HEALTHCARE Reform
The Future Is Here

HCCA 2014 Regional Conference
May 9, 2014

“Is the U.S. healthcare system the best in the world?”
**What’s The Evaluation Criteria?**

“Is the U.S. healthcare system the best in the world?”

**Obamacare Assumptions**

- Healthcare is a right - not a privilege
- The current healthcare system is broken
- Legislators have the ability to “fix” the system
- Reimbursement cuts to providers will be offset by 26 million additional insureds
- Americans want a government operated healthcare system
- 2,700 pages of law and > 20,000 pages of implementing regulation will create needed efficiencies in the system
- Our healthcare system should be more like some other country’s
## A Global Perspective

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (Millions)</th>
<th>GDP (Millions)</th>
<th>% of World GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>310</td>
<td>$15.2</td>
<td>24.0%</td>
</tr>
<tr>
<td>Japan</td>
<td>126</td>
<td>5.9</td>
<td>9.3%</td>
</tr>
<tr>
<td>Germany</td>
<td>82</td>
<td>3.6</td>
<td>5.7%</td>
</tr>
<tr>
<td>UK</td>
<td>63</td>
<td>2.5</td>
<td>4.0%</td>
</tr>
<tr>
<td>Brazil</td>
<td>200</td>
<td>2.5</td>
<td>4.0%</td>
</tr>
<tr>
<td>Russia</td>
<td>143</td>
<td>1.9</td>
<td>3.0%</td>
</tr>
<tr>
<td>India</td>
<td>1,280</td>
<td>1.9</td>
<td>3.0%</td>
</tr>
<tr>
<td>China</td>
<td>1,340</td>
<td>7.3</td>
<td>11.6%</td>
</tr>
</tbody>
</table>

All 2010 Data

## Per Capita Spending

![Per Capita Spending Graph](chart.png)

- United States
- Switzerland
- Canada
- OECD Average
- Sweden
- United Kingdom
<table>
<thead>
<tr>
<th>Year</th>
<th>% of GDP</th>
<th>Private Financing</th>
<th>Public Financing</th>
<th>Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>17.8%</td>
<td>51.0% *</td>
<td>49.0% *</td>
<td>$8,233</td>
</tr>
<tr>
<td>2007</td>
<td>16.2%</td>
<td>53.8%</td>
<td>46.2%</td>
<td>$7,421</td>
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<tr>
<td>2000</td>
<td>13.2%</td>
<td>54.8%</td>
<td>45.2%</td>
<td>$4,673</td>
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<tr>
<td>1990</td>
<td>12.2%</td>
<td>59.6%</td>
<td>40.5%</td>
<td>$2,363</td>
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<tr>
<td>1980</td>
<td>8.9%</td>
<td>57.6%</td>
<td>42.4%</td>
<td>$923</td>
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<tr>
<td>1970</td>
<td>7.1%</td>
<td>62.3%</td>
<td>37.7%</td>
<td>$348</td>
</tr>
<tr>
<td>1960</td>
<td>5.1%</td>
<td>75.2%</td>
<td>24.8%</td>
<td>$142</td>
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</tbody>
</table>

* Estimates

U.S. Healthcare Expenditures (in Trillions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trillions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>$1.06</td>
</tr>
<tr>
<td>2005</td>
<td>$2.2</td>
</tr>
<tr>
<td>2006</td>
<td>$2.22</td>
</tr>
<tr>
<td>2007</td>
<td>$2.23</td>
</tr>
<tr>
<td>2008</td>
<td>$2.24</td>
</tr>
<tr>
<td>2009</td>
<td>$2.25</td>
</tr>
<tr>
<td>2010</td>
<td>$2.26</td>
</tr>
<tr>
<td>2011</td>
<td>$2.27</td>
</tr>
<tr>
<td>2012</td>
<td>$2.28</td>
</tr>
<tr>
<td>2020*</td>
<td>$2.34</td>
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</table>
Private Vs. Public Financing

Where the Money Goes

Year 2012 Percentages

<table>
<thead>
<tr>
<th>Service</th>
<th>Private Insurance</th>
<th>Medicare</th>
<th>Medicaid</th>
<th>Other Public and Private (1)</th>
<th>Out-of-Pocket</th>
<th>Other Public (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>31%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physicians</td>
<td>22%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursing Homes &amp; Residential Care</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drugs</td>
<td>10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment &amp; Supplies</td>
<td>7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Health</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) Indian Health Services Workers Compensation, maternal and child, and other programs
2) Department of Defense and VA
Most Sweeping Changes Since 1966... March 23, 2010

LAWS Enacted...
- Patient Protection and Affordable Care Act (PPACA)
  Public Law 111-148
- Healthcare and Education Reconciliation Act of 2010 (HCER)
  Public Law 111-152

“We have to pass it to see what’s in it.”
Nancy Pelosi
“Half the game is ninety percent mental.”

