The Federal Health Law and California: What’s New, What’s Next, and What Do We Need to Do?

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Why CA Needed Reform

- Californians have suffered disproportionately as a result of their coverage not being there when they needed it.

  - Californians are more likely to be uninsured than most Americans: 8 million Californians are uninsured this year, and live sicker, die younger, and are one emergency away from financial ruin.
  
  - Californians are less likely to get coverage from an employer, and such coverage is eroding.
  
  - Californians are more likely, as a result, to have to buy coverage as individuals, and thus more Californians have a lack of affordable coverage options, and more can not get coverage at any price, due to pre-existing conditions.
  
  - California has a high cost-of-living, and a greater percentage of lower-wage workers, meaning more Californians need help to afford coverage.
  
  - Californians rely on public health insurance programs and the health care safety net, but state budget cuts are making this challenging.
  
  - Californians need protection from inadequate coverage and discriminatory practices by insurers and employers.
The Biggest Reforms of Our Era

The health reform law doesn’t do all that is needed, but it is historic Congressional action in three areas of focus:

1) **Provides new consumer protections** to prevent the worst insurance industry abuses
   - Biggest reform of insurance practices ever: no denials for pre-existing conditions; no rescissions; no lifetime/annual caps on coverage; etc

2) **Ensures security** for those with coverage, and **new and affordable options** for those without coverage
   - Biggest expansion of coverage in 45 years; Would bring US from 85% to 95% coverage.
   - Expansion of Medicaid and a new exchange, with affordability tax credits so premiums are tied to income, not how sick we are.

3) ** Begins to control health care costs**, for our families and our government.
   - Multiple efforts to ensure quality & reduce cost
   - Biggest deficit reduction measure in a generation.
   - Big investments in prevention, with unbooked savings
What’s Already in Place: I

Several provisions of the Patient Protection and Affordable Care Act (ACA) are already in effect:

**Instilling Confidence in Coverage**
- Ending rescissions
- Banning lifetime and annual caps on coverage

**Access to Coverage Regardless of Health Status**
- Ending discrimination against children with pre-existing conditions
- New, expanded option for adults denied for pre-existing conditions (PCIP)
What’s Already in Place: II

Several provisions of the Patient Protection and Affordable Care Act (ACA) are already in effect:

Securing and Expanding Coverage Options

- Young adults can stay on their parent’s coverage through age 26
- More security for the 7 million Californians on Medi-Cal and Healthy Families
- More resources for community clinics, prevention efforts, and workforce development
- Better information on health options: www.healthcare.gov
What’s Already in Place: III

Several provisions of the Patient Protection and Affordable Care Act (ACA) are already in effect:

Making Health Care More Affordable

- Help ($250 rebate/50% discount) for many seniors to afford prescription drugs, as a first step to closing the Medicare Part D “donut hole”
- Subsidies for early retiree coverage
- Free preventative care (with no-copayments) for those in Medicare & private insurance
- Small business tax credit to help pay for workers’ coverage
- More review of insurance rates
CALIFORNIA IMPLEMENTS
Millions with new consumer protections; financial assistance
1+ million Californians with new coverage options already

CALIFORNIA IMPROVES
EARLY:
Low-Income Health Programs
Children with pre-existing conditions
Maternity coverage

BETTER:
Exchange that negotiates & standardizes
Medi-Cal express lane enrollment options
Continuing CA’s inclusion of legal immigrants
Already Working

- One million Californians already covered under new benefits
  - Over 16,000 “uninsurable” Californians are enrolled in the Pre-Existing Condition Insurance Program for those denied coverage due to pre-existing conditions.
  - Over 550,000 Californians are enrolled in coverage through the Low Income Health Program (LIHP) in 51 counties, which serves as bridge coverage for the low-income uninsured who will qualify for Medi-Cal in 2014.
  - Over 450,000 young adults in California have coverage who might otherwise have become uninsured, since they are covered by their parents’ insurance.

