



# *Healthcare Industry Outlook*

*W. Frank Barton School of Business  
Wichita State University*

October 3, 2013

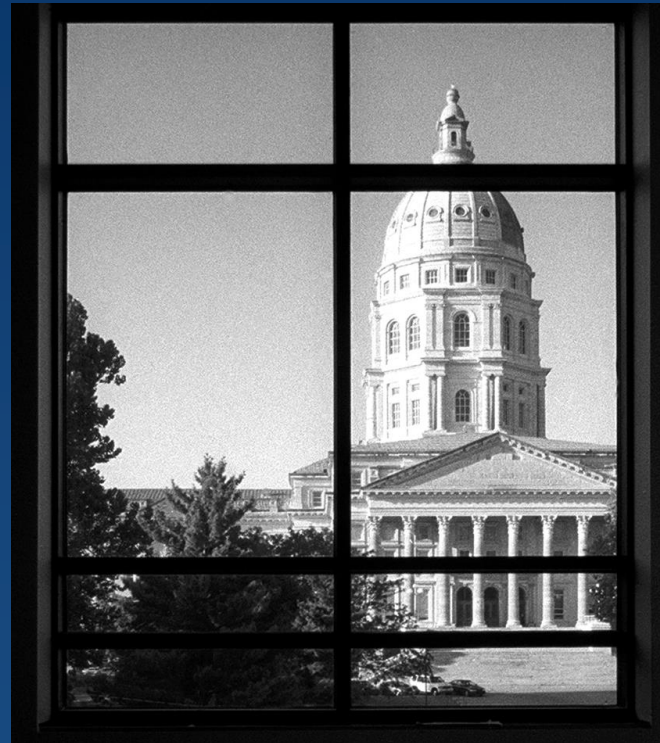
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Robert F. St. Peter, M.D.  
President & CEO  
Kansas Health Institute



# Kansas Health Institute

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*Information for policy makers. Health for Kansans.*



# Today's Crisis

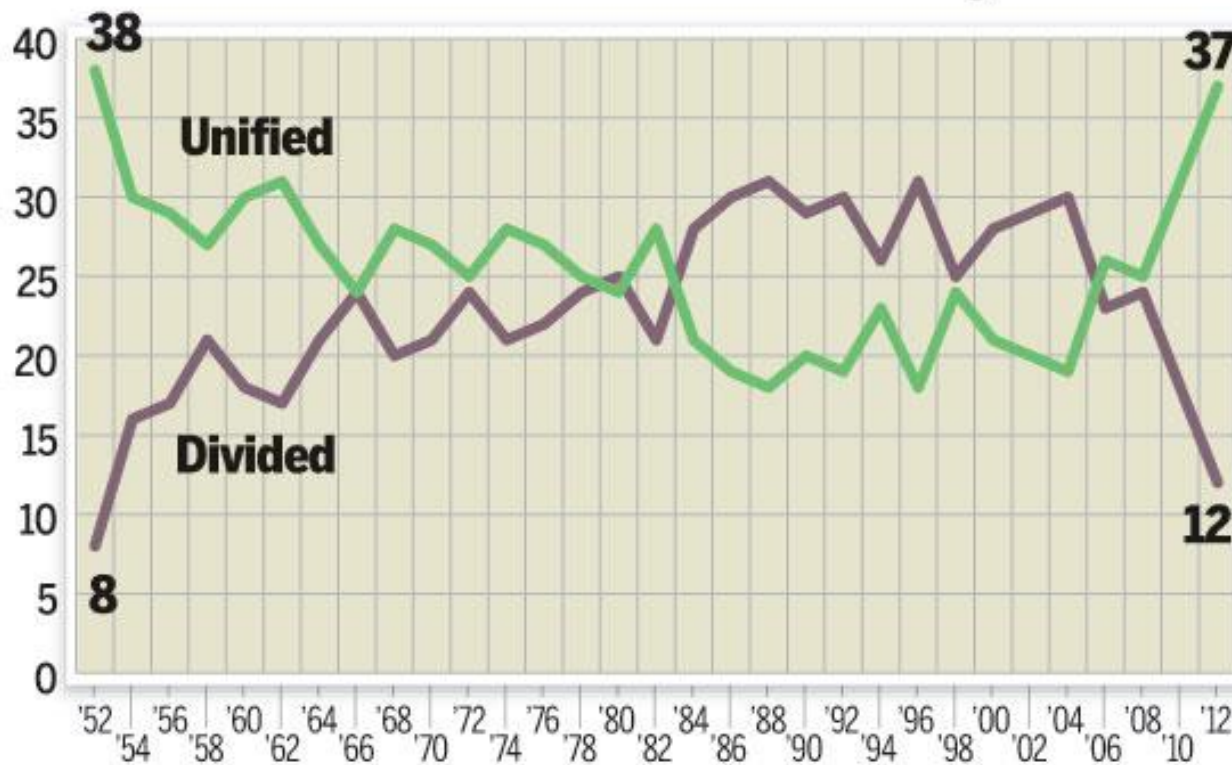
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- Federal budget spending authority expired
- Debt ceiling limit reached ~Oct. 17
- Bargaining chips for Republicans
  - One year delay in key elements of ACA
  - Repeal of medical device tax
  - Coverage of contraceptive services
- Democrats position
  - Election & Supreme Court ruling on ACA
  - No negotiation on debt ceiling