Yogi Berra

Key Highlights

- Initial law: 2,700 pages
- Estimated new coverage will extend to approximately 26 to 32 million
- Initial projected cost of $938 billion (now @ $1.4 Trillion over next decade)
- Financed through Medicare and Medicaid savings plus new taxes
- Significant mandates on private health plans and providers
Premature Death

- Genetics: 50%
- Environment: 20%
- Healthcare: 10%

Modern Healthcare Says It All
Consumer Opinion on Healthcare Reform Dropping

Question: Based on what you know or have heard about the health reform law, is it a good start or a step in the wrong direction?

2011
- Good Start: 30%
- Step in Wrong Direction: 40%
- Don't Know: 21%

2012
- Good Start: 29%
- Step in Wrong Direction: 37%
- Don't Know: > 34%

Deloitte 2012 Annual Survey of Healthcare Consumers

Where Do Consumers Turn For Information on Healthcare Reform?

Personal Conversations, News Media Lead List of Information Sources on Law

- Conversations with friends and family: 40%
- Newspapers, radio news, or other online news: 36%
- Cable TV news: 20%
- National broadcast network news: 24%
- Local TV news: 19%
- A health insurance company: 31%
- Your doctor: 11%
- An employer: 21%
- Federal agencies: 2%
- A non-profit organization: 3%
- State agencies: 2%

Of the information source you named, which would you say has been your MOST IMPORTANT source of news and information about the health care law?

- Conversations with friends and family: 15%
- Newspapers, radio news, or other online news: 16%
- Cable TV news: 14%
- National broadcast network news: 13%
- Local TV news: 3%
- A health insurance company: 1%
- Your doctor: 3%
- An employer: 3%
- Federal agencies: 2%
- A non-profit organization: 1%
- State agencies: 1%

NOTE: Question wording abbreviated. See topic [http://www.kff.org/issuepaper/8459.cfm](http://www.kff.org/issuepaper/8459.cfm) for full question wording. None/Nothing else (NOL) and Don’t know/Refused answers not shown.

SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted April 15-20, 2013)
Who is Impacted?

Stakeholders
• U.S. Citizens
• Employers
• State Government
• Hospitals
• Doctors
• Insurance Companies
• Third Party Payers
• Federal Government
  • DHHS
  • CMS
  • Medicare

Environments
General
• Economy
• Technology
• Social/Cultural
• Political
Specific
• Health Insurance
• Regulation
• Health Policy
• Provider Incentives
• Cost Containment

Impact on Key Dimensions

• Comprehensive – affects all citizens
• Complex - 2,700 pages
• Contentious – divisive political & social issue.
One article says Obamacare

“Provides 32 million uninsureds with access”

“Incentivizes providers to improve quality and safety”

“Fosters technology adoption that will save money”

“Provides greater access to primary care”

“Will make health insurance available to everyone”

Another article says Obamacare

“Can’t be paid for”

“Promises what it can’t deliver”

“Will destabilize the economy”

“Creates perverse incentives”

“Weakly enforced mandate will undermine the marketplace”

“Strongly enforced mandate will strain family budgets”
Positive Impact
• Projected 26 million new insureds
• New Medicaid patients/net revenue
• Less charity care & bad debt
• Providers working together – ACOs
• Emphasizes population health

Negative Impact
• Significant cuts in Medicare & Medicaid
• Growing trend for public financing
• Government regulation & system control
• Higher taxes
• Confusion & uncertainty
• Projected to increase national debt

Healthcare Reform’s Impact

“State efforts to cope with their currently ruinous budget deficits will focus entirely on reducing already inadequate provider payments, long before the Medicaid expansion has even begun.”

- Jeff Goldsmith
“I have opinions – strong opinions – but I don’t always agree with them.”

George W. Bush

Objectives

1. Assess the current state of healthcare
2. Explore key provisions of healthcare reform and emerging models of care
3. Examine implications for hospital leadership
A Few Key Statistics

- Population - 11,543,226
- Unemployed - 385,107
- Food Stamp Recipients - 1,852,084
- GDP - $510 B
- Debt - $82 B
- Revenue - $104 B
- Spending - $119 B
- Debt Per Citizen - $7,063
- Healthcare Spending Per Capita ($6,815 U.S. Avg.) - $7,076
- Uninsured (16% U.S. Avg.) - 14%

Ohio defaulting to federally-facilitated Marketplace (Exchange)

Reform or Lab Experiment?
Overview of “Chapter 58”

- Enacted in 2007
- Goal: universal healthcare
- Mandatory employer & individual participation in health insurance
- 98% of state insured
- Commonwealth Connector state insurance exchange
- Private health plans required to reduce use of fee-for-service
- Regulatory oversight of drug and device company marketing
- State commission recommends global payment system

