Myths and Facts of Health Reform

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Grand Forks Lions Club

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• Established in 1980, at The University of North Dakota (UND) School of Medicine and Health Sciences in Grand Forks, ND

• One of the country’s most experienced state rural health offices

• UND Center of Excellence in Research, Scholarship, and Creative Activity

Focus on
– Educating and Informing
– Policy
– Research and Evaluation
– Working with Communities
– American Indians
– Health Workforce
– Hospitals and Facilities

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What Drives Health Reform?

- US Census estimate (2010) of 49.9 million Americans without health insurance or about 16.3% of population
  - ND about 9-15% or 65,000-102,000 (various sources)
  - ND American Indian about 33% (2004 statewide survey)

- 12-14,000 Americans lose health insurance every day
- 2,500 file for bankruptcy everyday due to health and medical costs

- Health accounts for 17.9% of GDP\(^1\) (2011) (9% in 1980, 16.2% in 2008, and forecast to be 20% by 2021)
  - Netherlands spends 12.0% (2009)
  - France spends 11.8% (2009)
  - Germany 11.6% (2009)
  - Canada spends 11.4% (2009)
  - United Kingdom 9.8% (2009)
  - OECD average was 9.6% (Organization for Economic Cooperation and Development -34 countries)

- U.S. Health care spending was $2.6 trillion \(^{2}\) in 2010 ($1.4 T in 2000, and $0.7 B in 1990, $256 B in 1980) and expected to grow to $4.64 trillion by 2020

- In 2009, about $7,960 per person was spent on health care in the U.S.

- U.S. spends about twice as much per capita on health care as other countries
- U.S. health care spending averaged annual increase was 9.9% (1970-2008) or 2.5 times faster than GDP
- Health care spending is over 4 times that spent on national defense


Insurance coverage

- 55.3% (2010) of Americans have insurance from their employer\(^3\) (down from 64% in 2000)\(^4\) –
  - ND it is about 62%
  - 52% of ND farmers receive insurance through non-farm source

- 64% of Americans have private health insurance\(^3\)
- 31% have insurance that is government based (Medicare, Medicaid and military)\(^3\)
  - 15.9% - Medicaid
  - 14.5% - Medicare

- 16.3% are uninsured\(^3\)
  - 12% White (non-Hispanic)
  - 21% African American
  - 31% Hispanic American

- Cost of insurance increasing at rapid rate – 120% increase since 1999
- About 1.5 million families lose their homes every year due to unaffordable medical costs


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Health Status Indicators

- U.S. (in 2011) ranked 32nd in life expectancy (28th in 2008) in comparison to other countries.
- 21st in age standardized mortality rate for cardiovascular disease (2008)*
- 14th in age standardized mortality rate for cancer (2008)*

The Commonwealth Fund rates the U.S. last in overall health care system performance when compared to a group of six countries that include Australia, Canada, Germany, Netherlands, New Zealand, and the United Kingdom. The U.S. spends twice as much as these six countries on a per-capita basis, yet it is last on dimensions of efficiency and equity and 6th on quality and 6.5th on access.

- Fewer physicians per capita (2.4:1000 U.S. vs. 3.1:1000 other industrialized countries)
- 54% of U.S. patients do not seek recommended care, fill prescriptions, or visit a doctor because of health costs (7-36% in other countries)

Source: 1 United Health Foundation – America’s Health Rankings 2011

Exhibit ES-1. Overall Ranking

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<th>Country Rankings</th>
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Overall Ranking (2010)

Quality Care
- Effective Care: 4
- Safe Care: 6
- Coordinated Care: 7
- Patient-Centered Care: 2

Access
- Cost-Related Problem: 6
- Timeliness of Care: 7

Efficiency
- 2

Equity
- 4

Long, Healthy, Productive Lives
- 1

Health Expenditures/Capita, 2007
- $3,357
- $3,895
- $3,588
- $3,837*
- $2,454
- $2,992
- $7,290

Note: * Estimate. Expenditures shown in US$PPP (purchasing power parity).
Source: Calculated by The Commonwealth Fund based on 2011 International Health Policy Survey of Primary Care Physicians; Commonwealth Fund Commission on a High Performance Health System National Scorecard; and Organization for Economic Cooperation and Development (OECD) Health Data, 2009 (Paris: OECD, Nov, 2010).
Why Is U.S. Health System So Costly?

