



Implementing Health Care Reform in Wisconsin

Karen Timberlake

Department of Health Services

Sean Dilweg,

Office of the Commissioner of Insurance

Wisconsin Ahead of the Curve

- Wisconsin: 1st in health care quality, 2nd highest in access to coverage
- Ahead of most states on reform: Investments in expanding coverage, maintaining eligibility, e-health and quality initiatives
- Reform will make more states look like Wisconsin
- Already expanded BadgerCare Plus beyond income levels required in health care reform
- This readiness is a tribute to the work of Governor Doyle, the Legislature, providers, insurers and advocates

[Big Picture Impacts]

- More than 125,000 Wisconsin citizens will gain access to health care
- More than a million who are underinsured will see policies improved and costs reduced
- Tax credits and lowered costs for small business owners
- Increased federal funding saves state taxpayer dollars

Immediate Changes First 90 Days

- Small business tax credit
- Seniors in the Medicare Part D donut hole eligible for \$250 rebate on prescriptions
- Early Retiree Reinsurance Program
- Medical Loss Ratio Requirements.
- Insurer Rate Review
- Temporary high risk pool

First 90 Days...

Small Business Tax Credit

- Effective immediately, covers small businesses currently offering health care and small businesses adding health care coverage this year
- Credit up to 35% of costs beginning in 2010, and up to 50% of costs beginning in 2014
- Employers can claim credit for up to 6 years
- Both for-profit and non-profit eligible

First 90 Days...

How to Claim Tax Credit?

- Small businesses are eligible if they:
 - have fewer than 25 full time equivalent employees,
 - average wages are below \$50,000 per employee per year, **and**
 - pay at least half of the premium for each employee at the single coverage rate
- Can claim 2010 expenses on 2011 tax return
- Contact IRS, Wisconsin DOR or consult with tax consultant or accountant

First 90 Days Tax Credit Examples

- Downtown Diner with 40 Part-Time Workers
 - 40 half-time employees = 20 FTE
 - Wages: \$500,000 total, or \$25,000 per full-time equivalent worker
 - Employer Health Care Costs: \$240,000
 - 2010 Tax Credit: \$28,000
 - 2014 Tax Credit: \$40,000

- Manufacturing Company with 12 Full-Time Workers
 - Employees: 12
 - Wages: \$420,000 total, or \$35,000 per worker
 - Employer Health Care Costs: \$90,000
 - 2010 Tax Credit: \$14,700
 - 2014 Tax Credit: \$21,000

First 90 Days... Senior benefits

- \$250 rebate to Medicare beneficiaries who hit the gap in prescription drug coverage
 - Size of the rebate grows over time
 - Donut hole completely closed in 2020
- Beginning in 2011, the bill institutes a 50 percent discount on prescription drugs in the Part D donut hole
- Eliminates Copayments for preventive treatment in 2011

First 90 Days...

Early Retiree Reinsurance Program

- Will help offset the costs of expensive premiums for employers and retirees age 55-64
- Secretary of HHS must establish this temporary program no later than June 21, 2010.
- Interim final rules released on May 5, 2010.
- Program provides reimbursement for early retiree health benefit costs.
 - Certain claims between \$15,000 and \$90,000.

First 90 Days... Medical Loss Ratio

- Insurers are required to spend premium revenue on medical care, not administrative costs
 - MLR of 85% required for large group coverage
 - MLR of 80% for small group and individual markets.
- Insurers not meeting required MLR's in any given plan year must rebate consumers.
- The rebate equals the difference between the insurer's MLR and the required MLR.
- Secretary Sebelius asked the NAIC to establish definitions and methodologies.

First 90 Days...

Insurer Rate Review

- HHS is developing a process for the annual review of unreasonable premium increases
 - “Unreasonable” not yet defined
- Insurers must submit to the Secretary and states a justification for an unreasonable premium increase

First 90 Days...

Temporary High Risk Pool

- Wisconsin Share = \$73 million over 3 ½ years, \$21 million per year
- State is committed to using funding available to design a meaningful, sustainable option for people with pre-existing conditions who can't get coverage until 2014
- Worked with HIRSP to submit an application on June 1st
- July 1st implementation

Immediate Changes 6 Months after Enactment

- **6 months after enactment**
 - Free preventive care
 - No discrimination against kids with pre-existing conditions
 - Extends coverage for young adults on their parents insurance up to age 26
 - Bans companies from dropping coverage when a person gets sick
 - Bans lifetime coverage limits

6 Months Free Preventive Care

- No co-payments or deductibles for the following preventive services for private insurance:
 - Services recommended by the US Preventive Services Task Force.
 - Immunizations recommended by the Advisory Committee on Immunization Practices of the CDC.
 - Preventive care and screenings for infants, children and adolescents supported by the Health Resources and Services Administration.
 - Preventive care and screenings for women supported by the Health Resources and Services Administration.