- Many more with new benefits
  - 8,978,000 insured Californians gained new consumer protections, including Medical Loss Ratio requirements that require insurance companies to spend more premium dollars on medical health care. 1.9 million California residents received $74 million in rebates from insurance companies who did not meet these minimums.
  - California consumers saved over $100 million dollars in savings from rate hikes that were retracted, reduced, or withdrawn due to rate review.
  - 319,429 California seniors in Medicare saved $171,983,735 in prescription drug costs, an average of over $500 a patient facing the “drug donut hole.”
  - Over 12 million Californians no longer have a lifetime limit on their health insurance plan.
  - Health plans in California must all cover maternity care.
How 38 Million Californians Get Coverage Now

- **Employer-Based Coverage**
  - Around Half, 18-19 Million

- **Public Programs: About a Third (10-11 million)**
  - Medicare: 4 million
  - Medi-Cal: 7.7 million
  - Healthy Families: Nearly 1 million

- **Individual Insurance Market**
  - About 5% (around 2 million)

- **Uninsured: Around 7 million**
Ensuring Affordable Coverage & Essential Benefits

In each of the ways people get coverage today, through
1) an employer
2) a public program, or
3) buying it as an individual
new protections will ensure that coverage includes:

- **Affordability**
  - Premiums not to exceed a percentage of income—sliding scale up to 9.5% of income.
  - No lifetime limits, no annual limits
  - Cap on out-of-pocket costs (co-pays, deductibles) of $5,950 individual/$11,900 family (2010 dollars)
  - No co-pays for preventive services like mammograms and prostate cancer screening.

- **Basic Benefits**
  - Covers doctors, hospitals, prescription drugs, mental health parity.
  - Comparable to most large employers now. (Knox/Keene+Rx)

- **Purchasing Power of Group Coverage**

- **Consumer Protections**
  - Example: Medical Loss Ratio: 85 cents of premiums must be spent on care
Securing On-the-Job Coverage: Subsidies and Standards

- Around half of all Californians (18 million) already have coverage through their employer, and reform will make on-the-job coverage more secure and reliable.

- Many small employers of low-wage workers will receive significant subsidies (tax credits up to 35% of premiums) to help pay for coverage.

- Larger employers (over 50 FTEs) will either cover their workers, or may have to contribute to their care—setting a standard much like the minimum wage does for pay:
  - Provide Health Benefits for Full-Time, Non-Seasonal workers OR
  - Pay a penalty for Full-Time, Non-Seasonal worker in exchange ($2,000/$3,000 depending on coverage offer)

- Full-Time and Non-Seasonal Defined:
  - Full-Time=Average 30 hours per week in month
  - Non-Seasonal=120 days for one employer in a year
Improving Public Programs: Medicaid

- **Medicaid** (Medi-Cal in CA) will be expanded to cover lowest-income families, including adults without dependent children
  - Expands Medicaid for all under 133% of the federal poverty level (excluding undocumented immigrants)
  - Before reform, adults without kids at home excluded
  - Up to two million additional Californians on Medi-Cal
  - For newly-eligible population, federal government will pay 100% of costs for 2014-2016; By 2020, will pay up to 90% of cost
  - Reduces paperwork and eligibility barriers
    - Example: Removes complicated "asset test" that is barrier to enrollment, and that prevents poor families from saving
  - SCHIP (Healthy Families in CA) intact
The Exchange: Providing New, Affordable Choices

For those who still must buy coverage as individuals (over 2 million Californians currently) and are now left all alone at mercy of big insurers:

- A new Health Insurance Exchange that will offer a number of affordable coverage options.
  - **Affordability credits** will be provided for coverage purchased in the Exchange for families earning up to 400% FPL (~$73K for family of 3).
  - The Exchange will make it easier to understand and get a quality, affordable health plan, offering a range of easy-to-compare insurance products, with basic benefits.
  - The Exchange can use its bargaining power to provide the “group rate” for individuals and small businesses, to get the best possible price.
Sliding Scale Subsidies

HOW REFORM WILL LOWER COSTS FOR YOU & YOUR FAMILY IF YOU BUY YOUR OWN INSURANCE
ESTIMATED SAVINGS FOR A FAMILY OF FOUR ON THE INDIVIDUAL MARKET WHEN THE EXCHANGES ARE CREATED IN 2014

