Wise County Health Assessment 2010

Implications of Health Care Reform

The Patient Protection and Affordable Care Act (the Act) and Other Federal Initiatives

FORESITE CONSULTING

November, 2010

Health Care Reform

- General Overview and Phased in Development
- Parties to Reform
  - Medicaid, Managed Care and Insurance
- Physician and Hospital Organizations
  - Integrated Health Systems and Accountable Care Organizations
  - Patient-Centered Medical Homes
- Federally Qualified Health Centers (FQHCs) and Primary Care

The Problems with Medical Care

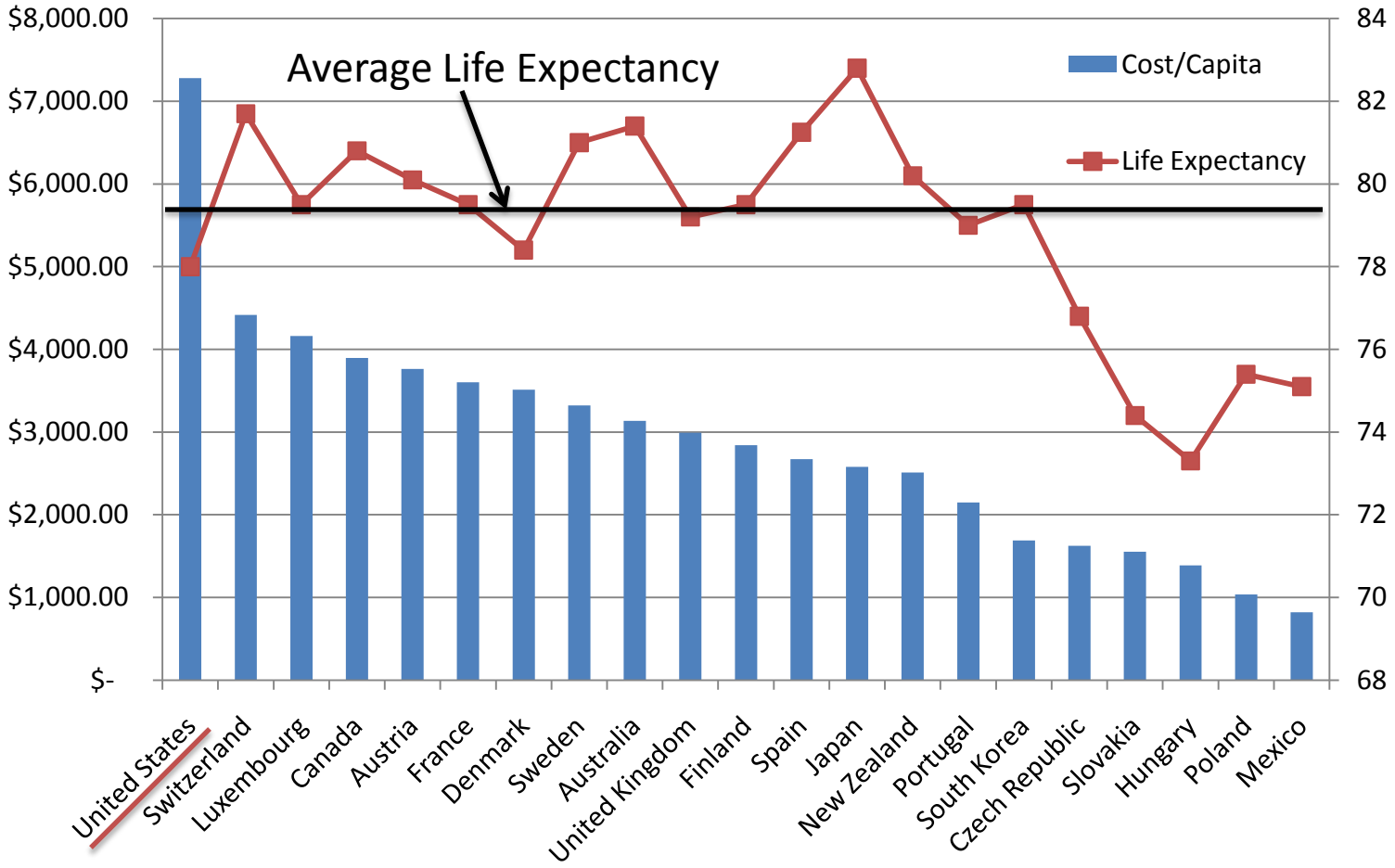
Health Care Costs are Growing Annually by 7-8%

