

***Overview of the
Patient Protection and Affordable Care Act of 2010 (PPACA)***

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The State of Health Insurance in the U.S. and California



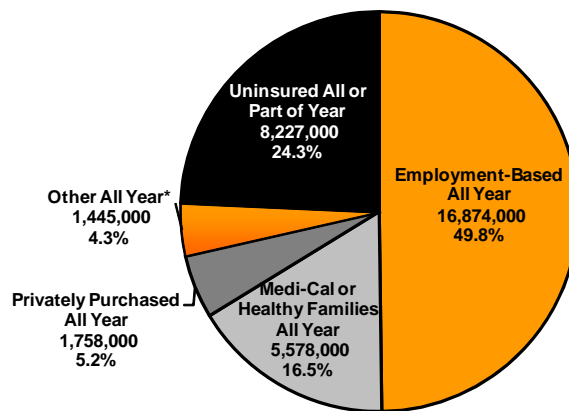
Over 50 Million Adults and Children are Uninsured in the United States

2009 Insurance Status	%	Total (in millions)
Uninsured	16.7	50.7
Private	63.9	194.5
Employer-based	55.8	169.7
Non-group	8.1	24.8
Public	30.6	93.2
Medicaid	15.7	47.8
Medicare	14.3	43.4
Other government	0.6	2.0

Notes: Rates are not mutually exclusive and will add to more than 100%, since a person may have had more than one insurance type in 2009.
Source: 2009 Current Population Survey, US Census Bureau



In 2009, Less Than Half of California's Adults and Children (Ages 0-64) Had Job-Based Coverage



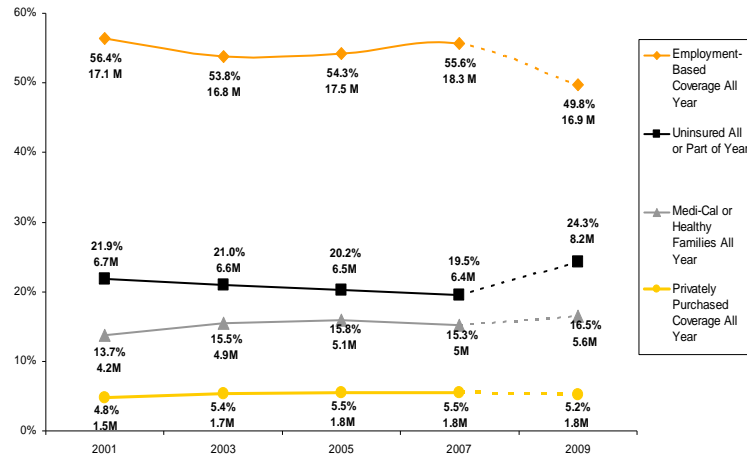
Notes: Numbers may not add to 100% due to rounding.

Sources: 2007 California Health Interview Survey; California Department of Finance population estimates; Medi-Cal, Healthy Families and Medicare administrative data; and CHBRP carrier survey.



* Includes other government programs that are not Medi-Cal or Healthy Families, as well as any combinations of insurance over the past year during which the person was never uninsured.

Public Insurance Couldn't Fully Absorb the Millions Who Lost Their Job-Based Coverage in 2009



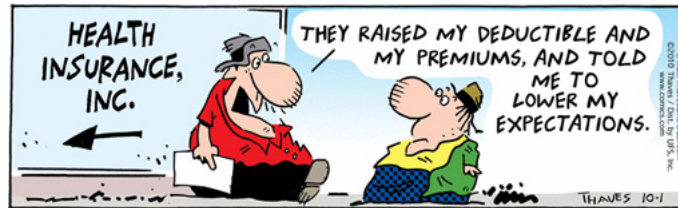
Notes: Numbers are rates and will not add to 100%. The category "other public coverage" is not shown. "Employment-based Coverage All Year" includes health insurance coverage through the parent's employment and coverage through COBRA, which gives temporary continuation of coverage to laid-off workers through their former employers at group rates.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys (CHIS). 2009 data are projections

from 2007 CHIS and California Department of Finance population estimates; Medi-Cal, Healthy Families and



Health Insurance in 2010 in a Nutshell



National Health Care Reform: The Patient Protection and Affordable Care Act of 2010

Goals of Health Care Reform

Improve Access to Health Care via Insurance Expansion

- ▶ **49.4 million uninsured estimated in 2010 (Urban Institute)**
 - ▶ Improve access to primary and specialty care.
 - ▶ Improve affordability of health care premiums and out-of-pocket spending.
 - ▶ End insurance company practices that are harmful to consumers.