• Chronic Disease
  - Account for 75% of the over $2.5 trillion spent on health care
• Higher level of Per Capita Income (about 34% of cost differences)\(^7\)
  - Highest in the world, associated with higher health care costs (more money more spending)
  - Yet, not associated with medical outcomes (spend more, higher Per capita, but lower outcomes)
• Discretionary Medical Decisions\(^7\) (i.e. Practice Variation- Will Evidenced-based Medicine Help?)
  - Higher costing advanced care with medical specialists and availability of high tech treatment; less reliance on Primary Care – Significant regional variation (treatment process)\(^7\) about 21% of the cost differences may be associated with higher costing treatment decisions
  - Overall, U.S. spending on physicians is 5 x higher than peer countries (accounts for about 37% of spending gap)
  - 3-6 x higher costs for specialty physicians than peer countries
  - PC physician salaries roughly half specialty physicians
  - U.S. public and private payers pay more for specialty providers than other countries, and more for specialty over PC
• Higher pharmaceutical costs\(^7\)
• Higher administrative costs due to private health plans\(^7\) (ACA attempts to lower)
• Tort and Defensive Medicine\(^7\) (ACA does not address this)

Source: \(^7\) http://www.forbes.com/sites/toddhixon/2012/03/01/why-are-u-s-health-care-cost-so-high/ March 1, 2012

Key Features of Patient Protection and Affordable Care Act (PPACA)

• Immediate elimination (2010) of denial of coverage to children with pre-existing conditions – 11,800 children in ND
• Close “donut hole” in Medicare prescription drug benefit (2010) – 4,350 North Dakotans (December 2010) received checks for $250
• Donut hole closed to 50% payment in 2011 and entirely in 2020 when they will be responsible for standard deduct. + co-pay (25%)
• Eliminates annual and lifetime limits on insurance coverage (cap on benefits) (2010) – bankruptcy protection
• Elimination of denial of coverage to adults (non-Medicare) with pre-existing conditions (2014) – 132,000 North Dakotans impacted
• Affordable coverage options for 70,000 uninsured North Dakotans and 63,000 who purchase insurance through individual market
  ▪ Access to affordable insurance options for 8,200 uninsured North Dakotans with pre-existing conditions
Key Features of Patient Protection and Affordable Care Act (PPACA)

- **Tax credits for up to 17,700 ND small businesses** (up to 35% for businesses with 25 or fewer employees or 92% of all businesses in the state, about 95% nationally)
- **Medicaid expanded** (133% of FPL) with first three years covered by feds, then sliding cost share
- Lower Medicare costs for 98,600 beneficiaries not enrolled in Medicare Advantage
- Eliminates **recission** on existing coverage (being dropped by insurance company)

Key Features of Patient Protection and Affordable Care Act (PPACA)

- In 2010 insurers must spend at least 85% of premiums (large group) or 80% (small group/individual) on medical costs or provide rebates to enrollees
- Rural **payment inequities** in Medicare reimbursement – IOM study
- Reauthorized **Rural Hospital Flexibility** program – expanded role
- Pilot program for coordinated care in rural – **Medical Home demonstration**
- **Pay rural physicians** at same rate as urban physicians
- Increased funding ($15 B over 5 years) to **address rural health disparities** in diabetes, obesity, tobacco use, and substance abuse
- Expands access to **340b** drug program (CAHs to have access like CHC – did not address RHC)
- Pays CAHs for reasonable costs associated with **clinical lab tests**
Health Reform Impact in North Dakota