Findings With Chapter 58

- High utilization rates for care
- Per Capita healthcare spending 15% above national average
- 40% of state budget for healthcare vs. 34% nationally
- Ranked #1 in group health family premiums in 2011: $16,965
- New legislation targeted at cost control, marketplace and provider oversight
## Report Card on Chapter 58

<table>
<thead>
<tr>
<th></th>
<th>Massachusetts</th>
<th>National Benchmark</th>
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</thead>
<tbody>
<tr>
<td>Poor or fair health</td>
<td>12%</td>
<td>Poor or fair health 10%</td>
</tr>
<tr>
<td>Poor physical health days</td>
<td>3.2</td>
<td>Poor physical health days 2.6</td>
</tr>
<tr>
<td>Poor mental health days</td>
<td>3.2</td>
<td>Poor mental health days 2.3</td>
</tr>
<tr>
<td>Low birth weight</td>
<td>7.8%</td>
<td>Low birth weight 6.0%</td>
</tr>
<tr>
<td>Preventable hospital days</td>
<td>73</td>
<td>Preventable hospital days 47</td>
</tr>
<tr>
<td>Diabetic screening</td>
<td>89%</td>
<td>Diabetic screening 90%</td>
</tr>
</tbody>
</table>

2013 County Health Rankings Report

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## The Protecting Access to Medicare Act of 2014

- Medicare Sustainable Growth Rate Formula – 17th Straight “Patch” Since 1997 Enacted
- ICD-10 Implementation Posponed For At Least Another 12 Months
- Physician Medicare Payment Data Released Covering 880,000 Providers And $77 B In 2012 Part B Payments
Marketplace / Exchanges Update: 8+ Million Now Enrolled

- Sign-ups through healthcare.gov and state-run exchanges
- March 31st ended last day of initial open enrollment period
- No mention of how many new enrollees have paid premiums
- No mention of how many new enrollees signed-up under Medicaid expansion
- 3 million young adults now covered under parent’s private health insurance policy

Healthcare Reform Core Components

- Significant Changes in Payment Models & Reimbursement
- Care Delivery Model Demonstrations Including ACOs
- EHR “Meaningful Use” & Enterprise IT
- Public & Private Health Insurance Reform
- Quality Outcomes Reporting & Benchmarking
- Regulation & Compliance
Significant Changes in Payment & Reimbursement

• Episodes of care & bundled payment demonstrations (185 organizations nationally)
• Pay for performance (P4P)
• Readmissions & nosocomial infections penalties
• Deep cuts in Medicare, Medicaid and DSH
• Independent advisory board created

Care Delivery Model Demonstrations & ACOs

• Transparency of Results & Performance
• Care Coordination Across Continuum
• Population Health Management
• Hospital-Physician Integration
• Episodes of Care
• Accountable Care Organizations (ACOs)
ACOs must:

- Be a formal legal entity
- Consist of hospitals & physicians
- Have requisite infrastructure
- Employ adequate numbers of primary care providers
- Promote evidence-based medicine
- Coordinate care across the continuum
- Agree to a three-year term of participation
- Administer beneficiary and plan data
- Report on quality and cost outcomes
- Determine payment for shared savings
- Responsible for 5,000+ covered lives

Accountable Care Continuum
Enterprise-wide Information Technology

- Clinical Outcomes & P4P
- Outcomes/Results Reporting
- Cost Accounting/Decision Support
- EHR “meaningful use” incentive payments: began in 2011, but become penalties in 2015
- ICD-10

"Meaningful Use" - A common language to ensure accurate and secure health information exchange across different EHR modules.

Public & Private Insurance Reforms

- Grandfathered Health Plans
- “Cadillac” Plan Provision
- Eliminates preexisting condition to 19
- No lifetime dollar limitation on benefits
- No cost-sharing on preventive services
- Adult dependent coverage to age 26
- Medicaid Expansion (to 133% of FPL)
- State-based health insurance exchanges
Public & Private Insurance Reforms

“The type of insurance you must have – including copays, deductibles and the employee’s share of the premium – will all be determined by federal regulations, rather than by you and your employer.”

- “What does Health Reform Mean for You?”
  A Consumer's Guide

Quality Outcomes & Reporting

• Payment penalty for readmissions, nosocomial infections, and patient safety mishaps
• Benchmarking used for reimbursement
• 2% payment penalty for quality outcomes below undefined threshold
• External reporting for comparison purposes
Regulation & Compliance

• Greater funding for fraud & abuse monitoring
• Grant dollars for tort reform development
• Community Health Needs Assessment
• Data centers to publish health insurance reimbursement data
• State review process for “unreasonable premium increases”
• Various new fines & penalties

“Uniform charge reporting has been the traditional first step in instituting hospital rate controls, an unmistakable signal of regulatory intent.”

