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Health Care Reform and its Impact on Michigan

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Senate Health Policy Committee
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Key Reform Provisions Affecting the State in 2010

Effective Immediately

- Maintenance of Effort required on eligibility standards for Medicaid and CHIP until 2019

Within 90 Days

- Temporary reinsurance program
- Temporary high risk pool
- Office of health insurance consumer assistance or ombudsman program

By July 1

- State must connect to Internet portal created by HHS to facilitate information for consumers on health insurance coverage options

- **Temporary Reinsurance Program:** HHS will establish a temporary reinsurance program to provide reimbursement to participating employer-based plans, including state government, for a portion of the cost of providing coverage to early retirees from the date of enactment until January 1, 2014.
- **Temporary High Risk Pool:** HHS will establish a \$5 billion temporary high risk pool program ending January 1, 2014. The state must establish a temporary high-risk health insurance pool.

- **Consumer assistance/ombudsman: States must establish an office of health insurance consumer assistance or ombudsman program to serve as advocate for consumers with private coverage in the individual and small group markets.**

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Key Reform Provisions Affecting the State in 2010

Within 180 Days

- **Certain insurance reforms must take effect**
 - Requirement for insurers to provide dependent coverage for children up to age 26
 - Prohibition on insurers from imposing lifetime limits on benefits and restrictions on annual limits
 - All health plans must cover recommended preventive health services and immunizations

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Insurance Market Reforms Long-Term Effects

Effective January 1, 2014:

- Guaranteed issue, renewability
- Prohibits pre-existing condition, health status exclusions
- Beginning 2014 through 2016, states required to establish non-profit reinsurance entity for high-risk individuals

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- **The non-profit reinsurance entity for high-risk people is designed to avoid premium shock. It does not come with any money, but can be done through assessments on carriers not doing a high-risk pool.**

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Insurance Market Reforms Long-Term Effects

- **The Individual Mandate**
 - By 2014 U.S. citizens and legal residents are required to have health coverage
 - Those without coverage pay a tax penalty of the greater of \$695 per year up to a maximum of three times that amount per family or 2.5% of household income
- **The Employer Mandate**
 - By 2014 employers with more than 50 employees that do not offer coverage and have at least one full-time employee who receives a premium tax credit will be assessed a fee of \$2,000 per full-time employee, excluding the first 30 employees from the assessment
 - Employers with more than 50 employees that offer coverage but have at least one full-time employee receiving a premium tax credit, will pay the lesser of \$3,000 for each employee receiving a premium credit or \$750 for each full-time employee

- **The Patient Protection and Affordable Care Act will make significant changes to our current health care system – and this is good for Michigan families. It gives them greater control over their health care and increases consumer protections. Ultimately, quality, affordable health care will be attainable for more Michigan residents than ever before.**

- **Individual Mandate Penalty:** The penalty will be phased in according to the following schedule: \$95/\$285 in 2014, \$325/\$975 in 2015, and \$695/\$2,085 in 2016 for the flat fee or 1% of taxable income in 2014, 2.0% of taxable income in 2015, and 2.5% of taxable income in 2016. After 2016, the penalty will be increased annually by the cost-of-living adjustment. Some exemptions, such as those for hardship, religious objections and American Indians do exist.
- **Companies with fewer than 50 workers won't face any penalties if they don't offer insurance – but there are tax credits available for qualifying small businesses.**

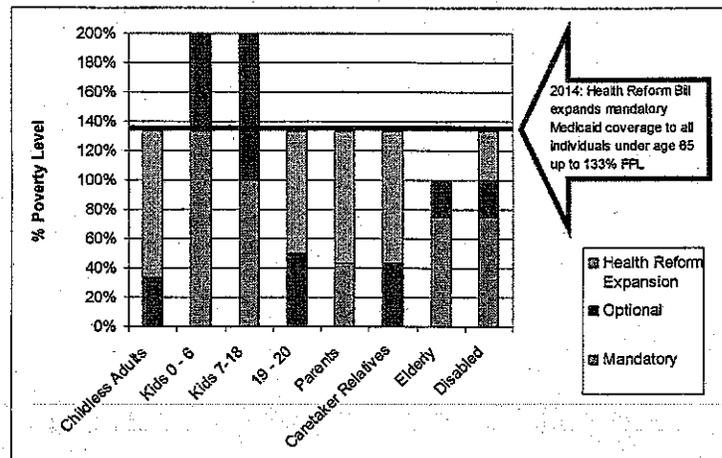
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Insurance Market Reforms Long-Term Effects

