Patient Protection & Affordable Care Act

Joshua D. Goldberg
National Association of Insurance Commissioners

Symposium on Health Reform
University of Iowa Public Policy Center

July 20, 2010
Opportunities and Challenges

- State-based
- Fairer system
- Reduce market fragmentation
- Begin addressing costs

- Challenging timeline
- Adverse selection
- Begin addressing costs
## Implementation Timeline

|------|------|------|------|------|------|------|------|

### Temporary High Risk Pool Program

### Temporary Reinsurance Program For Early Retirees

#### Immediate Reforms:
- No Lifetime Limits
- Restricted Annual Limits
- Restrictions on Rescission
- First Dollar Coverage of Preventive Services

#### Medical Loss Ratios with Rebates

#### Exchanges

#### Subsidies

#### Individual/Employer Mandates

#### Market Reforms
- Guaranteed Issue
- No Pre-Existing Condition Exclusions for Adults
- Rating Rules
- Essential Benefits Plan
- No Annual Limits for Essential Benefits

#### Co-Op Plans & Multistate Plans

#### Risk Adjustment

#### Individual Market Reinsurance Program & Risk Corridors
Preemption

Similar to HIPAA:

Nothing in this title shall be construed to preempt any State law that does not prevent the application of the provisions of this title.

PPACA §1321(d)

Federal government will enforce provisions if state does not.
### Implementation Timeline

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Temporary High Risk Pool Program
- Immediate Reforms:  
  - No Lifetime Limits
  - Restricted Annual Limits
  - Restrictions on Rescission
  - First Dollar Coverage of Preventive Services
- Extended Dependent Coverage
- Internal/External Review
- No Pre-Existing Conditions for Children
- Disclosure of Justifications for Premium Increases

#### Medical Loss Ratios with Rebates
- Exchanges
- Subsidies
- Individual/Employer Mandates
- Market Reforms  
  - Guaranteed Issue
  - No Pre-Existing Condition Exclusions for Adults
  - Rating Rules
  - Essential Benefits Plan
  - No Annual Limits for Essential Benefits
- Co-Op Plans & Multistate Plans
- Risk Adjustment
- Individual Market Reinsurance Program & Risk Corridors

#### Co-Op Plans & Multistate Plans
Market Reforms: Rating Rules

New federal minimum rating rules take effect in 2014.

- Adjusted community rating
  - No health status
  - Age (3:1 max)
  - Tobacco use (1.5:1 max)
  - Geography
  - Family size
Small Group Variation

*Note: Michigan HMOs and Blue Cross/Blue Shield are restricted to 3.12:1 maximum variation. All others may use 3.96 maximum variation

Community Rating

Adjusted Community Rating

No Rating Structure

Rating Band Variability:

- 13:1 or less
- 13.1:1 – 19:1
- 19.1:1 – 25:1
- 25.1:1 or greater
Individual Market Rating

Hybrid
Michigan Blue Cross/Blue Shield must use community rating. There is no rating structure for other carriers.
Reformed Rating Rules

Indiana

Michigan Blue Cross/Blue Shield must use community rating. There is no rating structure for other carriers.
Rate Compression and Adverse Selection

$500
Older, Sicker

$100
Younger, Healthier
Subsidies

Subsidies available to individuals between 100% FPL and 400% FPL for coverage through the exchange.

Premium subsidies:

- Covers the difference between the cost of the second-lowest cost silver plan available and a percentage of household income
- Percentage ranges from 2% to 9.5%

Cost-sharing subsidies:

- Increase the actuarial value of coverage
## Reforms: Individual Mandate

### Penalties

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$95 per adult up to $285 or 1% of household income, whichever is higher</td>
</tr>
<tr>
<td>2015</td>
<td>$395 per adult up to $885 or 2% of household income, whichever is higher</td>
</tr>
<tr>
<td>2016</td>
<td>$695 per adult up to $2,085 or 2.5% of household income, whichever is higher</td>
</tr>
</tbody>
</table>

Penalty for a child is $\frac{1}{2}$ that of an adult

Penalties indexed to the growth of CPI after 2016
Penalties vs. Premiums

<table>
<thead>
<tr>
<th>Year</th>
<th>Premiums</th>
<th>Penalty (400% FPL)</th>
<th>Penalty (Minimum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Reforms: Individual Mandate

IRS is prohibited from filing liens or charging interest for penalties. No fines or criminal charges for nonpayment.

Exemptions:

- Cost of coverage is more than 8% of household income
- Religious objection
- Financial hardship
Exchanges

- Facilitate comparison and purchase of coverage
- Administer subsidies

Mandatory Core functions:
- Certify qualified plans
- Operate toll-free hotline
- Provide standard comparative information on qualified plans
- Rate plans based upon cost and quality
- Certify exemptions from individual mandate
- Establish “Navigators” program
- Coordinate with Medicaid & CHIP programs to provide eligibility determinations

Outside market remains intact
<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>Exchange planning grants; IT systems architecture; Federal policymaking</td>
</tr>
<tr>
<td>2011</td>
<td>States enact legislation and regulations; Federal rulemaking; Federal and state IT buildouts</td>
</tr>
<tr>
<td>2012</td>
<td>States notify HHS of intent to operate Exchanges; Continued IT system buildout; States begin to qualify plans</td>
</tr>
<tr>
<td>2013</td>
<td>Bidding/contracting; IT systems online; Outreach to consumers; States/Feds ensure all elements are operational</td>
</tr>
<tr>
<td>Mid-2013</td>
<td>Exchanges begin enrollment</td>
</tr>
<tr>
<td>2014</td>
<td>Exchange provided coverage is effective</td>
</tr>
</tbody>
</table>
System Costs

Cost-savings

• Focus on Prevention
• Administrative Costs

Pilot Programs

• Bundling
• ACOs
• HIT
Conclusion

“Now this is not the end.
It is not even the beginning of the end.
But it is, perhaps, the end of the beginning.”

-Winston Churchill