# One-party states on the rise

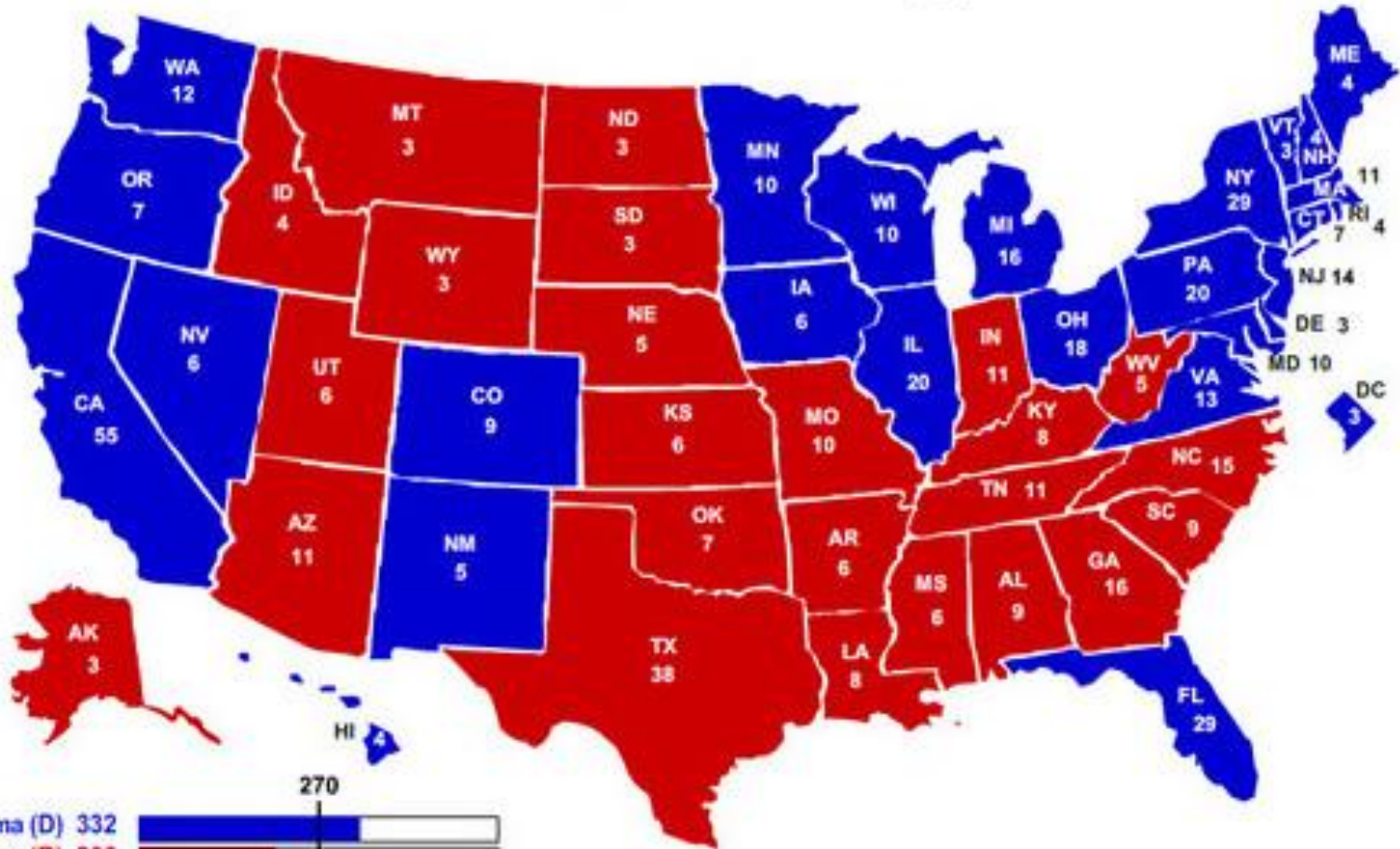
The number of states with one-party rule (governor and both legislative houses controlled by the same party) has increased in recent years, while the number with divided power has shrunk.