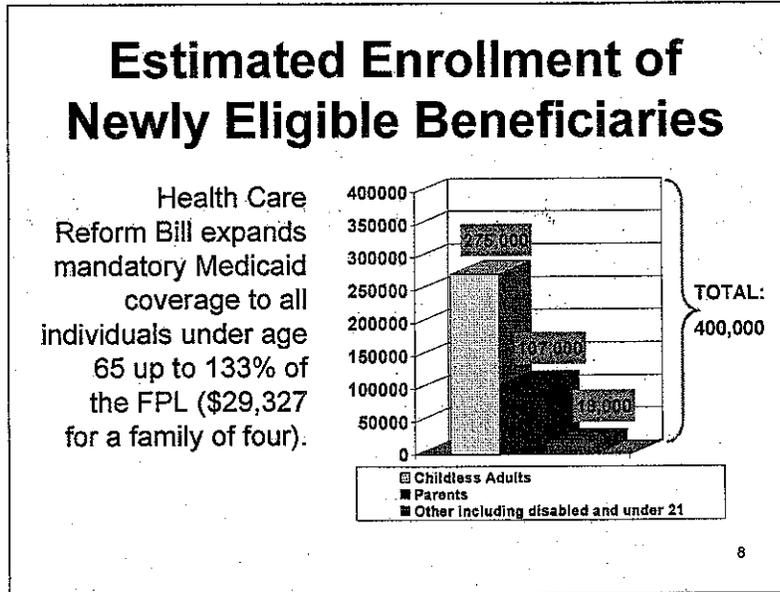
- Creation of Health Insurance Exchange
 - Will be the "shiny new thing" that provides coverage to those who are uninsured
 - Think of it as "Orbitz for health insurance"
 - Provides transparency, the ability to comparison shop, standardized benefits, and affordability through federal tax credits/subsidies
 - By 2014 states must establish an American Health Benefit Exchange AND a "SHOP Exchange" for small businesses
 - States may choose to merge the individual exchange and SHOP exchange

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Current MI Medicaid & CHIP Eligibility + Health Care Reform Expansion



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- **Most of our newly eligible residents will be parents and childless adults. They will come into the Medicaid program once the expansion begins in 2014.**

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Benefit to Providers

- Enabling coverage to currently uninsured will result in reduction of uncompensated care
- Increased reimbursement for primary care providers:

Medicaid payments to primary care doctors for primary care services will be increased to 100% of Medicare payment rates in 2013 and 2014 with 100% federal financing.

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Creating New Eligibility Processes

Health Reform Provision	MI Challenge
New income calculation: Modified Adjusted Gross Income (MAGI)	The MAGI standard 5% of income disregard will be built into the gross income test for Medicaid to compensate for the loss of other, existing Medicaid disregards. Because this is only true for the expansion groups, it will be a challenge to maintain 2 systems.
Medicaid coordination with the "Health Insurance Exchange"	Introduce significant procedural challenges to the current enrollment system.

- **While it will not go into effect until 2014, eliminating the “categorical” aspects of the Medicaid program will change how Michigan enrolls people in public programs and will require massive system changes as well as, you guessed it, plenty of planning.**
- So as a state, we are sprinting to organize in an effective and efficient manner to successfully deal with the changes that take place this year. At the same time, we are creating a framework for the planning marathon needed to ensure a smooth implementation of major reforms – such as the Medicaid expansion – in 2014.

