEGISLATIVE PROCESS

- **FUNDAMENTAL CHANGE**
 - **REPUBLICANS THREATENED TO BLOCK ANY LEGISLATION**
- **PROCESS AKIN TO COLLECTIVE BARGAINING PROCESS**
 - **HOUSE AND SENATE STAKE OUT MORE EXTREME POSITIONS TO LEAVE ROOM FOR COMPROMISE**
 - **FINAL LEGISLATION NEGOTIATED IN CONFERENCE COMMITTEE**

LEGISLATIVE PROCESS

- **REPUBLICAN THREAT TO BLOCK COMPROMISE PREVENTED USUAL PROCESS FROM TAKING PLACE**
- **ONLY CHANCE AT PASSAGE REQUIRED HOUSE TO PASS SENATE BILL**
- **ONLY MINOR CHANGES POSSIBLE BECAUSE OF PROCEDURAL RESTRICTIONS IN “RECONCILIATION”**

LEGISLATIVE PROCESS

- **END RESULT:**

- **LESS THAN IDEAL STATUTE THAT No
ONE EXPECTED TO PASS AS DRAFTED**
- **PARTISAN FIGHTING HAS
SUCCESSFULLY BLOCKED NEEDED
TECHNICAL CORRECTIONS**

PATIENT PROTECTION AND AFFORDABLE CARE ACT

- **MADE FUNDAMENTAL CHANGES IN
HEALTH CARE IN AMERICA**
- **MAJOR PROVISIONS:**
 - **ACCESSIBILITY**
 - **INCREASED ACCESS FOR 30 MILLION BY
IMPOSING “INDIVIDUAL MANDATE” THAT
REQUIRES EVERYONE TO PURCHASE
INSURANCE THROUGH STATE BASED
“EXCHANGES” OR PAY PENALTY**

PATIENT PROTECTION AND AFFORDABLE CARE ACT

- **ELIMINATES PRE-EXISTING CONDITIONS**
- **ATTEMPTS TO CONTROL COSTS THROUGH DEMONSTRATION PROJECTS**
- **IMPOSES MANDATES:**
 - **REQUIRES COVERAGE OF ALL DEPENDENTS THROUGH AGE 26 (REGARDLESS OF DEPENDENCY STATUS)**
 - **ELIMINATES LIFETIME LIMITS AND PHASES OUT ANNUAL LIMITS OVER 3 YEARS**
 - **EXTENSIVE NEW WELLNESS AND PREVENTION PROGRAMS**

PATIENT PROTECTION AND AFFORDABLE CARE ACT

- **MANDATES IMPOSE ADDITIONAL COSTS ON MULTIEMPLOYER PLANS**
- **RESTRICTS EXISTING PLANS FROM MAJOR CHANGES IN COST SHARING, DEDUCTIBLES AND IMPOSES EXTERNAL REVIEW ON PLANS CREATED AFTER ENACTMENT OR WHICH MAKE SIGNIFICANT CHANGES TO PLANS**
- **IMPOSES 40% “CADILLAC TAX” EXCISE TAX ON HIGH COST PLANS – PRIMARILY PLANS COVERING UNION REPRESENTED EMPLOYEES**

PATIENT PROTECTION AND AFFORDABLE CARE ACT

– AFFORDABILITY

- **INDIVIDUAL MANDATE EXPECTED TO EXPAND RISK POOLS SUFFICIENTLY TO ABSORB COSTS OF ELIMINATING PRE-EXISTING CONDITIONS**
- **STATE INSURANCE EXCHANGES REQUIRE MINIMUM COVERAGE TO PROVIDE ADEQUATE PROTECTION TO INDIVIDUAL MARKET**
- **TAX SUBSIDIES FOR ALL WITH INCOME BELOW 400% OF FEDERAL POVERTY LEVEL**
- **TAX SUBSIDIES FOR SMALL COMPANIES THAT OFFER COVERAGE**

PATIENT PROTECTION AND AFFORDABLE CARE ACT

–AFFORDABILITY

- **EXPANDS ELIGIBILITY FOR LOW INCOME INDIVIDUALS THROUGH STATE “MEDICAID” PROGRAMS**
- **EXPANDS “MEDICARE PART D” PRESCRIPTION COVERAGE FOR THE ELDERLY**
- **CONTROLS INSURANCE COSTS THROUGH “MINIMUM LOSS RATIO” REQUIREMENTS**

