HEALTH CARE REFORM IN THE U.S.

A LOOK AT THE PAST, PRESENT AND FUTURE

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HEALTH CARE REFORM

BIRTH OF THE AFFORDABLE CARE ACT

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- Health care reform in the U.S. has been an ongoing process for decades
- 2008: Democrats won the Presidency and controlled both Chambers of Congress
- Health care reform was a priority but a complicated task
- Affordable Care Act was not a holistic plan. Leadership gathered individual bills and policy ideas from Republicans and Democrats.

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- Five Congressional Committees drafted health care reform legislation
  - U.S. House: Energy & Commerce; Ways & Means; Appropriations
  - U.S. Senate: Health, Education, Labor & Pension (HELP); Finance
- Separate drafts resulted in difficulty reconciling the different versions
- Lack of committee hearings and transparency increased political criticism
- Ultimately, one bill passed the House and one bill passed the Senate
- Bills were merged into one giant bill spanning over 2,000 pages
- President Obama signed the legislation and an amendment to the legislation into law
- 2010: The *Patient Protection and Affordable Care Act of 2010* was born

LEGAL CHALLENGES

SURVIVAL OF THE AFFORDABLE CARE ACT

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- **States**
  - Proposed legislation to nullify provisions
  - Statutory bans to prohibit implementation
  - Lawsuits against the Individual Mandate
  - Declining to expand Medicaid

LEGAL CHALLENGES

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- **U.S. Supreme Court**
  - Individual Mandate: Court upheld penalty on individuals without insurance coverage because it is a tax
  - Medicaid Expansion: Court determined the federal ultimatum to withhold federal funds if a state does not expand Medicaid was unconstitutional
  - Tax Credits: Individuals living in states that use the federal Health Insurance Marketplace can still receive subsidies
  - Contraception: Ongoing battle between religious freedom and requirements under the ACA for health insurance coverage

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- **Health Insurance Marketplace**
  - ACA established new Federally Facilitated Exchanges (FFE) and State-Based Exchanges (SBE)
    - SBE: 14 states and DC
    - FFE: 36 states
  - Significant administrative costs to support running the FFE
    - $456M for FY2010 - FY2012
    - Projected $1.8B for FY2015

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- **Health Insurance Coverage**
  - Requirements for essential health benefits coverage
    - Ambulatory patient services
    - Emergency services
    - Hospitalization
    - Maternity and newborn care
    - Mental health and substance use disorder services, including behavioral health treatment
    - Prescription drugs
    - Rehabilitative and habilitative services and devices
    - Laboratory services
    - Preventive and wellness services and chronic disease management
    - Pediatric services, including oral and vision care

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- **Medicaid Expansion**
  - 30 States and Washington, DC have expanded Medicaid coverage to a greater population of individuals
  - 4 states are considering Medicaid expansion
  - 16 states have declined Medicaid expansion
  - Medicaid 1115 Waiver was created under the ACA
    - Goal is to design and implement changes to the health care delivery system to improve access to care and cost savings
    - Houston Methodist participating with mental health transition of care project

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- **Health Care Delivery Reform**
  - Accountable Care Organizations (ACOs)
    - Providers agree to collectively take responsibility for the quality and total costs of care for each patient
    - Medicare Shared Savings Program: Reward for quality-based performance
  - Medical Homes
    - Comprehensive, coordinated and accessible primary care can improve patient outcomes and reduce costs
  - Comprehensive Primary Care (CPC) Initiative
    - Multi-payer initiative to strengthen primary care
    - Health insurance companies pay monthly care management fees for each patient member
  - Multi-Payer Advanced Primary Care Practice Demonstration
    - Pilot model to test and support physician practices as medical homes