- **PREMIUMS WITH REFORM**
- **COPAYS AND DEDUCTIBLES WITH REFORM**
- **PREMIUMS WITHOUT REFORM**
- **COPAYS AND DEDUCTIBLES WITHOUT REFORM**

**ANNUAL INCOME (IN 2009 DOLLARS)**

- **$44,400**: You’ll save $10,050 a year
- **$55,500**: You’ll save $7,600 a year
- **$66,600**: You’ll save $5,450 a year
- **$77,700**: You’ll save $4,200 a year
- **$88,800**: You’ll save $2,250 a year

**ESTIMATED AVERAGE ANNUAL OUT-OF-POCKET COSTS FOR FAMILY OF 4 (COPAYS, PREMIUMS AND DEDUCTIBLES)**

OFFICE OF THE SPEAKER, 4/2/10

SOURCE: CALCULATIONS BY HOUSE COMMITTEE STAFF FROM HHS DATA IN 2014 DOLLARS
Securing the Safety-Net

The Need for Transformation
- For hospitals, community clinics, and others, this a challenge and opportunity
- Potential new resources: Direct funds for clinics, newly insured consumers with dollars attached to them.
- Will their consumers stay with them, or go to other providers? Are they ready to compete?
- What is the business plan for safety-net providers?
- **Goal: Not Just Surviving, but Thriving**

Assessing the Entire Community’s Capacity
- With many more insured, we need the capacity of the existing safety-net to provide the care.
- The newly-insured will have specific needs, such as language access
- The safety-net will still need strategy and support to provide care to the remaining uninsured.
- How can we provide care better, and more cost-effective? How can a county’s health system-public & private-be ready in 2014?
- Overall reforms of delivery systems...
Cost Containment

- **Prevention**: Major investments in prevention and public health; Change delivery system to promote primary and preventative care; no cost-sharing for preventative care to encourage use; other efforts like menu labeling.

- **Bulk Purchasing**: through group coverage, and a new exchange, to bargain for better rates.

- **Abolishing Underwriting**: and its expense and incentives, getting insurers to compete on cost & quality rather than risk selection.

- **Information Technology**: to foster electronic records, reduce bureaucracy, get better data on cost & quality

- **Better Research from Transparency Efforts**: on prices and health outcomes; and on comparative effectiveness of key treatments.

- **Patient Safety**: measures to reduce hospital-acquired infections, reduce hospital re-admissions, etc.

- **Payment Reforms**: to reward quality & better health outcomes, including better care coordination and disease management;

- **Coverage for all**: both directly (prevention, reduces cost-shift) reduces costs and helps provides policy tools for further efforts.
Health Reform and You

- **IF YOU ARE INSURED**, nothing requires you to change your coverage; but your coverage will be more secure and stable:
  
  - Makes it more likely your employer continues to offer coverage, set minimum standards for such coverage.
  - Improves Medicare and expands Medicaid.
  - Fixes the “individual market” of coverage in multiple ways.
  - Ensures that even if your life situation changes (job change, divorce, graduation), you have access to affordable coverage.
  - Provides the foundation to bring down the overall costs of health care.
Health Reform and You

**IF YOU ARE UNINSURED**, you will need to get coverage, but there will be new help and new options to ensure coverage is:

- **AVAILABLE**: No denials or different rates for pre-existing conditions.

- **AFFORDABLE**: Subsidies/affordability credits for low & mid income families to limit out of pocket costs to a certain percentage of income, plus other efforts to bring down costs.

- **ADEQUATE**: Minimum benefit standards and a cap on out-of-pocket costs, so no one goes into significant debt or bankruptcy.

- **ADMINISTRATIVELY SIMPLE**: The Exchange provides choice and convenience, making it easy to compare and sign up for plans.