6 Months

No pre-existing conditions for kids

- Prohibits health insurance companies from imposing pre-existing condition exclusions on children's coverage.
- Governor Doyle has worked to ensure all kids in Wisconsin are covered under BadgerCare Plus regardless of pre-existing conditions

6 Months

Coverage up to age 26

- Extends coverage for young adults on their parents insurance up to age 26
 - Wisconsin state law requires coverage for young adults up to age 27.
- Applicable to individual health insurance policies, employer group insurance and self-funded employers.

6 Months

Consumer Protection Provisions

- Prohibits abusive practices whereby health insurance companies rescind existing health insurance policies when a person gets sick
- Bans insurers from imposing lifetime limits on benefits.

Transition to 2014 BadgerCare Plus Basic

- Newly created program is another option for people below 200% FPL who aren't eligible for traditional BadgerCare Plus
- \$130 per month for basic level of coverage, no state funds invested
- First step is to apply for Core Plan and get placed on waiting list
- Coverage begins July 1st
- Visit <http://www.badgercareplus.org/basic/> for details.

Transition to 2014 MA Maintenance of Effort

- States must maintain current levels of eligibility for adults until 2014 and current levels for children through 2019
- In Wisconsin this means:
 - Coverage for all kids
 - Pregnant women up to 300% FPL
 - Parents/Caretakers up to 200% FPL
 - Childless adults up to 200% FPL
- Are also bound to current eligibility limits by enhanced FMAP through ARRA

Transition to 2014

MA Maintenance of Effort (cont'd)

- Hardship exemption

- A state may be exempt from the maintenance of eligibility requirement between January 1, 2011 and January 1, 2014 for:
 - Optional, non-pregnant, non-disabled adults populations
 - Income above 133% FPL
- State **must** certify it is currently experiencing a budget deficit or projects to have a budget deficit in the following fiscal year

[2014 and Beyond]

- Statewide health insurance purchasing exchange for small businesses and individuals
 - Premium subsidy for individuals between 133% FPL and 400% FPL
- Significantly increased federal funding to support most childless adults enrolled in BadgerCare Plus

Medicaid Coverage Options

- **After 2014, the state may choose 3 coverage options for parents, caretakers, pregnant women and childless adults with incomes over 133%-200% FPL**
 - Provide coverage under BadgerCare Plus - benefits are an entitlement rather than being capped with budget limits as they are under a waiver under Core.
 - Receive benefits through a “Basic” health plan option created by DHS per guidelines issued by HHS – DHS would receive 95% of amount of premium tax credits to fund program
 - Receive benefits through the health insurance purchasing exchange and receive a premium subsidy

Increased Federal Funding

- Childless adults below 133% FPL will be considered “newly eligible” in 2014
- Enhanced federal funding for newly eligible means federal funding replaces GPR
 - 2014 – 2016 – 100% FED
 - 2017 -- 95% FED
 - 2018 – 94% FED
 - 2019 – 93% FED
 - 2020 and beyond – 90% FED
- Increased federal funding funding for Public Health grants and long term care
- Enhanced FMAP for kids

Health Insurance Purchasing Exchange

- Building off work already done on Badger Choice
- Open to small businesses and individuals
- One point of entry, online and easy to use
- Consumers will have access to apples to apples comparison of what is included in each plan and how much it costs
- Must be viable by 2013, will start in 2014

Wisconsin Well Positioned for Exchange

- Considerable amount of work put in to designing health care exchange puts Wisconsin ahead of most other states
- Modern IT infrastructure (Access, CARES)
- RFP for single point of access for online exchange

Key Insurance Reforms-2014 Implementation

Market Reforms:

- Guarantee Issue and no Pre-existing Condition Exclusions in all markets
- Rating Reforms limiting factors to age (3:1), geography, tobacco use and family composition
- 4 Coverage Tiers based on coverage categories and cost-sharing
- No annual limits

Key Insurance Reforms-2014 (con't)

- **Individual Mandate** in the federal tax code to ensure consumers do not wait until they are sick to seek coverage
- **Employer Responsibility** through a fine if employers with 50 or more employees do not offer coverage and an employee receives subsidies through the Exchange.
- **Subsidies** for lower-income persons and **Medicaid Expansion** (with enhanced federal match) to help make coverage truly available to everyone
- Limited provisions to address **Quality, Cost-Containment, and Fraud**

Key Insurance Reforms-2014 (con't)

States will need to act quickly to implement the reforms by 2014

- Federal agencies will need to publish regulations
- NAIC will develop model acts and regulations that comply with the federal regulations
- OCI is working to identify necessary legislative and administrative rule changes
- Insurers will submit new forms and rates that comply with the new regulations.
- Insurers will market new plans that will become effective 2014

Other Important Changes

- **National Strategy for Prevention and Wellness**

- National Prevention, Health Promotion and Public Health Council
- Prevention and Public Health Fund
- Education and Outreach Campaign

- **Menu labeling**

- Restaurants with 20 or more locations will be required to disclose calories on the menu board
- Additional nutrition information must be available upon request, including: total calories and calories from fat, amounts of fat, saturated fat, cholesterol, sodium, total carbohydrates, complex carbohydrates, sugars, dietary fiber, and protein