## Number of states with unified or divided government

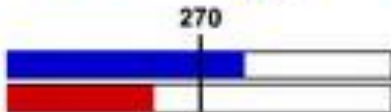


Note: Numbers add up to only 49 each year because Nebraska has nonpartisan legislature.

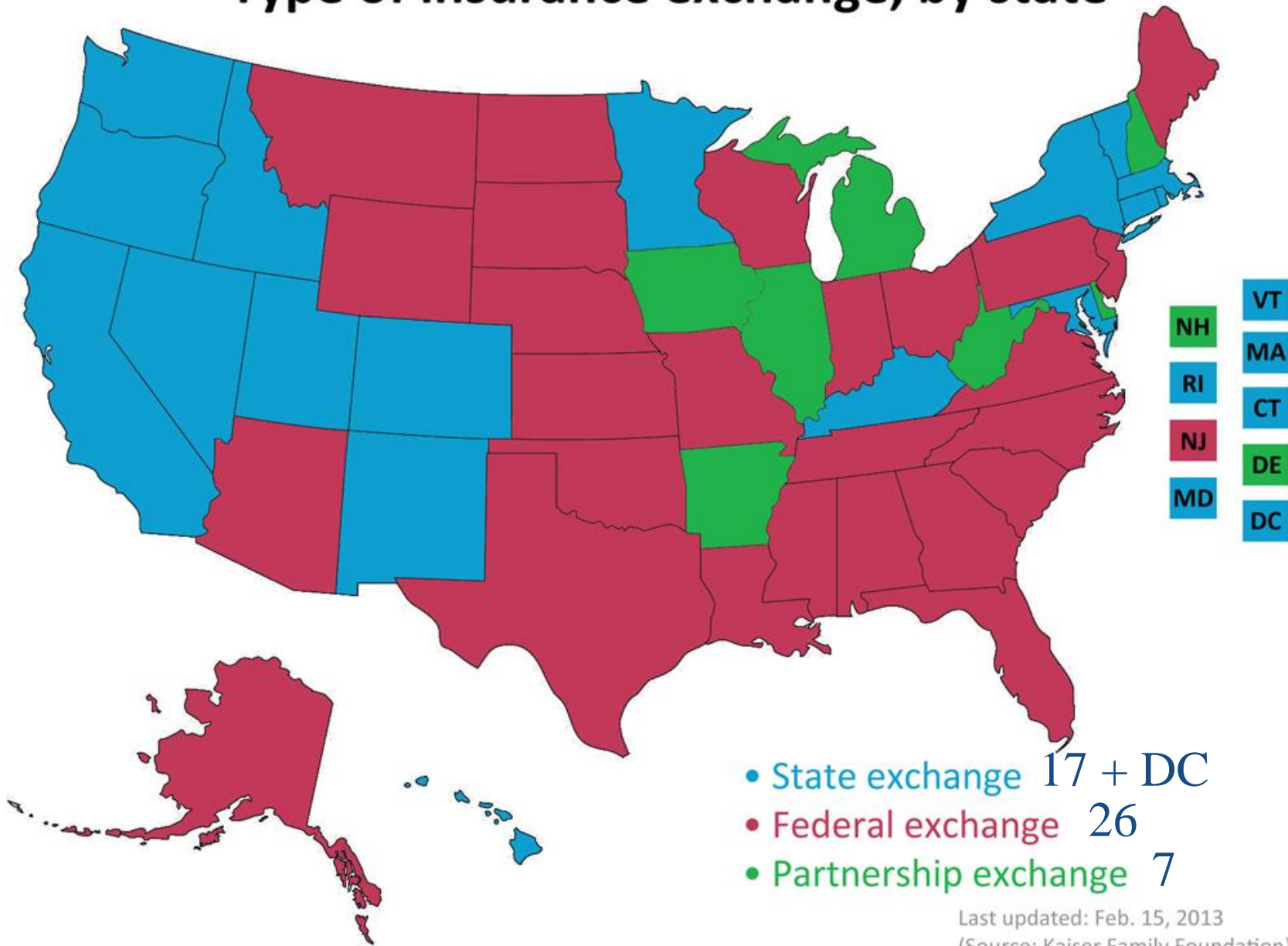
# Final 2012 Electoral-College Results



Obama (D) 332  
Romney (R) 206



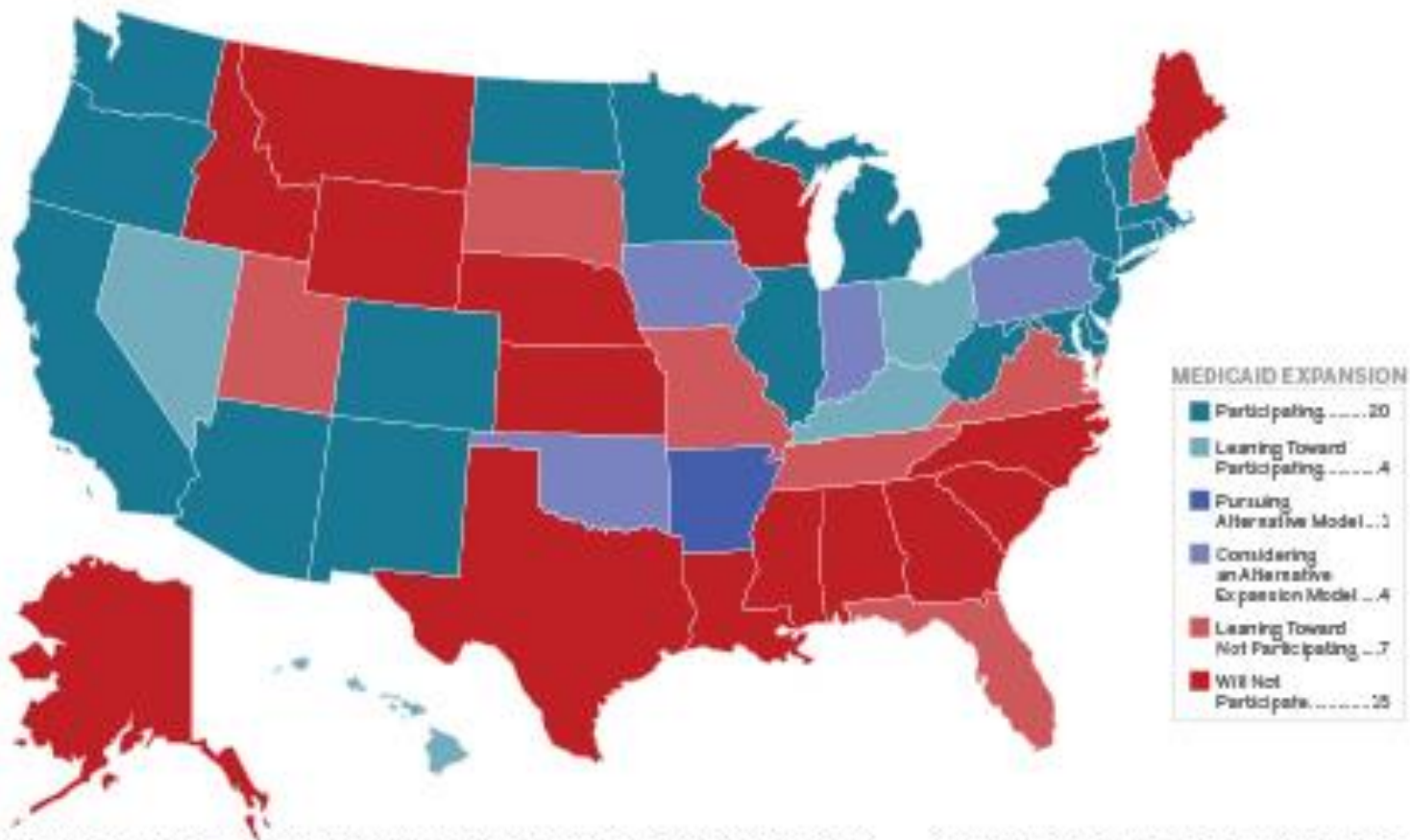
# Type of insurance exchange, by state



Last updated: Feb. 15, 2013  
(Source: Kaiser Family Foundation)

# Beyond the Pledges: Where the States Stand on Medicaid

## 29 States Moving Toward Expansion—September 17, 2013



28 + DC  
Expanding


22  
Not  
Expanding

Notes: Based on literature review as of 9/17/13. All policies possible to change without notice. HHS has announced that states can obtain a waiver to use federal funds to shift Medicaid-eligible residents into private health plans. The District of Columbia plans to participate in Medicaid expansion and will operate its own exchange.

Source: American Health Line, <http://ahline.com/2012/07/03/medicaid-where-each-state-stands-on-the-medicaid-expansion/>, accessed 9/17/13.



# Medicaid

- ACA expanded eligibility to all below 138% of poverty level
  - 100% of cost paid by feds 2014 – 2016