Reduce Spending in the Health Care System (i.e. “Bend the Cost Curve”)

- ▶ **\$2.5 trillion dollars in overall spending (17.4% of GDP)**
 - ▶ One-third of health care spending is attributed to fraud and waste.
 - ▶ Overuse of services, geography and fee-for-service incentives are often blamed.

Improve Quality and Patient Safety

- ▶ **Reduce medical errors, improve outcomes, coordinate care**
 - ▶ Reward providers and insurers for providing high quality care.
 - ▶ Reduce readmissions and hospital-acquired infections.

Improve Wellness and Health Behaviors

- ▶ **Incentivize healthy behaviors and preventive services**

Changes in Offering Coverage Since PPACA was Signed

- ▶ **No denial of coverage for children with pre-existing conditions.**
 - ▶ Effective as of September 23, 2010, for new plans.
 - ▶ For-profit insurance companies announced that they would no longer offer “child-only” policies.
 - ▶ AB 2244 in California punishes insurance companies for not offering coverage.
- ▶ **Parents can keep their children on their group coverage through age 26, even without student status.**
 - ▶ Effective as of September 23, 2010, with yearly plan renewal.
 - ▶ Many insurance companies enacted as early as June 2010.
- ▶ **Two temporary public coverage expansions**
 - ▶ “Pre-existing condition” pools
 - ▶ Early Retiree Reinsurance Program
 - ▶ Have already begun and will end by January 1, 2014.



Changes in Private Coverage Benefits Since PPACA was Signed

- ▶ **Applies to *all* plans, as of September 23, 2010.**
 - ▶ Elimination of lifetime limits on coverage.
 - ▶ Elimination of rescissions.
- ▶ **Applies to *new* plans only, as of September 23, 2010.**
 - ▶ All preventive services must be included, at no charge.
 - ▶ “Preventive Services” as designated with an A or B rating by the U.S. Preventive Services Task Force.
 - ▶ Direct access must be granted to OB/GYNs and Pediatricians.
- ▶ **“Grandfathered” status determines whether or not a plan is considered “new” as of the plan renewal.**
 - ▶ Plans lose their grandfathered status with “significant” changes to costs or benefits.



Future Changes in Medicaid

- ▶ **Adds eligibility for anyone (including childless adults) with household income up to 133% FPG, as of January 1, 2014.**
 - ▶ \$14,400 for an individual or \$29,300 for a family of four in 2010.
 - ▶ Includes 100% funding for three years, with slight declines after that.
 - ▶ Freezes current state-based eligibility levels (“maintenance of effort”).
- ▶ **Payment reform**
 - ▶ Increased federal matching rate (90%) for programs to establish “health home.”
 - ▶ Encourage state programs for bundled hospital payments, global capitation to safety net hospitals, and allow children’s hospitals to benefit from Medicaid savings.
- ▶ **Long-term care services**
 - ▶ Community First Choice Option
 - ▶ State Balancing Incentive Program



Future Changes in Medicare

- ▶ **Changes to Part D**
 - ▶ Reducing coverage gap by \$250 immediately will help beneficiaries.
 - ▶ By 2020, coverage gap removed (generic and brand).
- ▶ **Increased solvency for Medicare Trust Fund**
 - ▶ Increased Medicare tax for people making over \$200k single/\$250k joint annual gross income, effective January 1, 2013.
 - ▶ +0.9% on earned income/3.8% on unearned income.
 - ▶ Expected to extend Medicare trust fund (A&B) until 2026.
- ▶ **Changes in Medicare Advantage**
 - ▶ Reduced benchmark payment rate will be tied to “low-cost” vs “high cost” areas (95%-115%) as compared to FFS payments, starting January 1, 2011.
 - ▶ Phased in over a 3-7 year period.
 - ▶ Rewarding plans based on star-level in quality (plans with 4+ stars) begins in 2012.