Other Important Changes (cont'd)

■ Workforce initiatives for health care professionals

- Increase scholarship and loan opportunities for health professionals
- State grants to providers in medically underserved areas
- Targeted training in preventive medicine and public health for medical residents
- Interdisciplinary mental and behavioral health training programs (effective fiscal year 2010)
- Training program for oral health professionals
- Greater training opportunities and financial assistance to address projected nurse shortage

Other Important Changes (cont'd)

- **Financial support for community health centers**

- Increases mandatory funding for community health centers to \$11 billion over five years (FY 2011 – FY 2015)

- **Medical Homes**

- Medical homes for Medicaid beneficiaries with chronic conditions
- Team of health professionals providing comprehensive medical services and care coordination
- 90% FMAP to states for two years for home health-related services, including care management, care coordination, and health promotion
- Becomes effective January 1, 2011

- **Accountable Care Organizations**

- Incentive payments under Medicaid for pediatricians meeting certain criteria such as expenditure and quality of care

Other Important Changes (cont'd)

■ Health Care Quality initiatives

- Payment reform
- Delivery System reform

■ Comparative Effectiveness Research

- Establish non-profit Patient-Centered Outcomes Research Institute

■ Family Planning Coverage

- Expansion of Medicaid eligibility for family planning services without waiver
- State may cover non-pregnant individuals with income up to the highest level applicable to pregnant women covered under Medicaid or CHIP (300% FPL for Wisconsin)

Other Important Changes (cont'd)

Long Term Care Improvements

- Extends enhanced federal matching funds to support community costs when a Medicaid member chooses to move from ICFs-MR to community settings
- Provides \$50 million over 5 years for expanding Aging and Disability Resource Centers (ADRCs serve 57 Wisconsin Counties)
- Elder Justice Act provisions authorize additional funding for prevention, detection, and response to elder abuse and neglect and for adult protective services (funding not allocated)

Other Important Changes (cont'd) Medicare

- **Independent Payment Advisory Board**
 - Recommend ways to reduce costs in Medicare spending, as well as private sector cost growth and promote quality
- **Medicare Payment Bundling Pilot Program**
 - Incentives to providers to coordinate patient care and be jointly accountable for the entire episode of care.
 - Five years duration with option for Secretary to extend
 - The Secretary will develop payment methods.
 - The pilot program will be established by January 1, 2013.

Other Important Changes (cont'd) Medicare

- **Medicare Value Based Purchasing**
 - Incentive payments to hospitals meeting certain performance standards
 - Payment for the program starts in FY 2013.
- **Prevention and Wellness for Medicare Beneficiaries**
 - Free annual wellness visits for seniors under Medicare.
 - Personalized prevention plans to address health conditions and other risk factors for disease, before they become difficult and costly to treat.
 - Eliminates out-of-pocket costs for recommended preventive care and screenings like mammograms.

Other Important Changes (cont'd) Medicare

- **Reimbursement for Primary Care in Medicare**
 - Strengthens primary care by providing primary care physicians with a 10 percent Medicare payment bonus for primary care services for five years beginning in 2011.
 - General surgeons providing care in a designated HPSA also would be eligible for a 10 percent bonus on payments for major procedures.

Other Important Changes (cont'd) Medicare

■ **Restructuring of Medicare Advantage Payments**

- Payment rate for 2011 are frozen at 2010 levels.
- Beginning in 2012, there will be a phase in reduction of Medicare Advantage county-level benchmark rates.
- These changes will be phased in over time, based on the level of payment reductions.

■ **Medicare Disproportionate Share Hospital Payments**

- Hospital payments will be updated to account for hospitals' uncompensated care costs.
- Starting in FY2014, hospitals' Medicare Disproportionate Share Hospital (DSH) payments would be reduced to reflect lower uncompensated care costs relative to increases in the number of insured.

Office of Health Care Reform

What is it?

- Brings together the two state agencies primarily responsible for implementing health care reform – DHS and OCI
- Allows for input from other agencies: DOR, ETF, DWD, DOA, Commerce
- Conduit for Businesses, Advocates, Providers, Consumers to obtain information and provide input

Getting Organized

What is “Office” responsible for?

- Developing a plan to build on successes we have achieved in Wisconsin
- Design an easy to use, consumer friendly online health care purchasing exchange
- Pursue federal funds for a temporary high risk health care pool and other grants
- Track 400 separate items for implementation to ensure Wisconsin doesn't miss any opportunities
- Maintain public website:
healthcarereform.wi.gov

Stakeholder Involvement

- Meetings with key stakeholder groups and existing councils
 - Providers
 - Insurers
 - Advocates
 - Patients of health care services
 - Public Health
 - Small Business Leaders
 - Etc...
- Legislative Study Committee

[Opportunity for Wisconsin]

- National health care reform gives states latitude to set up systems that work for them
- Ability to create our own exchange, our own high risk pool
- Some states will wait or let the federal government take charge
- Wisconsin is moving forward and taking our reform efforts even further

[Office of Health Care Reform]

Please visit
healthcarereform.wi.gov
for more information