  - Decreases to 90% paid by feds by 2020
  - Even without expansion, state costs to 
- SCOTUS ruled that expansion optional
- Kansas has opted not to expand
  - State cost vs providers' expected revenue





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# What Does It Mean to Repeal Obamacare?



# Major Elements of ACA Already Implemented

- 2010
  - Cover children with pre-existing illnesses
  - Insurers cannot rescind coverage
  - Elimination of life-time coverage limits
  - Begin phasing out of annual coverage limits
  - Small business tax credits
  - Medicare prescription drug rebates
  - Free limited preventive services
  - Pre-existing condition insurance plan for adults
  - Young adults on parents' plan until age 26
  - Early retiree reinsurance program



# Major Elements of ACA Already Implemented

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- 2011
  - Medicare prescription drug discounts
  - Medicare preventive services covered
  - 80/20 rule for Medical Loss Ratio rebates
  - Medicare Advantage plan reduced payments
  - Centers for Medicare/Medicaid Innovation



# Major Elements of ACA Already Implemented

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- 2012
  - Medicare value-based purchasing program
  - Medicare ACOs
- 2013
  - Preventive services covered in Medicaid
  - Bundled payments
  - **Increased Medicaid payments for primary care**



# Upcoming Major Elements of ACA Implementation

- 2013
  - Oct. 1 enrollment began in marketplaces
- 2014
  - Coverage cannot be denied due to pre-existing
  - Rates cannot be based on gender, pre-existing
  - Elimination of annual coverage limits
  - Premium tax credits & cost sharing reductions
  - Increased small business tax credit
  - Medicaid expansion – SCOTUS made optional
  - Individual mandate penalties begin



# Major Delays/Changes in ACA

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- CLASS Act for LTC insurance dropped (10/11)
- Employee plan choice in SHOP delay 2015 (5/13)
- Employer mandate delay 2015 (7/13)
- Out-of-pocket cost limits delay 2015 (2/13)
- Members of Congress/staff in marketplaces (8/13)
- Online Medicaid eligibility tool delay Nov. 1 (9/13)
- Spanish language enrollment delay until ? (9/13)
- Online SHOP enrollment delay until Nov. 1 (9/13)
- Experience yesterday with online functions in Kansas and across U.S.