Current Delivery and Reimbursement System Results

- Spiraling health care costs
- Fragmentation of care
- Uneven quality and efficiency
- High volume of uncoordinated services
- High volume of specialist / procedural care
- High degree of variation in care

Bottom Line: Patients, physicians, employers (ultimate payers) are confused, frustrated and dissatisfied and demanding change that provides more value

Per Capita Cost of Care and Life Expectancy



Patient Protection and Affordable Care Act Overview

The Patient Protection and Affordable Care Act (the Act) was signed into law on March 23, 2010 with changes made to the law by subsequent legislation. The Act provides for the expansion of coverage, control of health care costs and improvements to the health care delivery system.

Major Provisions	2010	2011	2012	2013	2014	2015+
Individual Mandate					■	■
Employer Requirements					■	■
Expansion of Public Programs	▪	▪	▪	■	■	■
Premium and Cost-Sharing Subsidies to Individuals	■	■	■	■	■	■
Tax Changes Related to Health Insurance or Financing Health Reform		■	■	■	■	■
Health Insurance Exchanges				■	■	■
Benefit Design	■				■	■
Changes to Private Insurance	■	■	■	■	■	■
State Role	▪	▪	▪	▪	■	■
Cost Containment	■	■	■	■	■	■
Improving Quality / Health System Performance	■	■	■	■	■	■
Prevention / Wellness	■	■	■	■	■	■
Long Term Care	■	■	■	■	■	■

Bold faced captions have most significant implications for Hospitals

■ Any or all provisions implemented

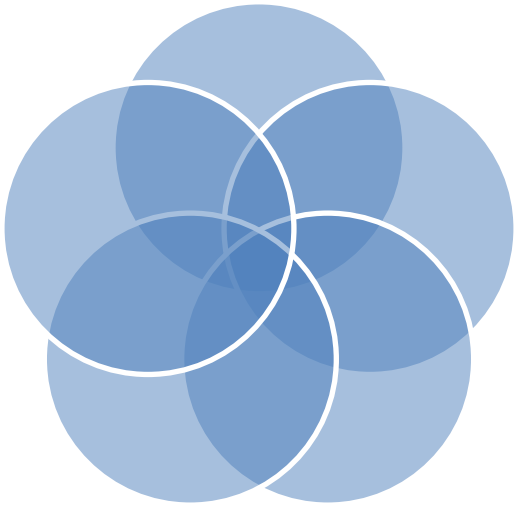
▪ Early implementation at State option for any or all provisions

People Affected by Health Care Reform

Medicare	45,200,000
Uninsured	46,339,000
Employer Insurance	160,600,000
Small Business	42,686,000
Low Income (Medicaid)	113,273,000
	408,098,000

Medicare
45,200,000

Low Income (Medicaid)
113,273,000



Uninsured
46,339,000

Small Business
42,686,000

Employer Insurance
160,000,000

Census Bureau Population Estimate
308,745,538

Source: AARP Bulletin :Special Section on Health Care Reform, May 2010 & Census Bureau Dec. 22, 2010

Winners and Losers in Health Reform

Consumers and the Poor
Greater controls on health plans & lifting restrictions to expand coverage, greater inclusion and access, will be the pioneers in the new health care system

Comprehensive Groups (ACOs) and
Group Primary Care
FQHCs (start with the Poor)
Family Practice
Pediatrics
Obstetrics
Dental Care
Mental Health
Pharmacy