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Key Reform Provisions: Prevention & Wellness Initiatives

- National Prevention, Health Promotion and Public Health Council will coordinate federal prevention, wellness, and public health activities and develop strategy to improve nation's health
 - Creates a Prevention and Public Health Fund to expand and sustain funding for prevention and public health programs.
- Funding for prevention, public health in our communities includes:
 - Community Transformation Grants
 - State Grants to Promote Community Health Teams that support the Patient-Centered Medical Home
 - Creation of Community Health Center Fund

- **Prevention and public health will see a significant investment.**
- **Prevention and Public Health Fund: Funded at \$500 million in 2010 and growing to \$2 billion in 2015 and thereafter.**
- **Community Transformation Grants: Will go to state and local governmental agencies and community-based organizations to reduce chronic disease rates, prevent the development of secondary conditions, and address health disparities.**

- Community Health Teams: Community-based interdisciplinary teams will provide support services to primary care practices, including OBGYN practices.
- **Community Health Center Fund: Will provide \$11 billion in mandatory funding (over five years) for the Community Health Center program, the National Health Service Corps, and construction and renovation of community health centers.**
- Other funding will target reducing infant and maternal mortality – and its related causes – and establish a new grant program to support school-based health clinics that provide health services to children and adolescents.
- **Employers will be able to offer employees rewards of up to 30% of the cost of coverage for participating in a wellness program and meeting certain health-related standards.**

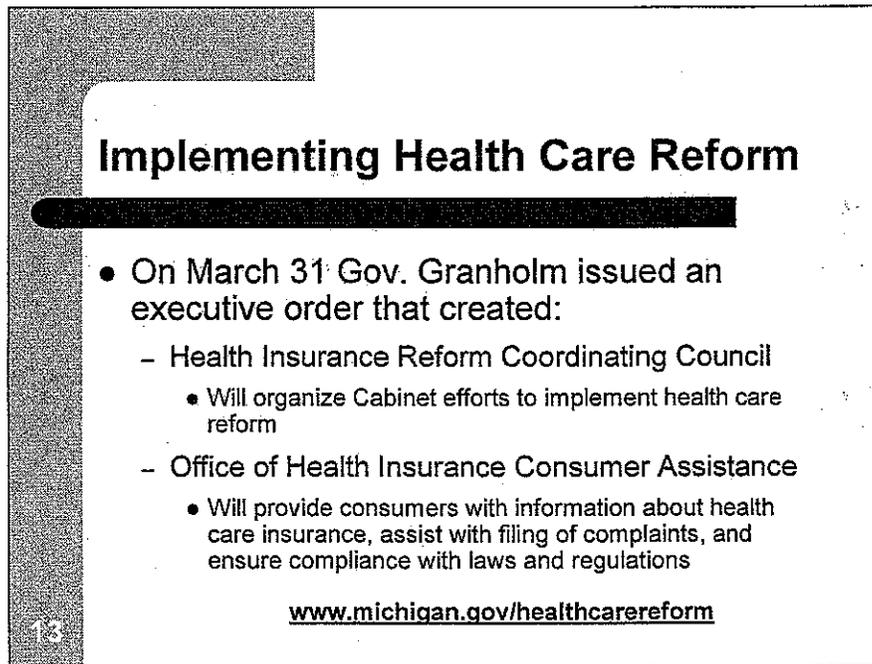
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Key Reform Provisions: Workforce Capacity

- Establish a multi-stakeholder Workforce Advisory Committee to develop a national workforce strategy
- Increase the number of Graduate Medical Education (GME) training positions
- Primary Care Providers - Scholarships, loans, loan repayment programs, etc.
- Nurses - Support for training programs, loan repayment and retention grants, grants to employ and train nurse practitioners in FQHCs