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MEDICARE SHARED SAVINGS PROGRAM RESULTS: YEAR 1

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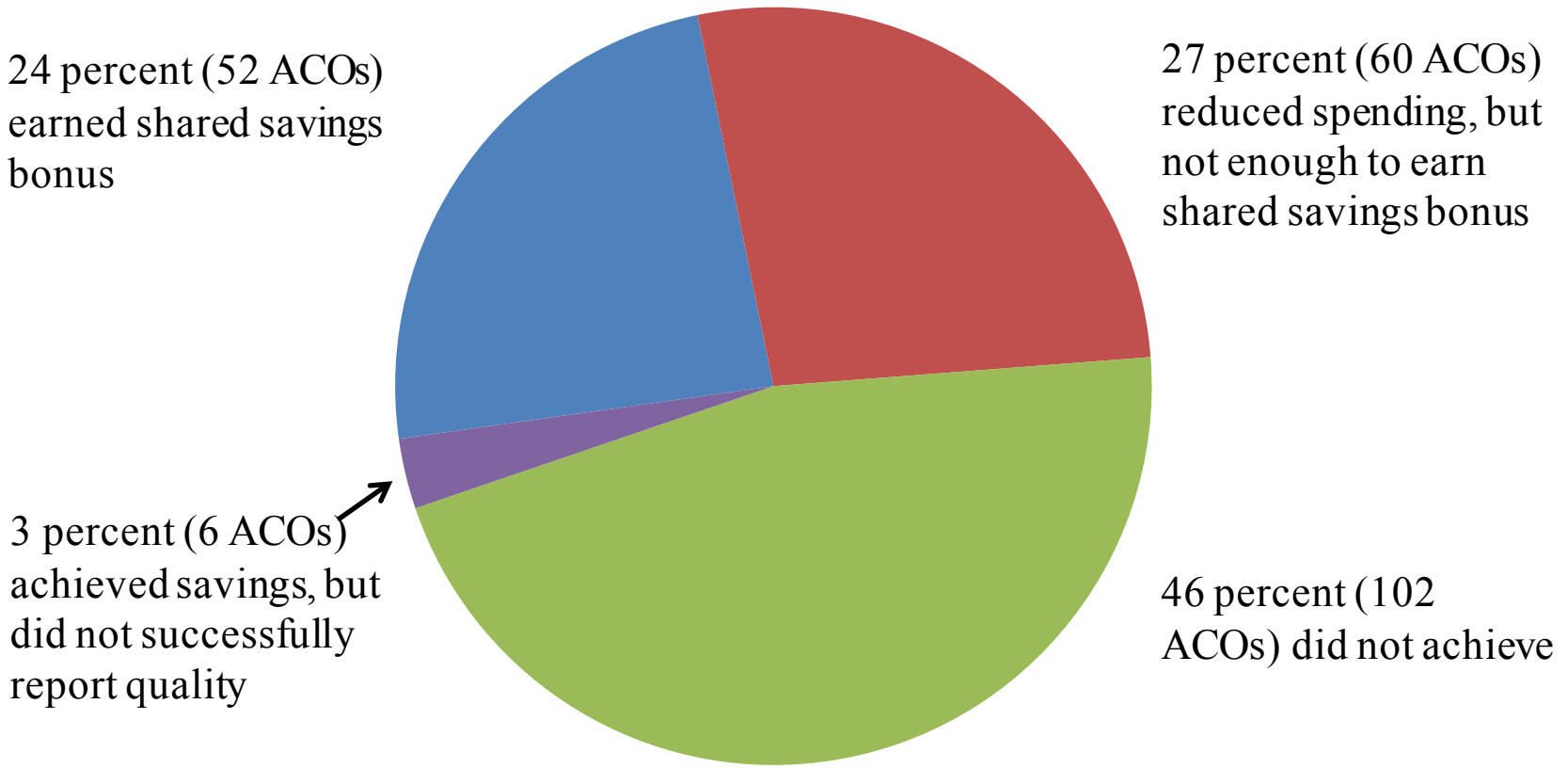
220 Medicare Shared Savings Program ACOs