Increased federal, state & private funding

Integrated Information Systems
Practices
Regions

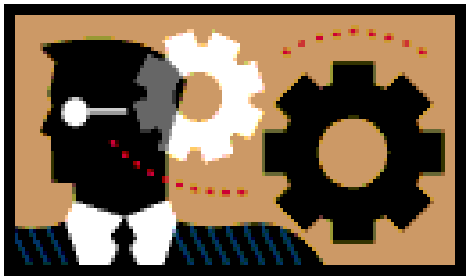
Requiring Managed Care Plans to contract with FQHCs and pay them at cost based rates (subsidizing the poor and increasing private costs will over time shift more employers to pools (insurance exchanges)

Managed Care
Limits on money taken out of the system, controls management compensation, rescinded Anti-trust exemption, limits abusive practices, increases competition

Independent
Primary Care
Controls, requirements & more red tap, increased reimbursement

Specialists
Reduced compensation, autonomy & more red tap

Parties to Health Care Reform



Employers and Industry

Health Care Consumers

Government

Insurance and Managed Care

Medical Care Delivery

Requires employers with 50+ employees to cover more if not all employees

Private

Insurance

And

Medicare

The Traditional Private Health Care System

Expands Medicaid to all citizens up to 133% of Poverty

Public

Support

Expands Community Health Centers

To provide the care

And reduce the ER burden

Family Practice and Mental Health Services

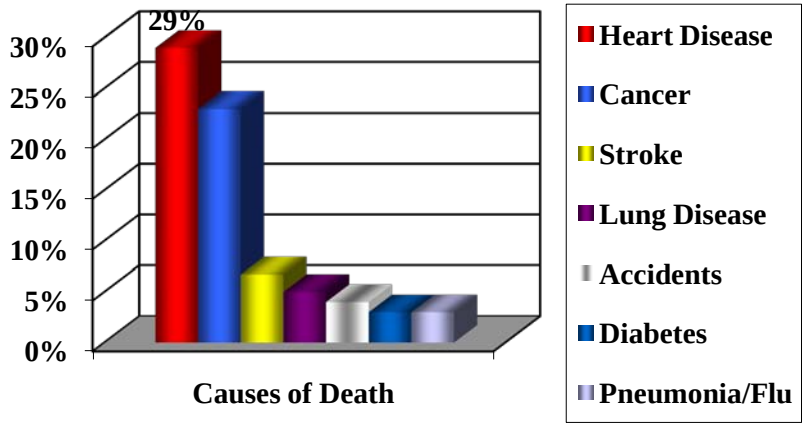
The Health Care Balloon

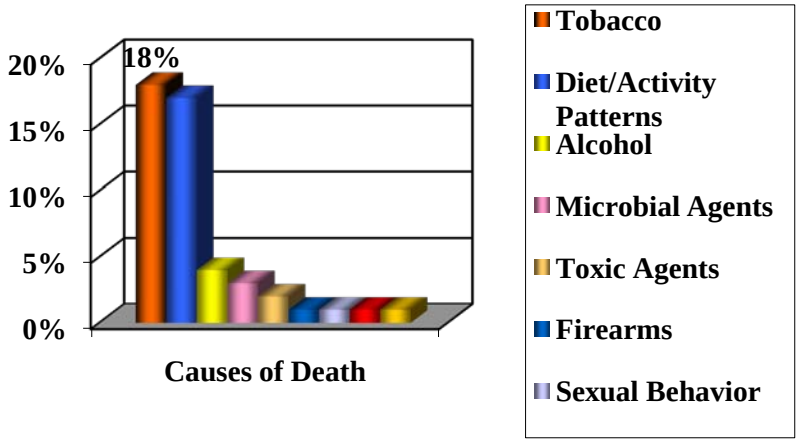
In order to include pre-existing conditions in managed care Congress had to include universal or almost universal coverage in order to spread the cost over a large population

Actuaries estimated that just to include pre-existing conditions without universal coverage would drive up the cost of private health insurance premiums by 20% in the first year