Future Changes in Other Public Programs

- ▶ **Community Living Assistance Services and Support (CLASS) Act, effective as of January 1, 2011.**
 - ▶ Voluntary program designed to encourage people to enroll in long-term care insurance.
 - ▶ Both employers or individuals can enroll. If enrollment is through the employer, all employees will be automatically enrolled (can opt out).
 - ▶ Have to pay into system for 5 years (and work for 3 of those years) before being eligible to receive benefits.

- ▶ **Children's Health Insurance Program (aka Healthy Families in CA)**
 - ▶ Will remain in existence, but enrollees will be able to choose to go into the Exchange with subsidies in 2014.
 - ▶ Extended to 2015 with increased funding, but future after that point is uncertain.



Future Changes in Job-based Coverage

- ▶ **Requirement that all employers must list health insurance premium information on W-2 forms, effective January 1, 2011.**

- ▶ **Requirements that employers offer "affordable" coverage to all employees and their dependents, effective January 1, 2014.**
 - ▶ Must cost employee less than 8% of their income.
 - ▶ All employers with over 200 employees will automatically enroll their employees in the plan. Employees are allowed to opt out.

- ▶ **Employers with over 50 employees will be fined \$2,000-\$3,000 per employee if an employee gets coverage with a subsidy through the Exchange.**
 - ▶ Can avoid fine if vouchers to participate in the Exchange are provided to employees, when the plan is greater than 8% of their income.



Future Changes in Non-Group Coverage

▶ The Exchanges in January 2014

- ▶ State-based, web portals that will provide a highly-regulated market in which to shop for non-group or small-group (up to 100 employees) coverage.
- ▶ Federal government will provide subsidies to enable qualified uninsured adults and children with household incomes from 134% - 400% FPL to purchase insurance.
 - ▶ Guaranteed issue for all who apply, with no consideration for pre-existing conditions in premiums.
 - ▶ Two different “public options” – OMB-offered coverage and CO-OP plans.
- ▶ California is the only state to have passed legislation that sets up the Exchange.

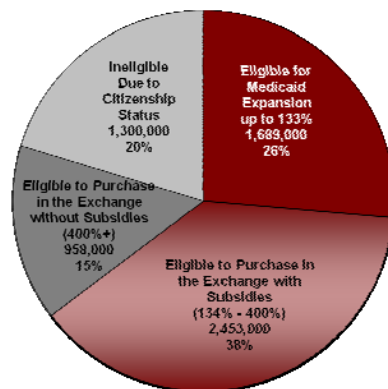
▶ “Individual mandate” fee in 2015

- ▶ Will be required to report qualified health insurance coverage on tax forms for 2014 or pay a fine.
- ▶ Some exceptions - “financial hardship” or undocumented immigrant status.



Eligibility for Health Insurance Expansions Under Proposed National Health Care Reform, Ages 0-64, California, 2007

Total Uninsured All or Part Year = 8.4 million



PPACA Will Cut the Uninsured Population in Half

CBO estimates of PPACA impact											
Millions of nonelderly people, by calendar year											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Medicaid & CHIP	40	39	39	38	35	34	35	35	35	35	
Employer-based	150	153	156	158	161	162	162	162	162	162	
Nongroup & other	27	26	25	26	28	29	29	29	30	30	
Uninsured	50	51	51	51	51	51	52	53	53	54	
TOTAL	267	269	271	273	274	276	277	279	281	282	
Change (+/-)											
Medicaid & CHIP	*	-1	-2	-3	10	15	17	16	16	16	
Employer-based	*	3	3	3	4	1	-3	-3	-3	-4	
Nongroup & other	*	*	*	*	-2	-3	-5	-5	-5	-5	
Exchanges	0	0	0	0	8	13	21	23	24	24	
Uninsured	*	*	-1	-1	-19	-25	-30	-31	-31	-32	
Total final population											
Medicaid & CHIP											51 18.2%
Employer-based											158 56.4%
Nongroup & other											25 8.9%
Exchanges											24 8.6%
Uninsured											22 7.9%
TOTAL											280 100.0%



Thank You – and I'm Here to Help!

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