Source: Centers for Medicare and Medicaid Services, www.cms.gov

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	Comprehensive Primary Care Initiative	Multi-Payer Advanced Primary Care Practice Demonstration	FQHC Medical Home Demonstration	Independence at Home	Total
Patients	2,534,506	2,225,537	Total N/A; 207,000 Medicare beneficiaries	8,300	4,768,343
Providers	2,494	3,837	2,700	347	9,378
Multiple payers?	Yes	Yes	No	No	2/4 initiatives
Total payments to date	$153.2M	$99.2M	$41.7M	Have not issued payments	$294.1M
Early results	In year 1, initiative generated nearly enough savings to cover $20 care management fee paid, although not enough for net savings. Across all seven regions, emergency department visits decreased by 3% and hospital admissions by 2%. Quality results mixed.	Generated $4.5 million in savings across eight states.	73% of 492 participating health centers achieved Level 3 Patient-Centered Medical Home recognition based on standards set by National Committee for Quality Assurance, short of 90% goal set in 2011.	No results yet	

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CMS FOCUS AREAS AND SELECT INITIATIVES

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Accountable Care Organizations

- Pioneer ACOs
- Advance Payment ACOs

Bundled Payment for Care Improvement

- Model 1: Retrospective Acute Care
- Model 2: Retrospective Acute and Postacute Care Episode
- Model 3: Retrospective Postacute Care
- Model 4: Prospective Acute Care

Primary Care Transformation

- Comprehensive Primary Care Initiative
- Advanced Primary Care Practice Demonstration (Federally Qualified Health Centers)
- Independence at Home Demonstration
- Multi-Payer Advanced Primary Care Practice Demonstration

Initiatives to Speed the Adoption of Best Practices

- Innovation Advisors Program
- Partnership for Patients

Initiatives Focused on the Medicaid and CHIP Population

- Medicaid Emergency Psychiatric Demonstration
- Medicaid Innovation Accelerator Program
- Strong Start for Mothers and Newborns
- Medicaid Incentives for Prevention of Chronic Diseases

Initiatives Focused on Medicare-Medicaid Enrollees

- Financial Alignment Initiative
- Initiative to Reduce Avoidable Hospitalization Among Nursing Facility Residents

Initiatives to Accelerate the Development and Testing of New Payment and Service Delivery Models

- Health Care Innovation Awards
- State Innovation Models Initiative

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- **Provider Payment Reform**
  - Shift from Fee-For-Service payments based on volume to Quality-based payment
    - Hospital-Acquired Conditions: Financial penalty for performance on key procedures
    - Hospital Readmissions Reduction Program: Financial penalty for a patient's readmission to the hospital
    - Other quality-based metrics