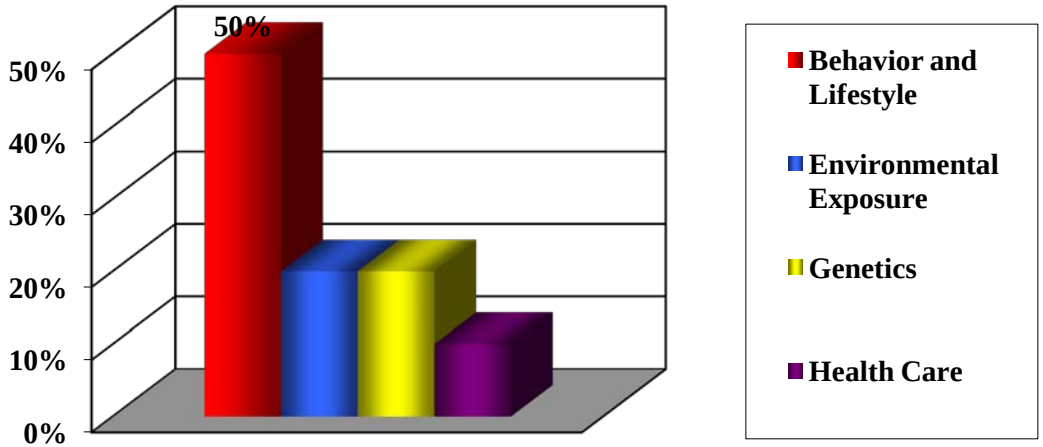
Moving from Medical Care to Health Care

From Ultimate Cause of Death… to Actual Cause of Death





To Determinants of Health…



Health Insurance Limitations

- Limits Executive Compensation
- Extends dependent coverage to age 26
- Eliminates Annual and Life Time Limits
- Requires inclusion of preventative health services
- Prohibits rescissions
- Transitioning to reformed payments for Medicare Advantage
- Eliminates Pre-existing Conditions for:
  - new borns
  - individuals
- Creates an independent appeals process
- Provides consumer information and assistance in challenging health plan decisions

Health Insurance Limitations

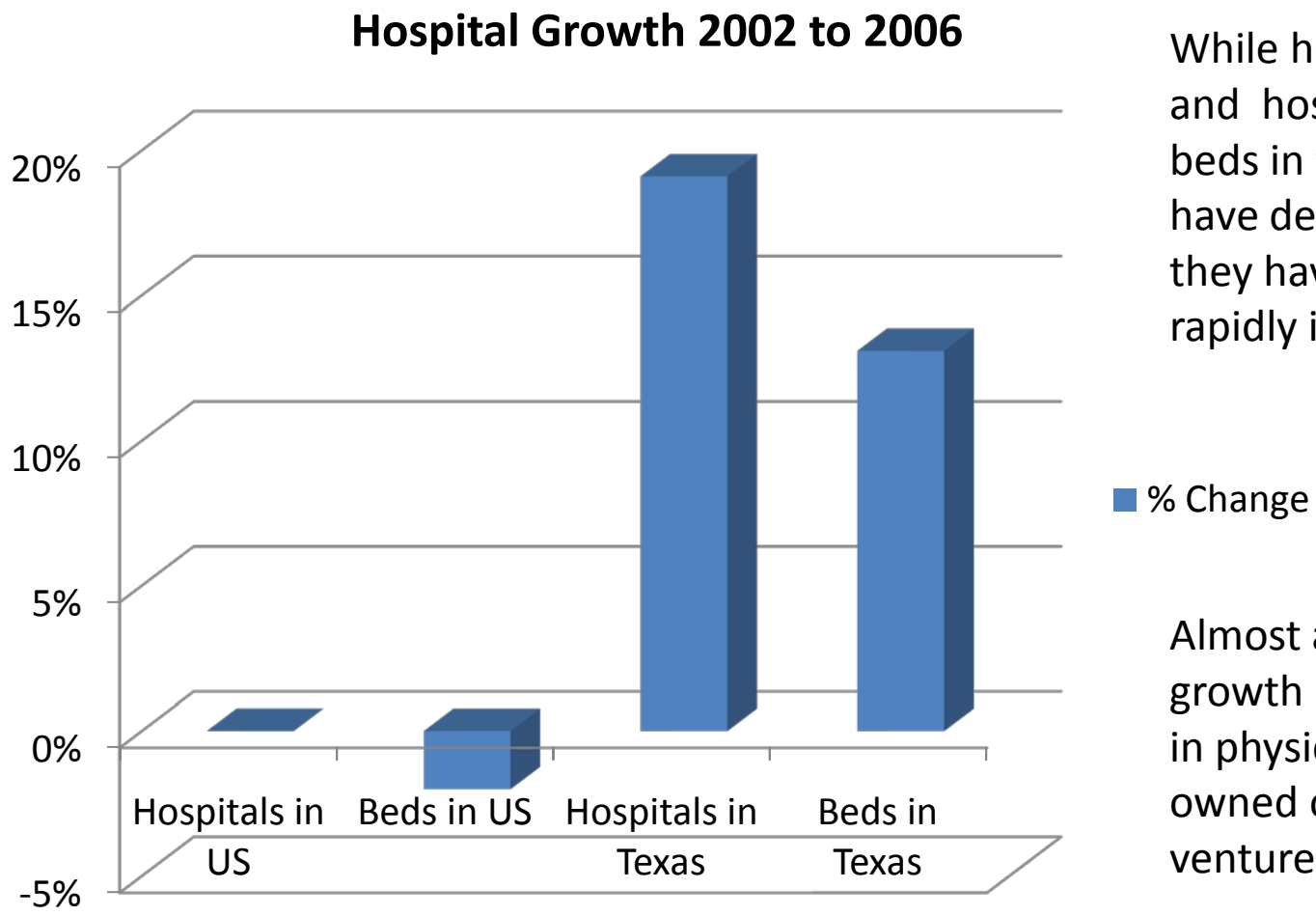
- Requires administrative simplification
- Creates Health Insurance Exchanges
- Limits NFP health insurance tax exemptions
- Limits unreasonable rate hikes
- Increases annual reporting requirements for health plans and publishing competitive rates and refunds of excess premiums
- Recendes federal anti-trust exemption for managed care
- Stipulates NFP BC/BS restrictions
- Provides more choice and access through multi-state options
- Creates a Health Insurance Provider Fee