- 340,000 ND residents protected against ceiling on annual insurance coverage limits
- 2,630 North Dakotans covered under parents insurance
- 11,800 children protected due to elimination of denial of insurance coverage to children with pre-existing conditions
- 106,000 ND Medicare beneficiaries eligible for free, annual wellness visit and no cost sharing for prevention services
- 17,700 small ND businesses eligible for tax credits

1 The Affordable Care Act: Immediate Benefits for North Dakota. HealthReform.gov
   http://www.healthreform.gov/reports/statehealthreform/northdakota.html

Health Reform Impact in North Dakota

- 9,050 Medicare recipients helped with “closing the donut hole” – totally closed by 2020
- 28,864 North Dakotans covered under increased Medicaid expansion from 100% of FPL to 133% of the federal level (cuts ND uninsured by 45.1%)2
- 132,000 North Dakotans with pre-existing conditions protected from insurance denial3

ACA Direct Impact on Health Delivery System

• Change or Restructuring of the U.S. Health Delivery System – Fundamental Focus of the Affordable Care Act
  o Renewed focus on Wellness, Health Promotion, Disease Prevention, Disease Management (Population Health/Health Status)
  o But with a significant re-focus on the relationship of these factors to organizational performance, health outcomes and payment, cost factors (“lowering the cost curve”)
  o “Marry the two”
    ➢ health behavior/health outcome
    ➢ organizational performance/cost/payment/finance

Myths and Facts

• Myth #1: It hasn’t helped anyone.
  o FACT: Insurance now covers:
    ➢ About 5 million children with pre-existing conditions,
    ➢ Over 6 million young adults through age 26 who can now stay on their parents’ plans,
    ➢ About 60-129 million adults with pre-existing conditions,
    ➢ No more insurance company caps on how much they will spend on your health care over the life time
    ➢ Ends insurance practice of rescission
    ➢ Closing the donut hole – 5.5 m Seniors saved money in 2012 ($4.5B in 2 yrs)
    ➢ 19 million seniors received preventive services in 2012
    ➢ CMS Center on Innovation and health system reforms

MYTH #2: It is a government take-over of health care; it is “socialized medicine”
  o FACT: Relies heavily on private insurance market and actually adds millions of new participants to the insurance market
  o People still choose their physicians and providers
  o Tax credits available to build access
  o The Exchanges are portals to acceptable health plans
Myths and Facts

• MYTH #3: It’s increasing premiums and costs for families.
  o FACT: Private employer-based health premiums were skyrocketing before the law, and it will help change that.
  o FACT: Insurance companies now have to explain why they are raising rates on a public website.
  o FACT: If insurance companies don’t spend enough of your premium dollars on health care, they are now required to send you a rebate at the end of the year. (We received notices from BCBSND)

MYTH #4: It hurts Medicare and seniors.
  o FACT: No reductions are made to Medicare benefits; it actually prohibits cuts
  o FACT: Seniors get help affording prescription drugs (Closing the Doughnut Hole by 2020)
  o FACT: Eliminates cost-sharing for most preventive services - Seniors get annual checkups with no copays for preventive services for diseases such as diabetes, heart disease, and cancer
  o FACT: It cuts the excess profits of private Medicare Advantage Plans (but mandates that MA Plans cannot cut benefits to be less than current Medicare benefits)
    ➢ Overpayments to private health plans for MA costs $1,000 per person each year more than regular Medicare and raises Part B premiums for seniors including those not on MA plans by about $90 per year.