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CHANGE IN RATES FOR HOSPITAL-ACQUIRED CONDITIONS, 2010-2013

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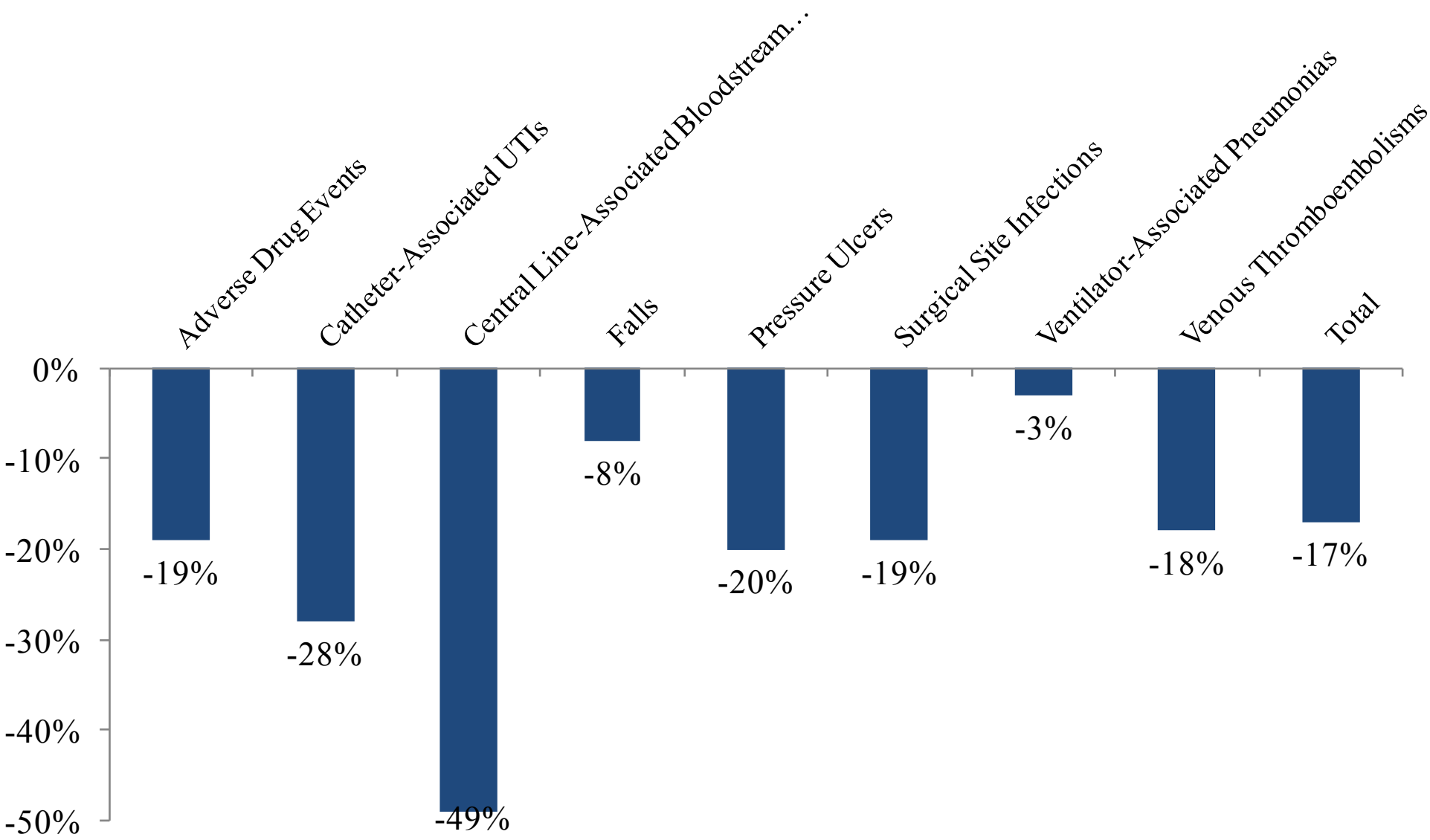

Source: Agency for Healthcare Research and Quality, *Efforts to Improve Patient Safety Result in 1.3 Million Fewer Patient Harms: Interim Update on 2013 Annual Hospital-Acquired Condition Rate and Estimates of Cost Savings and Deaths Averted from 2010 to 2013,* Dec. 2014.