Physician and Hospital Organizations

Health Care Reform Limits Physician Ownership of Hospitals

- Physician ownership of hospitals has grown rapidly in Texas, adding significantly to the cost of health care (67 new hospitals are currently under development in Texas)
- Federal authorities have become increasingly concerned about the spread of this model to other areas
- Health Care Reform limits physician ownership of hospitals

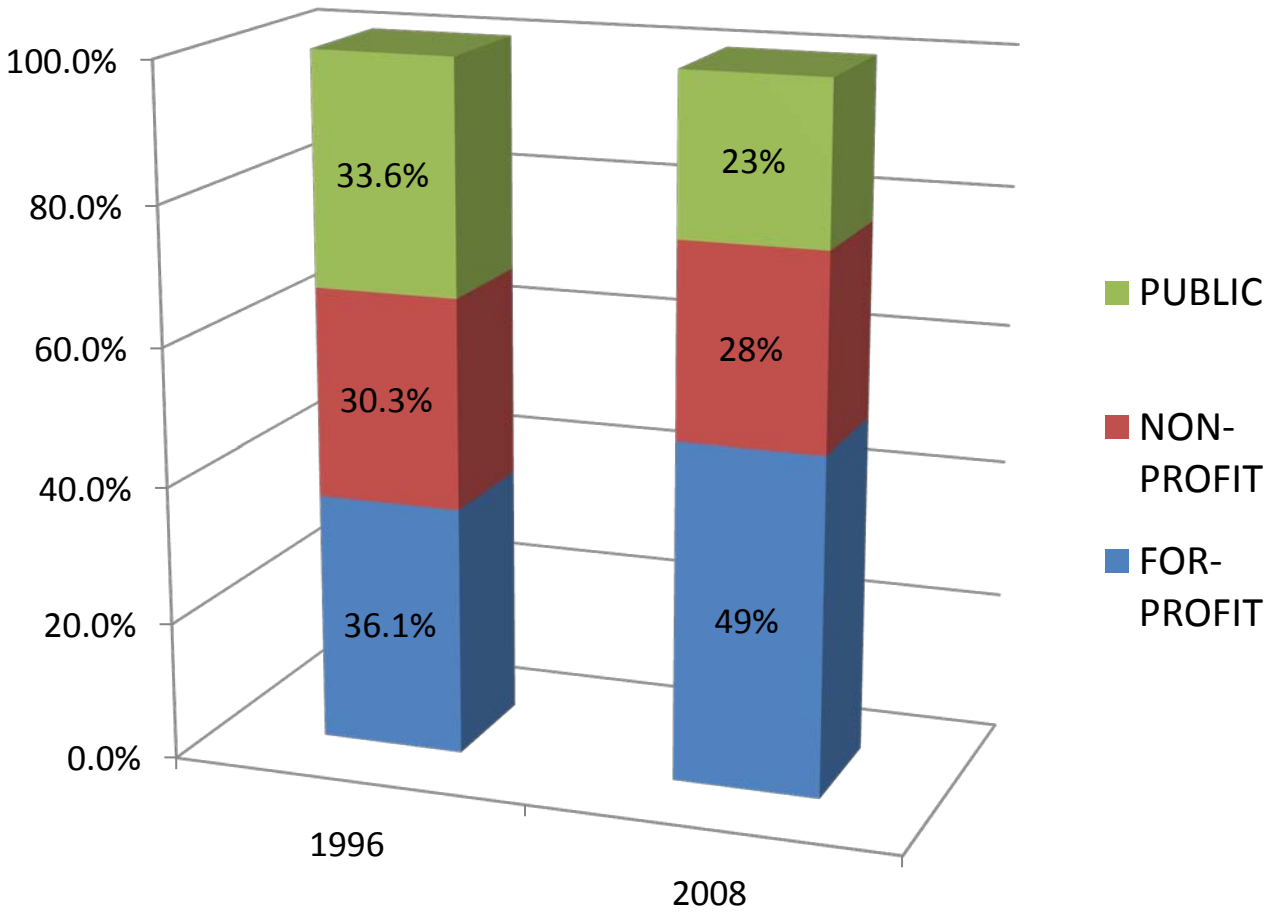
Growth In Hospitals and Beds



While hospitals and hospital beds in the US have declined they have grown rapidly in Texas

Almost all of the growth has been in physician owned or joint venture facilities

Changing Hospital Ownership



Physician owned hospitals are generally smaller for-profit specialty facilities

Hospital and Physician Provisions

- Hospital Provisions
  - Encouraging Integrated Health Systems
  - Linking payments to quality
  - Reducing Avoidable Hospital Readmissions
  - Requires NFP community needs assessment
- Physician Provisions
  - Increases Primary Care Payments
  - Encouraging provider collaboration
  - Pays physicians for value not volume

Encouraging Clinically Integrated Health Systems and Accountable Care Organizations

What is an ACO?

An "Accountable Care Organization" is a collaboration of physician and health care providers who accept accountability for the costs and quality of a defined population.

The "Model" ACO's

- Geisinger Health System
- Mayo Clinic
- Scott & White Healthcare
- Cleveland Clinic
- Kaiser Permanente
- Marshfield Clinic

Their common theme: Physician Driven integrated medical services and one organization providing comprehensive medical services