# Two Day's of Experience

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- Overwhelming volume of website visits
  - Technical issues on most federal & state websites
  - Subsidy and Medicaid determination not working
  - Not able to provide plan options for all locations
  - Not able to provide final premium amounts
- 
- Plan choice and premium payment by Dec. 15 will ensure coverage by Jan. 1, 2014

## Figure 1. Plans Available in the Kansas Marketplace

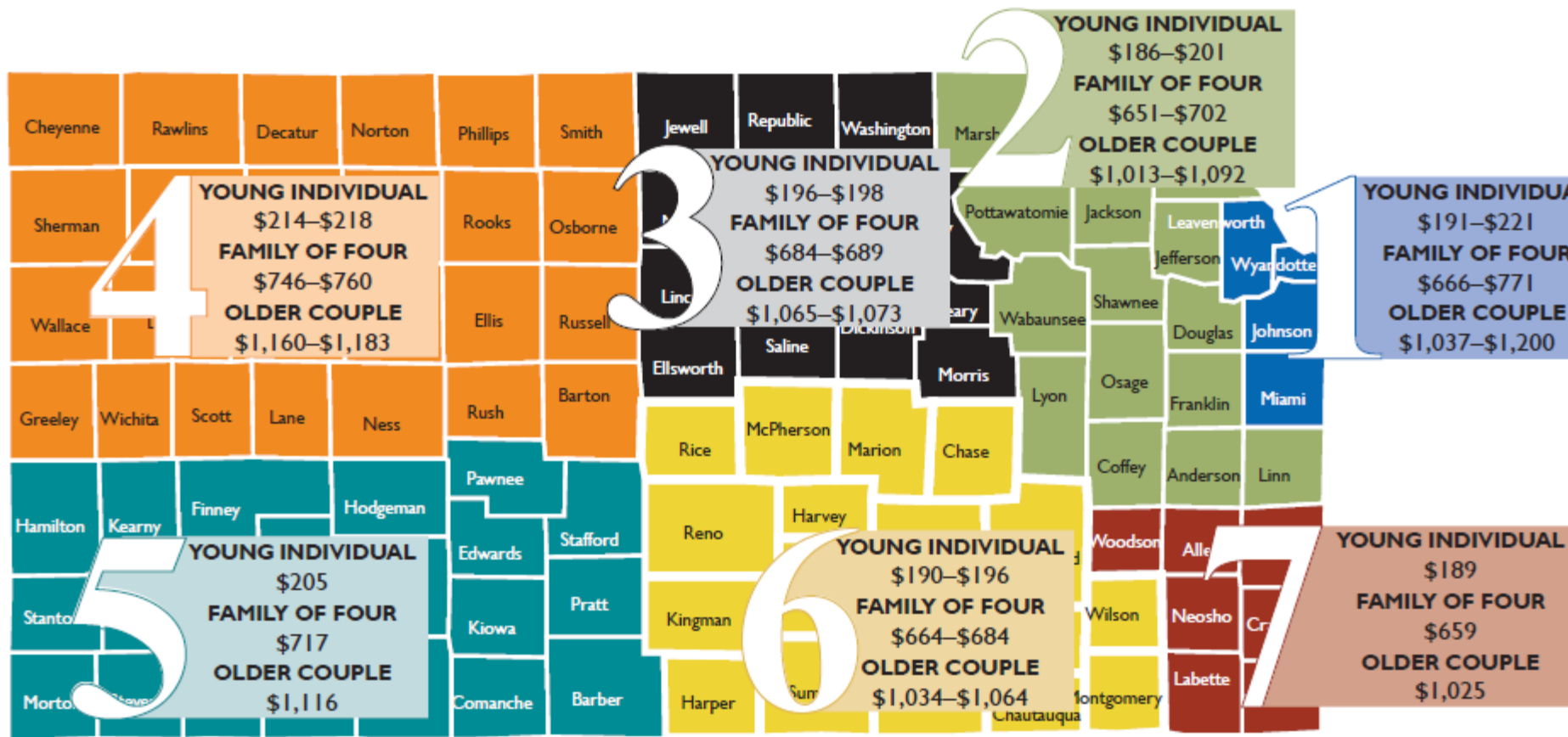
Individuals and Families	65 plans	Bronze	16
		Silver	24
		Gold	15
		Platinum	2
		Catastrophic	8
Small Businesses	7 plans	Bronze	2
		Silver	3
		Gold	2