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CHANGE IN ALL-CAUSE 30-DAY HOSPITAL READMISSION RATES

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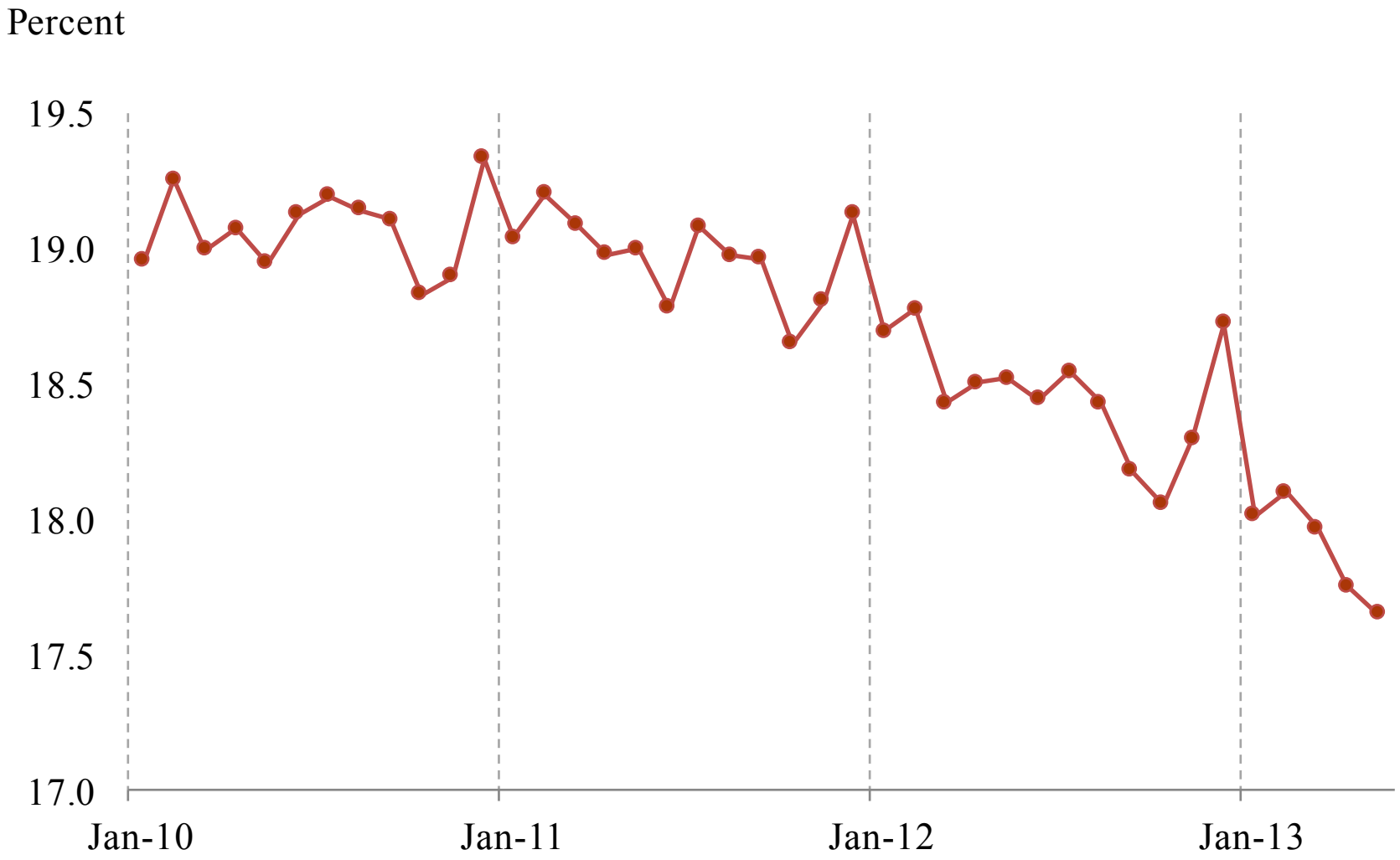

Source: Patrick Conway, Office of Information Products and Data Analytics, Centers for Medicare and Medicaid Services