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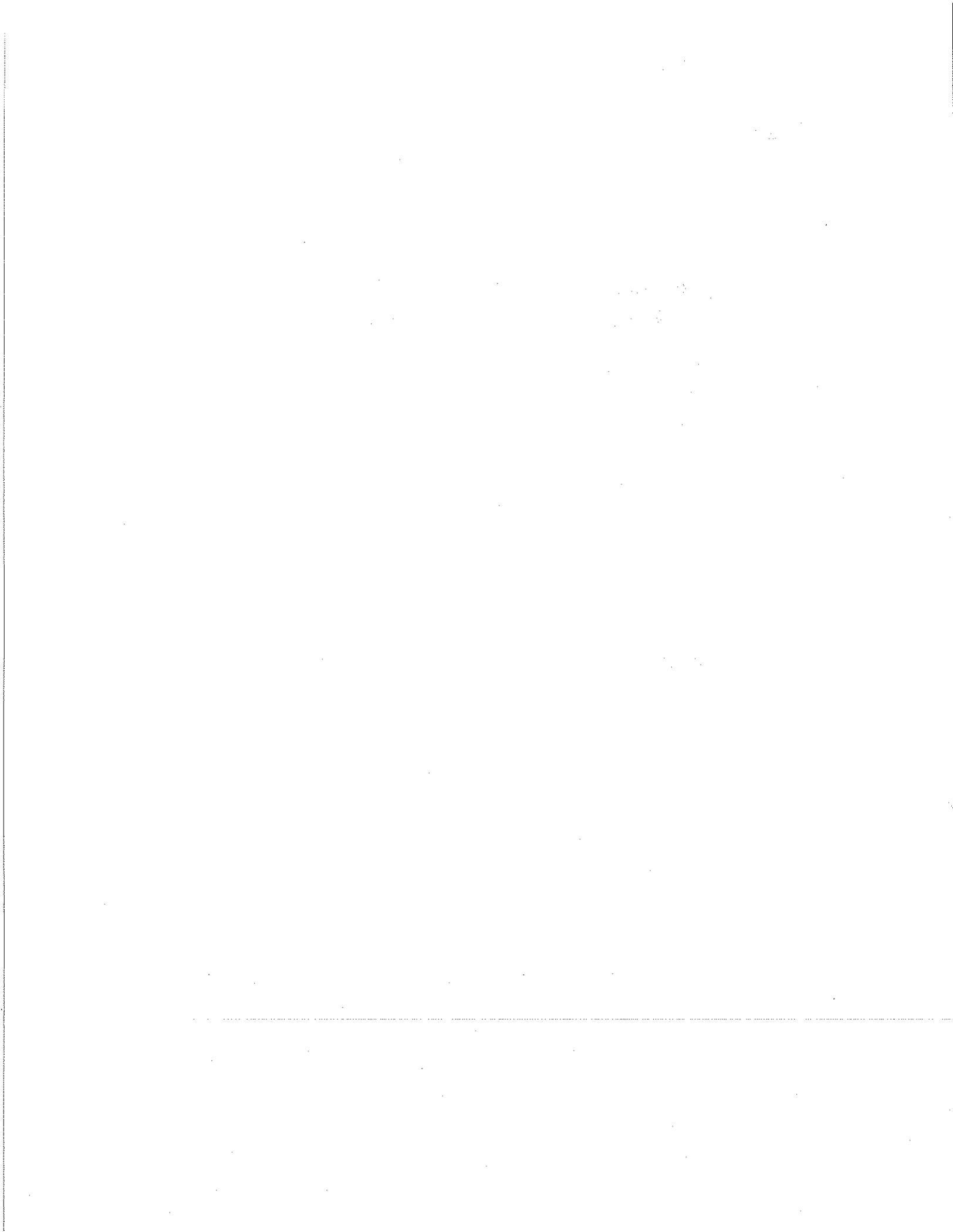
Implementing Health Care Reform

- On March 31 Gov. Granholm issued an executive order that created:
 - Health Insurance Reform Coordinating Council
 - Will organize Cabinet efforts to implement health care reform
 - Office of Health Insurance Consumer Assistance
 - Will provide consumers with information about health care insurance, assist with filing of complaints, and ensure compliance with laws and regulations

www.michigan.gov/healthcarereform

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- **I will chair the coordinating council which is an advisory body within MDCH. As reform impacts multiple state agencies and affects the state as an employer, the council includes directors of MSA, DHS, DTMB and OSE, plus the state budget director and other state personnel.**



- Ultimately this council is tasked with developing a strategic plan for the effective and efficient implementation of the Patient Protection and Affordable Care Act. That involves: Evaluating the legislation; Engaging the various stakeholders; Developing recommendations for implementation of health insurance exchanges; and Recommending executive or legislative action.
- **Like many states, Michigan will have a new governor next year. Most of our Legislature will be new as well. Of course, implementing health care reform will take several years. So it is imperative that we quickly establish the road map for effectively implementing health care reform.**
- Office of Health Insurance Consumer Assistance created within the Office of Financial and Insurance Regulation.