Expected Innovations

- Bending the cost curve
- Greater appreciation (i.e. rewards) for primary care physician's role in managing costs & quality
- Funding of Coordinated Care Services
- Wellness/Prevention programs
- Direct communications between decision makers

Physician issues with hospital based ACOs in North Texas

1. Lack of integration between physicians and hospitals
2. With current state law, shared savings models could drive move to Corporate Practice
3. Lack of incentives for physicians
4. Hospital 501A based ACOs could exclude independent physician groups

Reorganization into Competitive Systems

Health Insurance	???	???	???	???
Physicians	500 Affiliated	1700 Associated		Developing
Hospitals	BAYLOR Health Care System	Texas Health Resources		HCA
After Care and Other Services	LTACs Nursing Homes DME	DME Home Health LTACs Pharmacy	LTACs DME	DME Nursing Homes

At the Heart of the Debate
"The Tragedy of the Commons"

The needs of the Individual

- Physicians by nature, oath, and ability seek to provide anything patients need.
- Leads to innovation, ever more expensive technology, increased specialization, anecdotal miracles, etc.
- And, in its highest expression, the maximum good per person

The needs of the Collective

- Government and Society facing dire fiscal deficits, seek to manage spending by reducing rewards to providers and limiting services
- Leads to guidelines, capitation, population health, general care, comparative effectiveness research, etc.
- And, in its highest expression, the greatest good for the greatest number of people

The ACO model combined with Patient Centered Medical Homes may have the best chance for balance.