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QUALITY BENCHMARKS FOR ACOs IN SHARED SAVINGS PROGRAM

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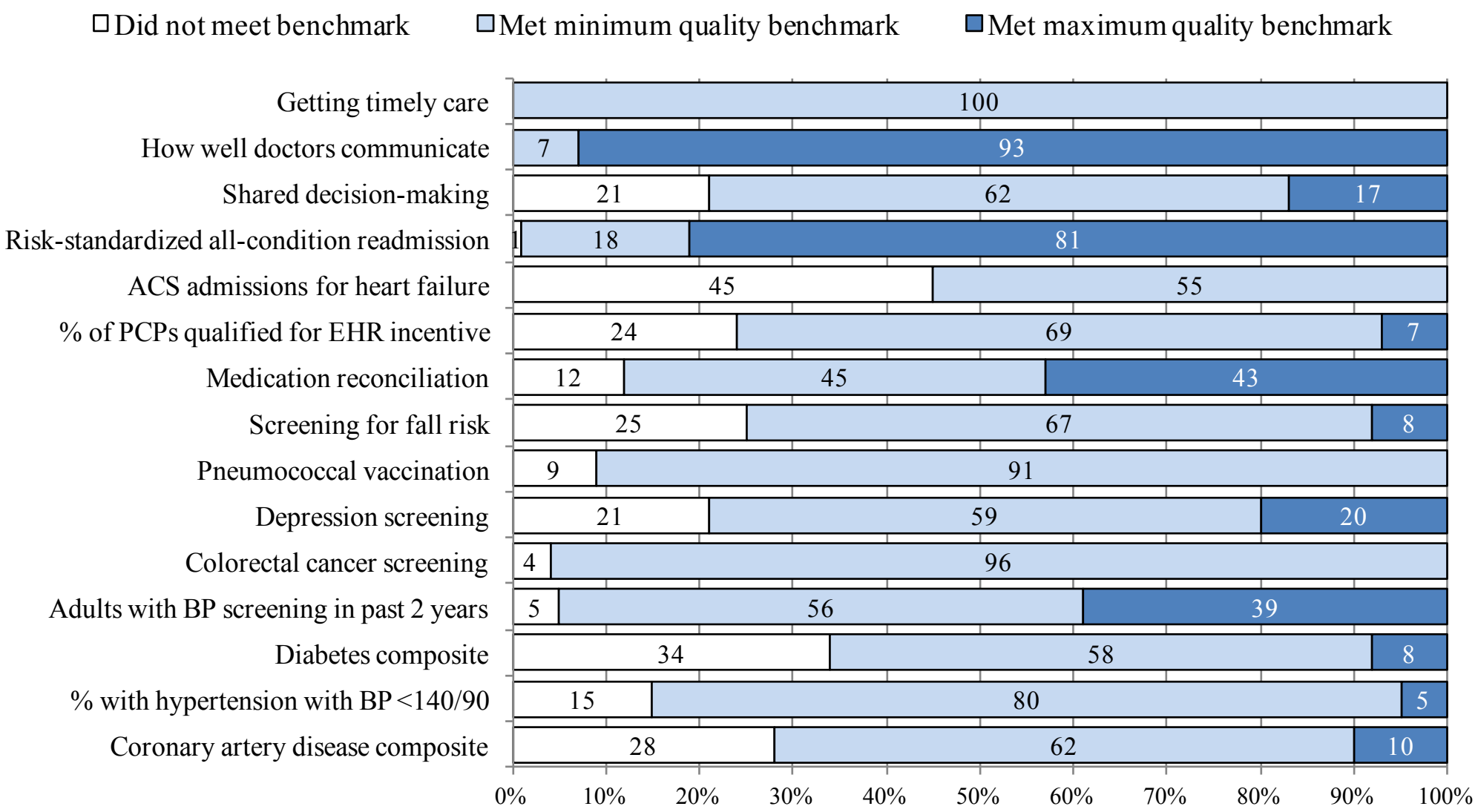

Notes: Benchmarks are set based on the performance of Medicare providers not participating in the Shared Savings Program.
ACS = ambulatory care-sensitive. Source: Centers for Medicare and Medicaid Services