- Note that the individual mandate includes **exemptions** for affordability and hardship.
The Benefits of Health Reform

1. **Near-universal coverage for all**, with expansions of group coverage, both public and private.
2. **New consumer protections**: New rules and oversight on insurers that include the abolition of underwriting and limits on age-based rates and on premiums dollars going to administration and profit.
3. **The biggest expansion of Medicaid** since its creation 40 years ago.
4. **Sliding scale subsidies tied to income**: Consumers will pay for coverage not based on how sick they are, but what they can afford.
5. **The end of most junk insurance** and bankruptcies due to medical bills, with a cap on out-of-pocket costs.
6. **Fair share financing**, including an employer assessment as important in concept as the minimum wage.
7. **Assistance for small business** and their workers to be able to afford coverage.
8. **Improvements for existing public programs**, such as filling donut hole in Medicare & simplifying Medicaid.
9. **The tools for cost containment and quality improvement** in health care generally, from prevention to IT to bulk purchasing.
10. **Momentum to do more** in the future, politically and policy-wise, in health care and beyond.
California Leading on Health Reform

- California needs to maximize the benefit—our health system needs all the help we can get.
- California can show the way among states with significant uninsured populations...
“Because of the money and resources, California is frequently touted as the state that is implementing the Affordable Care Act most actively and aggressively. **The stakes couldn’t be higher.**” – POLITICO

“California is a particularly important test for Obamacare. It’s not just the largest state in the nation. It’s also one of the states most committed to implementing Obamacare effectively. ... **If California can’t make the law work, perhaps no one can. But if California can make the law work, it shows that others can, too.**” – Ezra Klein, Washington Post

“The ACA can’t succeed if California fails,” – Drew Altman, president of the Kaiser Family Foundation.

"If this works in California, eventually America will follow your lead... If it comes off the rails here, it will give aid and comfort to everyone who really just wants to say, 'I told you so.'” – President Bill Clinton.
102 DAYS TO:

Make it work!
2013 Agenda: Consumer Protections & Insurer Oversight

- Watchdog the federal and state government to ensure that **new consumer protections are implemented and enforced**.
  - Focus at the Department of Managed Health Care (DMHC) and the Department of Insurance (DOI)
  - Continued focus on rate review has generated hundreds of million in savings through scaled-back and withdrawn rate hikes.
- Ensure **Californians know about their new rights and options**.
- Start to transition from the “Wild Wild West” insurance market: phasing in benefits, standards, and options to be ready for 2014. (Bill numbers from previous session)
  - INDIVIDUAL MARKET REFORM: AB 1x2(Pan) / SB1x2 (Hernandez)
  - COST SHARING LIMITS: AB639 (Hernandez)
- **Fight efforts to weaken, defund, undermine, and repeal** these consumer protections and the rest of reform.
2013 Agenda: Ensuring Californians Get Coverage: The Day One Challenge

- **Eligibility and enrollment legislation** (bill numbers from prior session):
  - THE 2014 MEDI-CAL EXPANSION: AB1x1 (Speaker Perez) / SB 1x1 (Senate President Pro Tem Steinberg/Hernandez)

- Work to **implement and improve**:
  - Streamline enrollment in Medicaid, Healthy Families, the Exchange and elsewhere; no wrong doors;
  - Get ready so millions of Californians get covered on Day One—January 1, 2014—and California gets all the federal help available.
  - Create integrated system of “navigation”—right now, patchwork of county workers, brokers/agents, community groups, etc.
  - Work at the Legislature and at the Exchange, DHCS, etc.
Health Reform 2.0

1) Unfinished Business
- Medi-Cal: benefits, provider rates, etc.
- Covered California: quality ratings; improving health plan standards; options for the unbanked; pediatric dental coverage; other triaged & delayed decisions
- Getting insurers to compete not on avoiding sick people, but on cost, quality, customer service, and prevention and wellness
- Cost containment and quality improvement

2) Next Steps: Fulfill the Promise of Reform

3) A Platform for More
NO EXCEPTIONS. NO EXCLUSIONS. #HEALTH4ALL
Continuing California’s Commitment to the Remaining Uninsured

- Governor has insisted on linking Medi-Cal expansion with state-county realignment.

- An ongoing need to protect the safety-net of public hospitals, clinics to serve the remaining uninsured.