PATIENT PROTECTION AND AFFORDABLE CARE ACT

– AFFORDABILITY

- **PROVIDES A “ONE-TIME” \$5 BILLION GOVERNMENT POOL FOR REIMBURSEMENT OF EARLY RETIREE MEDICAL COSTS OVER 3 YEAR PERIOD**
- **REQUIRES LOW ACTUARIAL RISK INSURED PLANS” TO SUBSIDIZE “HIGH ACTUARIAL RISK” PLANS**
- **PROVIDES FOR DEMONSTRATION GRANTS TO EXPLORE ALTERNATIVE PAYMENT SYSTEMS**

PATIENT PROTECTION AND AFFORDABLE CARE ACT

–QUALITY

- **IMPOSES \$2 PER PARTICIPANT SURCHARGE FOR PATIENT CENTERED OUTCOMES RESEARCH**
- **PROVIDES FOR DEVELOPMENT OF BEST PRACTICES RESEARCH**
- **EMPHASIS ON WELLNESS AND PREVENTION (ESPECIALLY FOR CHILDREN)**

PUBLIC RESPONSE

- **NOT UNIVERSALLY POPULAR**
 - **PROLONGED RECESSION AND CONTINUED HIGH UNEMPLOYMENT LEFT CONGRESSIONAL DEMOCRATS VULNERABLE IN 2010 ELECTION CYCLE**
 - **LEGAL CHALLENGES TO CONSTITUTIONALITY FILED BY 26 STATES**
 - **4 CASES DECIDED IN FEDERAL CIRCUIT COURTS**
 - **SPLIT DECISIONS:**
 - **2 UPHELD LAW**
 - **2 RULED IT IS UNCONSTITUTIONAL**
 - **DIFFERENCES MUST BE RECONCILED BY U.S. SUPREME COURT**

PUBLIC RESPONSE

- **EXPANDED MEDICAID MANDATES
OVERLOAD ALREADY
OVERBURDENED STATES**
- **REPUBLICANS TOOK MAJORITY IN
HOUSE OF REPRESENTATIVES**
- **INTRODUCED “REPEALING THE
JOB-KILLING HEALTH CARE LAW”
ACT OF 2011**

PUBLIC RESPONSE

- **DEMOCRATIC CONTROL OF SENATE AND WHITE HOUSE WILL PREVENT REPEAL AT LEAST UNTIL AFTER THE 2012 ELECTION**
- **ONE REPUBLICAN PRESIDENTIAL HOPEFUL PREDICTS REPEAL BY 2013**
- **MEANWHILE REPUBLICANS PLEDGE TO CUT IMPLEMENTATION FUNDING AS DEFICIT REDUCTION MEASURE**

IMPLEMENTATION

- **ADMINISTRATION IS UNWAVERING**
 - **DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES AND TREASURY PROCEEDING WITH IMPLEMENTATION**
 - **DOING AN ADMIRABLE JOB DESPITE STATUTORY LIMITATIONS AND COURT CHALLENGES**
 - **REGULATIONS CONTINUING TO FLOW TOWARD FULL IMPLEMENTATION**

REGULATIONS

- **AGE 26 DEPENDENT COVERAGE**
- **GRANDFATHER RULES**
- **MEDICAL LOSS RATIOS**
- **PREVENTIVE CARE**
- **MEDICAL EXCHANGES**
- **PATIENT PROTECTIONS**
- **OTHERS**

LONG-TERM CARE

- **COMMUNITY LIVING ASSISTANCE SERVICES AND SUPPORTS (CLASS) ACT WAS PASSED AS PART OF THE AFFORDABLE CARE ACT**
 - **PROVIDES SUPPORT TO KEEP INDIVIDUALS IN THE COMMUNITY RATHER THAN NURSING FACILITIES**
 - **VOLUNTARY, PREMIUM-BASED PROGRAM TO COLLECT PREMIUMS FOR 5 YEARS BEFORE PAYING ANY BENEFITS**
 - **ALREADY SINGLED OUT AS TARGET FOR REPEAL AS PART OF DEFICIT REDUCTION**

RETIREMENT SHORTFALL

- **FOR ALL WORKERS AGES 36 TO 65 ESTIMATED AT \$4.55 TRILLION**
 - **BASED ON COVERING NECESSITIES, NOT MAINTAINING ONES' STANDARD OF LIVING**
 - **AVERAGE \$47,732 PER PERSON**
 - **VARIANCES BY AGE, GENDER AND MARITAL STATUS**
 - **WHEN ACCOUNTING FOR HEALTH CARE AND NURSING HOME COSTS**
 - **SINGLE MALES - \$80,165**
 - **SINGLE FEMALES - \$94,157**