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IMPLEMENTATION OF PAYMENT REFORM PROVISIONS

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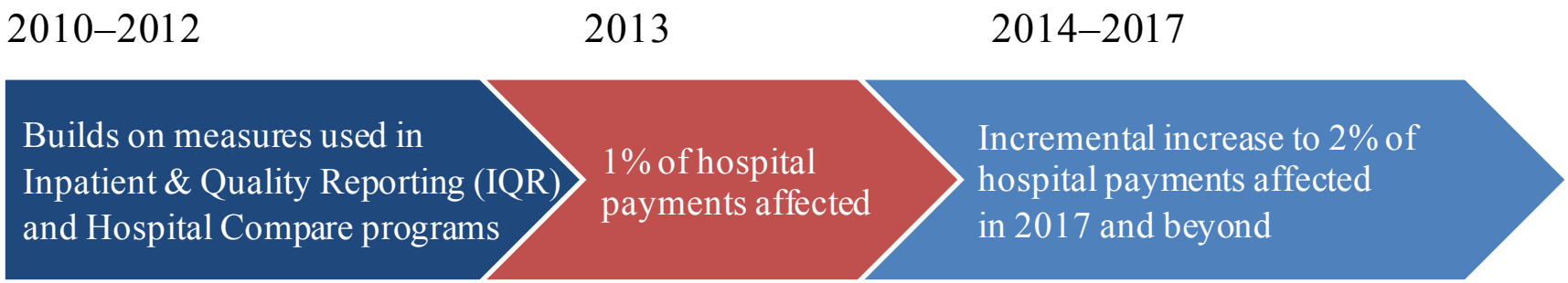
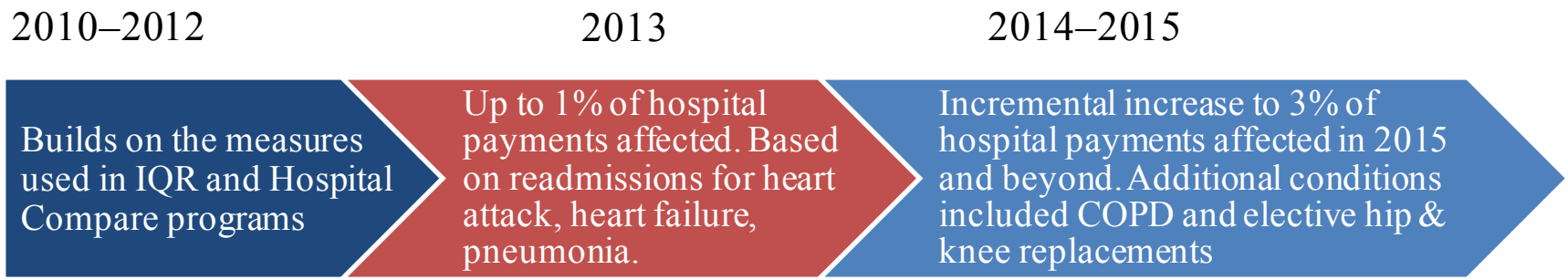
Hospital Value-Based Purchasing



Hospital Readmissions Reduction Program



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- **Provider Payment Reform**
  - Bundled Payments
    - Single reimbursement split among health care providers for every service rendered for a given medical condition or procedure
    - Incentivizes efficient coordination during and after an episode of care
  - HHS goal to have at least 90% of traditional Medicare payments linked to some form of ACO, medical home, bundled payment, or other value-based payment method by 2018