Source: KHI analysis of data provided by the Kansas Insurance Department.



# MONTHLY PREMIUMS FOR BENCHMARK PLAN BY RATING AREA

	<b>YOUNG INDIVIDUAL</b> Single person, age 28. Income over \$45,960.		<b>FAMILY OF FOUR</b> Parents ages 40 and 38, two children under age 19. Income over \$94,200.		<b>OLDER COUPLE</b> Couple, both age 63. Income over \$62,040.
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Source: KHI analysis of data provided by the Kansas Insurance Department.

On October 1, 2013, the Kansas marketplace opened and began offering a variety of health insurance plans. These plans could provide coverage to Kansans as early as Jan. 1, 2014. The range of monthly premiums for the plans reported here are the actual premiums for the "benchmark plan" in each county, a middle-of-the-road plan in terms of covered benefits and cost among the plans available in the marketplace. Technically, the benchmark plan is the second-lowest-cost silver plan in each county.

The premium for these insurance plans is based upon only four factors: age and number of people being covered, where they live and whether they

**Table 1. Young Individual — Single Person, Age 28**

Rating Area	Benchmark Plan	Lowest Cost Bronze Plan	Highest Cost Platinum Plan	Lowest Cost Catastrophic Plan <sup>A</sup>
1	\$191–\$221	\$132	\$294	\$88
2	\$186–\$201	\$131	\$310	\$87
3	\$196–\$198	\$139	\$302	\$93
4	\$214–\$218	\$150	\$336	\$100
5	\$205	\$166	\$314	\$111
6	\$190–\$196	\$126	\$302	\$84
7	\$189	\$164	\$289	\$111

Notes: The plans and the prices offered are not always the same in all counties within a rating area. Premiums are rounded to the nearest whole dollar.

A: Catastrophic plans are only available to individuals under age 30 and those with a hardship waiver.

Source: KHI analysis of data provided by the Kansas Insurance Department.

# The Creation of a New Coverage Gap in States Not Expanding Medicaid

**Table 3. Older Couple — Married, Both Age 63, Living in Rating Area 2**

Annual Income	Percent of Federal Poverty Level	Monthly Premium for Benchmark Plan	Monthly Premium Tax Credit	Monthly Cost to Consumer for Benchmark Plan after Tax Credit
less than \$15,510	less than 100%	\$1,092	\$0	\$1,092
\$17,000	110%	\$1,092	\$1,064	\$28
\$30,000	193%	\$1,092	\$942	\$150
\$50,000	322%	\$1,092	\$697	\$395
more than \$62,040	more than 400%	\$1,092	\$0	\$1,092

Notes: The plans and the prices offered are not always the same in all counties within a rating area. The premium shown is the actual premium in Jackson County. Jackson County has the median-priced benchmark plan in Rating Area 2, the median-priced Rating Area in the state.

Source: KHI analysis of data provided by the Kansas Insurance Department.