Myths and Facts

• MYTH #5: Starting in 2014 everyone must either have health insurance or pay a penalty with no exceptions.
  o FACT: Individual mandate does require people who can afford to buy health insurance to do so, or there is a penalty; however, this is anticipated to affect about 2% or so of people – vast majority of Americans already have insurance – also exempt people who are not required to file taxes, people with legitimate religious objections, member of Indian tribes, and people who cannot afford to purchase coverage

• MYTH #6: If you have insurance from your employer, the ACA will not help you.
  o FACT: ACA provides many new protections, provides employers with incentives for better coverage
    ➢ No annual or lifetime limits on dollar amounts paid by your plan for health care
    ➢ Access to preventive health services with no cost sharing
    ➢ Coverage for dependents 26 and younger
    ➢ Right to choose your doctor
    ➢ Right to appeal coverage denials to an independent reviewer outside of your plan
    ➢ Elimination of denial for pre-existing conditions
    ➢ Rebates to your or employer if health plan spends less than 80% of premium dollars on health services
Myths and Facts

• MYTH # 7 All businesses will be required to provide health insurance coverage to their employees. It will hurt small businesses.
  o FACT: Not true. “Shared Responsibility” requirements of ACA apply to large business that may have to pay a penalty if they don’t offer coverage
  o FACT: Small employers (which account for 96% of all businesses or about 5.8 million) are not required to provide insurance but encouraged to do so through tax incentives of 25%, and 35%, (in 2014 goes to 50% in some cases)
  o FACT: Small employers can identify approved health plans through the Exchange (plans that meet benefit and cost standards). Small businesses have their own access area the Small Business Health Options Program (SHOP) Exchange for small businesses up to 100 employees
    ➢ CBO estimate that SHOP will lower small business premiums by 4% (small business premiums tend to be higher than large businesses, as much as 18% higher)
  o FACT: Businesses with employees 55-64 can now access the Early Retiree Reinsurance Program under the ACA
  o FACT: Currently, over 96% of all small firms offer insurance

Myths and Facts

• MYTH # 8 the ACA will bankrupt Medicare
  o FACT: Medicare actuaries estimate that the ACA actually extends Medicare by 7 years, from becoming insolvent in 2017 to 2024
  o FACT: ACA has not increased Medicare premiums
  o FACT: Medicare Advantage is improved by forcing costs (administrative costs and profits) into line
  o FACT: The “$716 billion cut to Medicare” charge made in the Presidential campaign has some truth. It is not a cut in benefits; however, it is a cut in provider payments and a correction of overpayments to insurance companies offering private Medicare plans. Biggest savings used to pay for closing the “doughnut hole” gap for seniors, paying for the free preventive care services for seniors, and increasing coverage for the uninsured.
  o FACT: USDHHS estimates that from 2010-2022, the average Medicare recipient with traditional Medicare will save $5,000
Myths and Facts

• Myth # 9 The ACA will bankrupt the country
  o FACT: The SCOTUS ruling that stated that mandated Medicaid expansion is unconstitutional will, as a negative, likely leave about 3 million more American uninsured; however, it will save the federal government about $84 billion by 2022
  o CBO estimate is the ACA will reduce the budget deficit by $143 billion from 2010-2019 and about $1 trillion from 2020-2030
  o Hospitals agreed to a cut in their annual Medicare update (about $155 b) because they expect to make it up in patients with insurance (about $170 billion)
  o MA savings of about $136 billion
  o Higher fees to drug companies for doughnut hole will add $107 billion
  o People making more than $250,000 year will have a higher Medicare tax rate on income and capital gains – about $210 billion
  o Large employer fines if they do not provide health insurance - $65 billion
  o CBO estimate is repealing the ACA will increase the deficit by $109 billion
  o Significant increase in the number of people with private insurance will add revenue and income to the private sector
  o ACA lessens the cost transfer in the system today where people with insurance pay for individuals and businesses not covered

• Myth # 10 is lessening my choice; Government decides
  o FACT: People still choose their doctor and where they go for care
  o FACT: “Death Panels” were a fabrication.
  o FACT: State or federal exchange will increase competition from private plans for millions of additional users
  o FACT: More incentives to get healthy and stay healthy – private plans and Medicare use incentives to give us more choices
Contact us for more information!

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