- Jeff Goldsmith
“The field is now bracing for what could end up being 20,000 pages of implementing Federal Regulations.”

- Jeff Goldsmith

An Era of Scrutiny

“Hospitals are going to spend the next decade under detailed public scrutiny of their costs and business practices. Get used to it.”

- Jeff Goldsmith
In 2014, if you don’t have health insurance you will be breaking the law.

“Implementing health reform while caring for patients will be like trying to change the tires on a car while driving 100 miles per hour.”

Hospital trustee at AHA meeting
New Models of Care Delivery

- Evidence-based protocols
- Physician-driven best practice
- Medical homes
- Provider-directed navigators
- Telemedicine
- Population health management
- Mobile health
- Chronic disease management
- Accountable care organizations
- Capitated HMOs

Mandate For Action

- High-performing operations
  - Revenue cycle optimization
  - Productivity & expense management
  - Supply chain optimization
  - Patient safety, quality & service
- Reduce clinical variability / standardization
- Physician integration
- Enterprise IT, EHR & decision support
- Leadership-driven organizational change
- Leadership communication & transparency
- Fostering employee engagement
- Corporate compliance
Critical Success Factors

- Informed employees
- Seek feedback: empathetic listening
- Efficient processes, workflows & systems
- Employee accountability
- Employee engagement
- Leadership style matters
- Cross-training / job rotation
- Fun & fulfilling working environment

Milestones to Major Provisions

“Predictions are difficult. Especially about the future.”

One Thing We Can Expect

[Image of a poster saying "This is going to hurt" and a picture of Barack Obama with a needle]
“Sometimes you’re the windshield; sometimes you’re the bug.”

Mark Knopfler

“If we don’t succeed, we run the risk of failure.”
2010 Major Provisions

- Establishes Federal Coordinated Health Care Office within CMS
- Extends Rural Community Hospital Demonstration Program.
- Temporary reinsurance pool established for early retirees (55-64).
- Reinstates 3% add-on payment for rural home health providers.
- Dependent coverage to age 26.
- Mandates no cost-sharing for preventative care.
- Medicare RAC program expanded to Parts C & D;
- Elimination of the physician-owned exception under Stark.
- Creates risk pool for individuals with pre-existing conditions without insurance for 6 months.
- Mental Health Physicians will receive a 5% bonus payment.
- Correction for CAH Method II Reimbursement.

- Mandates employers include cost of employer-sponsored health plan on employee W-2.
- Insurance companies must report medical loss ratio.
- Start-up funds provided to states for health insurance exchanges.
- 10% Medicare bonus to family practitioners and general surgeons in underserved areas.
- Construction begins on physician-compare website.
- Improved access for certified nurse midwife services.
- ACO regulations . . .

2012 Major Provisions

- Mandates health plan benefits and coverage reporting to participants.
- Pediatric ACO demonstration begins.
- Medicaid shared savings ACO program begins.
- 8-state Medicaid bundled payment pilot begins.
- Community need assessment requirements effective for hospitals.
- Existing Medicare & Medicaid providers screened for billing privileges.
- Readmission reduction program initiated.
- Reporting Requirements on payments to corporations.
2013 Major Provisions

- New Tax on insured and self-funded health plans.
- Employers must notify employees of available state insurance exchanges.
- Medicare hospital payroll tax increased by .9% on wages over $200,000 ($250,000 for joint returns).
- Public reporting of physician performance information on Physician Compare website.
- Medicare bundled payment pilot implemented.

2014 Major Provisions

- Prohibits pre-existing condition exclusions for all plans.
- Health plan participation maximum waiting period of 90 days.
- Health insurance marketplace opened.
- Mandates health insurance coverage for all individuals.
- Automatic health plan enrollment for employers with 200 employees.
- Medicaid program expansion to 133% of FPL in some states.
- Medicare & Medicaid reimbursement cuts begin.
**2015 Major Provisions**

- Medigap plans require cost-sharing.
- Medicare & Medicaid reimbursement cuts continue.
- Payment penalty for failure to report PQRI implemented for physicians.
- Physician reimbursement changes to reflect physician outcomes.
- States can implement health care choice compacts so health benefits can be sold across state lines.
- Bundled payment demonstrations
- Pediatric ACO demonstration
- Medicare & Medicaid reimbursement cuts continue.
Major Provisions

2017 • Large groups allowed coverage through state exchanges.

2018 • Excise tax imposed on high cost health plans.
     • Medicare bundled payment pilot ends.

2019 • Medicare proposal to reduce spending & hospital reimbursement due.
     • Demonstration to provide incentives to Medicare beneficiaries who receive services from high

2020 • Medicaid FMAP for newly eligible enrollees decreases to 90%.