- Working at the state level, and at the various counties, to maximize enrollment, and ensure a safety-net that includes everyone.
Fulfilling the Promise: What a Community Can Do

- **Educate** the Community about Their New Rights, Options, Benefits, and Consumer Protections
- **Engage** Communities and Consumers Every Step of the Way
- **Maximize Federal Dollars** for County and Community
  - Grant opportunities
  - Matching Dollars for Medi-Cal, Healthy Families, LIHP, etc.
- **Aggressively Implement the Low-Income Health Program**
- **Be Ready** So Community Residents Get **Coverage on Day One**
  - Set a Goal and Date; Work backwards to Meet That Goal
  - Systems in place for easy enrollment through no wrong door
- **Transform the Safety-Net** to Survive and Thrive
  - A Business Plan for Safety-net institutions
  - An Assessment and Augmentation of County-wide Capacity
- **Use the New Tools in the Law**
  - To focus on delivery system reform for **cost, quality, safety & equity**
  - To build **health in all policies**, with place-based policy interventions
Next Steps: Fulfilling the Full Promise of Health Reform

“What we are getting here is not a mansion but a starter home. It’s got a good foundation: 30 million Americans are covered. It’s got a good roof: A lot of protections from abuses by insurance companies. It’s got a lot of nice stuff in there for prevention and wellness. But, we can build additions as we go along in the future” – Senator Tom Harkin

- Including the Excluded/Covering the Undocumented
- Fixing the Flaws in the Law/Closing Gaps
- More on Affordability & Cost Containment
- Employer-Based Coverage (AB880)
- Rate Regulation
- Public Option/Single-Payer

A Platform For More On Other Issues
“The federal government’s biggest attack on economic inequality since inequality began rising more than three decades ago...” – David Leonhardt, The New York Times, 323/2010
Health reform could boost use of food stamps

CALIFORNIA'S LOW PARTICIPATION A DISGRACE

By the Editorial Board

Gov. Jerry Brown in recent years has signed legislation to eliminate the major barriers to food stamp participation in California. New laws ended burden for medical coverage under the Affordable Care Act will also be eligible for CalFresh. Applications for both programs ask the same questions. Can they be integrated? When someone signs up for health care, could they ask for CalFresh?
Changes to coverage, mental health, and substance abuse treatment can and should have ripple effects throughout criminal justice, policing, county services, and corrections...
A Political Realignment for Prevention?
What it Means to Repeal in CA

LEAVE CONSUMERS AT THE MERCY OF INSURER ABUSES. allowing insurers to:
- deny almost 400,000 Californians for “pre-existing conditions”;
- impose arbitrary annual and lifetime caps on coverage, leaving insured patients at risk of medical debt and bankruptcy; and
- sell “junk” coverage that does not provide basic benefits.

DENY MILLIONS HELP WITH HEALTH CARE
- Deny 2 million uninsured Californians access to coverage through Medicaid;
- Deny 3.8 million uninsured Californians access to new coverage through individual health insurance and prevent improvements to coverage for 21 million Californians with employer or individual plans.
- Condemn 66,000 more California families a year to bankruptcy due to health care costs.
- Prevent 3.2 million young adults in California (under age 26) to obtain coverage on their parents’ insurance plans.
- Deny all 4.5 million California seniors with free preventive services

REJECT RESOURCES AND FEDERAL FUNDS FOR CALIFORNIANS
- Deny Californians access to $106 billion in tax credits would mean increased health insurance premium costs for millions of California families
- Increase taxes on up to 392,000 California small businesses by $4.3 billion, by stopping small business tax credit.
- Increase prescription drug costs for 794,000 California seniors by $9.3 billion, by leaving the Medicare Donut Hole unfilled.
- Eliminate $1.4 billion in new funding to California community health centers.
So Much More To Do: What Can You Do?

1. **Thank your member of Congress/Tell them not to repeal it:** Call, write, or visit your Congressional Representative and thank them for their yes vote – or attend a public event to thank them!

2. **Share your story** personal stories help others learn how they can benefit from reform – and they are a compelling advocacy tool!

3. **Support state efforts to implement and improve reform** let your local representatives know that you support robust implementation and improvement of reform.

4. **Write a letter to the editor** in support of reform and all its benefits.

5. **Join our mailing list** to keep up to date on legislative development and get important action alerts!
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   - Check out our daily blog, at [blog.health-access.org](http://blog.health-access.org)
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