Baylor Health Care System

- Baylor's interest in becoming an ACO by 2015
- Baylor has an extensive local network of hospitals, physicians and outpatient facilities
- Developing an affiliated physicians organization with common goals and objectives
- Baylor believes an ACO will accomplish two objectives
  - ***1. Move from Volume and Procedure based reimbursement to reimbursement for quality outcomes***
  - ***2. Help manage the 20% of patients who incur 80% of healthcare costs in our population***

The Patient Centered Medical Home

Research Demonstrates the Value of Primary Care to Provide High Value Care

- Having a regular source of preventive and primary care is associated with:
  - Lower per person costs
  - Decreased emergency room utilization
  - Fewer hospital admissions
  - Fewer unnecessary tests and procedures
  - Less illness and injury
  - Higher patient satisfaction
  - Enhanced longevity and quality of life
- Bottom Line: Countries with a robust primary care based delivery model
  - spend ½ that of the US per capita and demonstrate superior outcomes
  - along with increasing patient and physician satisfaction (i.e., Denmark)

The Patient Centered Medical Home

Patient-Centered Medical Home (PCMH) Principles:

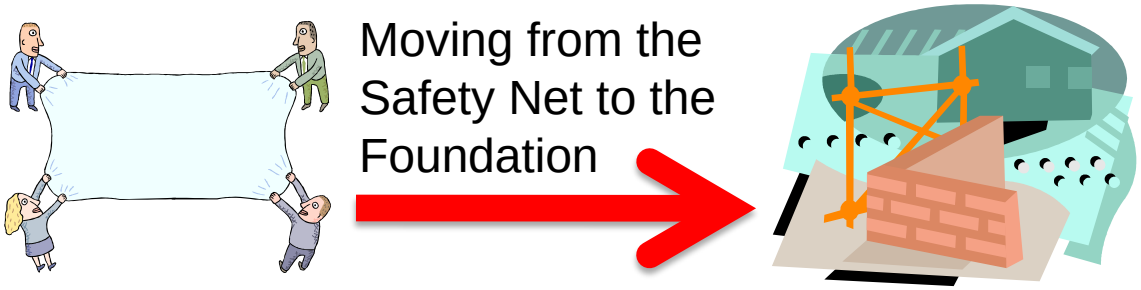
- Personal primary care physician - patient relationship
- Physician directed team approach to practice with PCP as team leader
- Whole person orientation (Acute, Chronic, Preventive and Counseling)
- Enhanced care coordination and patient education
- Enhanced care access (after hours / weekends)
- Improved patient quality, safety and satisfaction
- Payment mechanism to support the PCMH and recognize value
- Informed and shared decision making and appropriate utilization*
- Cost effective (use of quality and cost effective referrals & services)
- Enhanced physician / practice satisfaction *

Bottom Line: Higher Quality, Lower Cost with Increased Patient & Physician Satisfaction

Requires PCP Group Practice, EMR

Health Care Reform Expands the Federally Qualified Health Centers

- Federally Qualified Health Centers (FQHCs)
  - **$11 billion additional for operating expenses over five years**
  - **$1.5 billion additional for capital over five years**
- Requires inclusion of FQHCs in all health plans
- And health insurance and managed care to fund FQHCs at the same rate as the federal government



Sources

NATIONAL ASSOCIATION OF
Community Health Centers

Parkland

NACO
National Association of Counties
The Voice of America's Counties

BAYLOR
Health Care System

THE HEALTH INDUSTRY COUNCIL
OF THE NORTH TEXAS REGION

THE HENRY J.
KAISER
FAMILY
FOUNDATION