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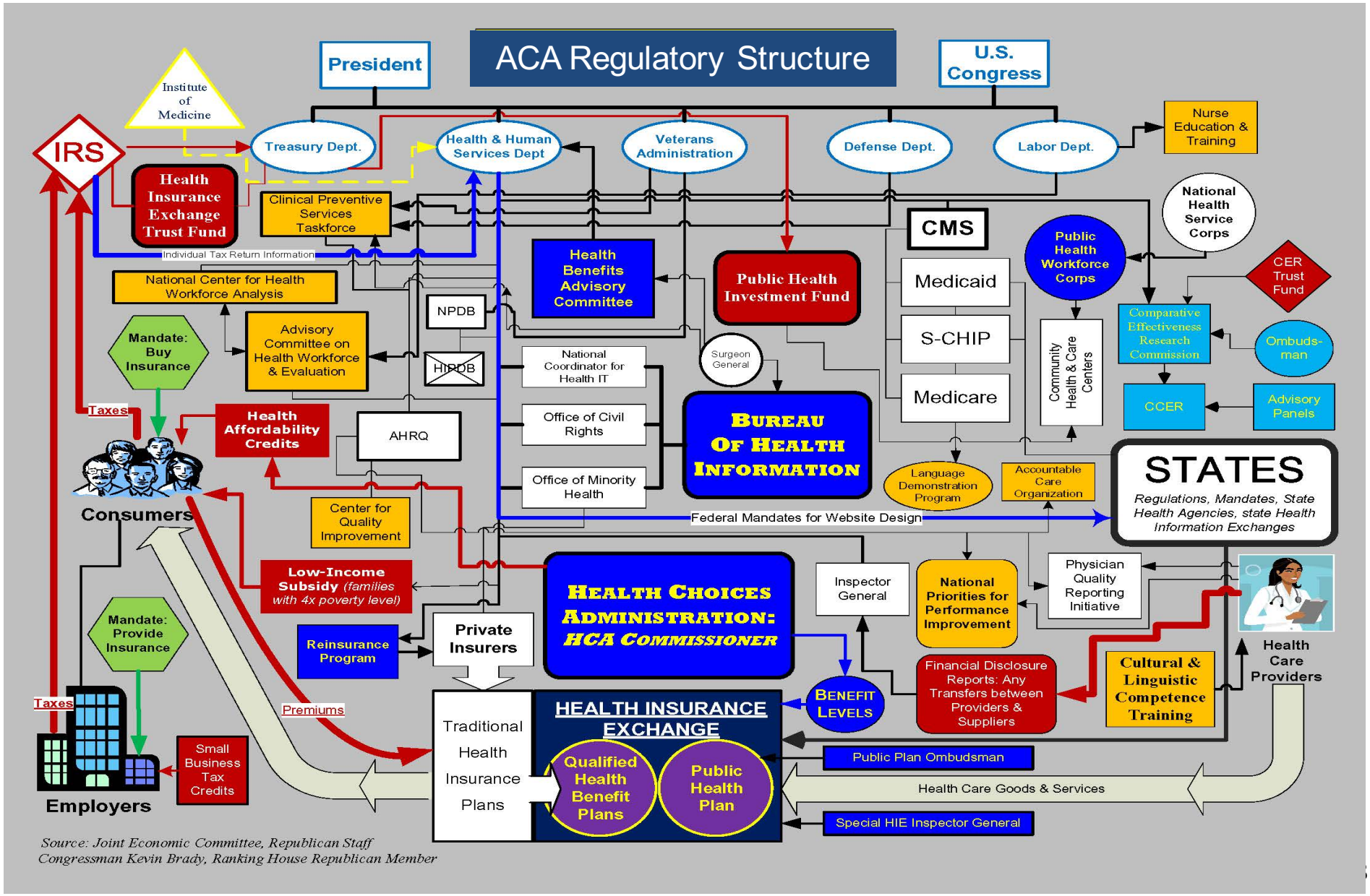

Source: Joint Economic Committee, Republican Staff
Congressman Kevin Brady, Ranking House Republican Member

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FUTURE OF THE AFFORDABLE CARE ACT

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- Assessing the law's success
- Enrollment status: 16.4M individuals insured
- Improvements to quality, coordination, access and cost of health care
- Noncompliance with Individual Mandate
- Health Insurance Exchanges
  - Insurance companies uncertain about future participation
  - Reduced provider networks
- U.S. House has voted 56 times to repeal or undermine the ACA (as of August 18, 2015)
- Continuing legal challenges


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