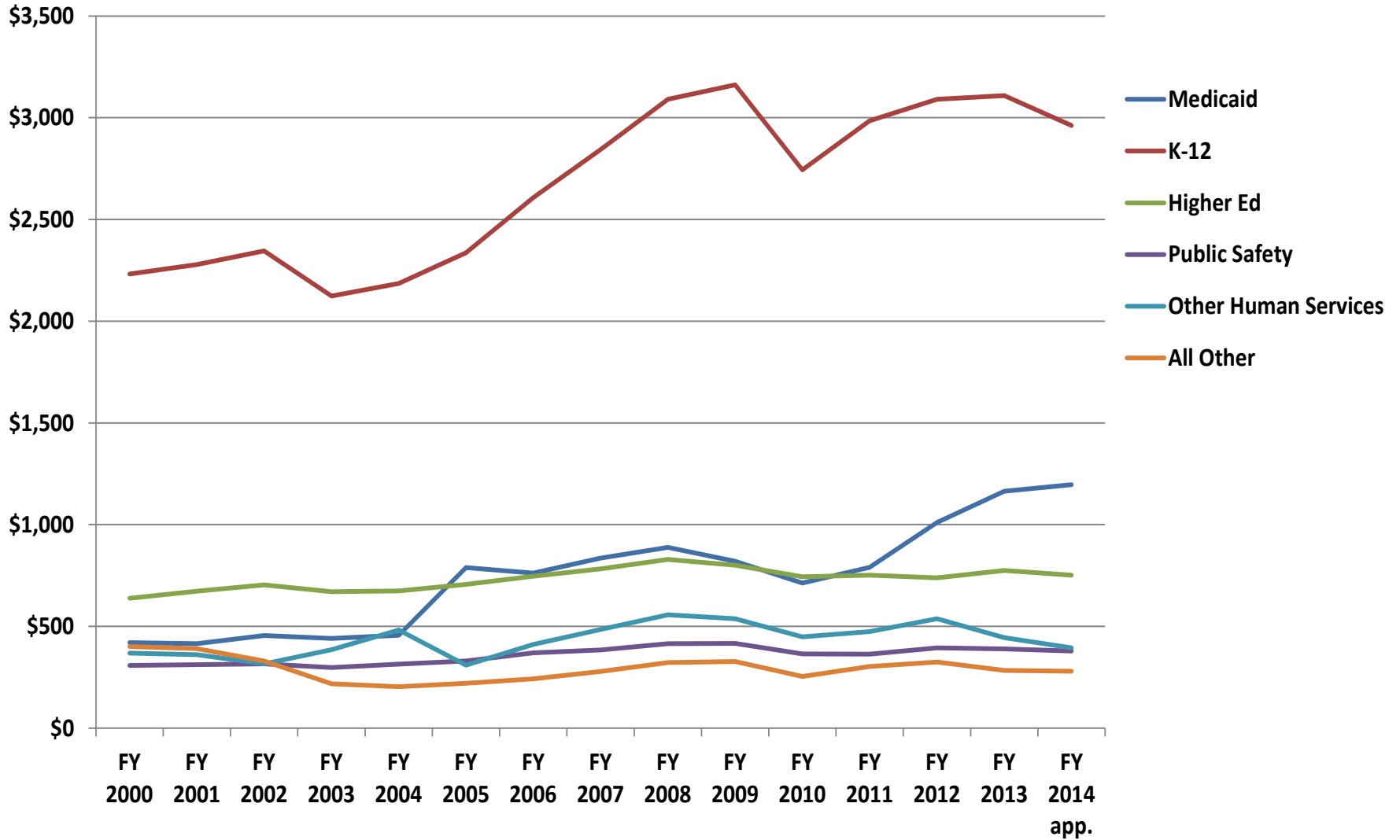
# Medicaid Reform in Kansas

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- Brownback administration launched major Medicaid reform in Kansas in 2013
- Includes all Medicaid groups, including disabled
- Three for-profit MCOs contracted for all services
- No reduction in covered benefits or payment rates
- Objectives include improved patient experience, outcomes and savings of \$1.0B over 5 years
- Savings expected from care coordination, prevention, service mix
  - Primarily among elderly and disabled groups

# State General Fund

(Dollars in Millions)



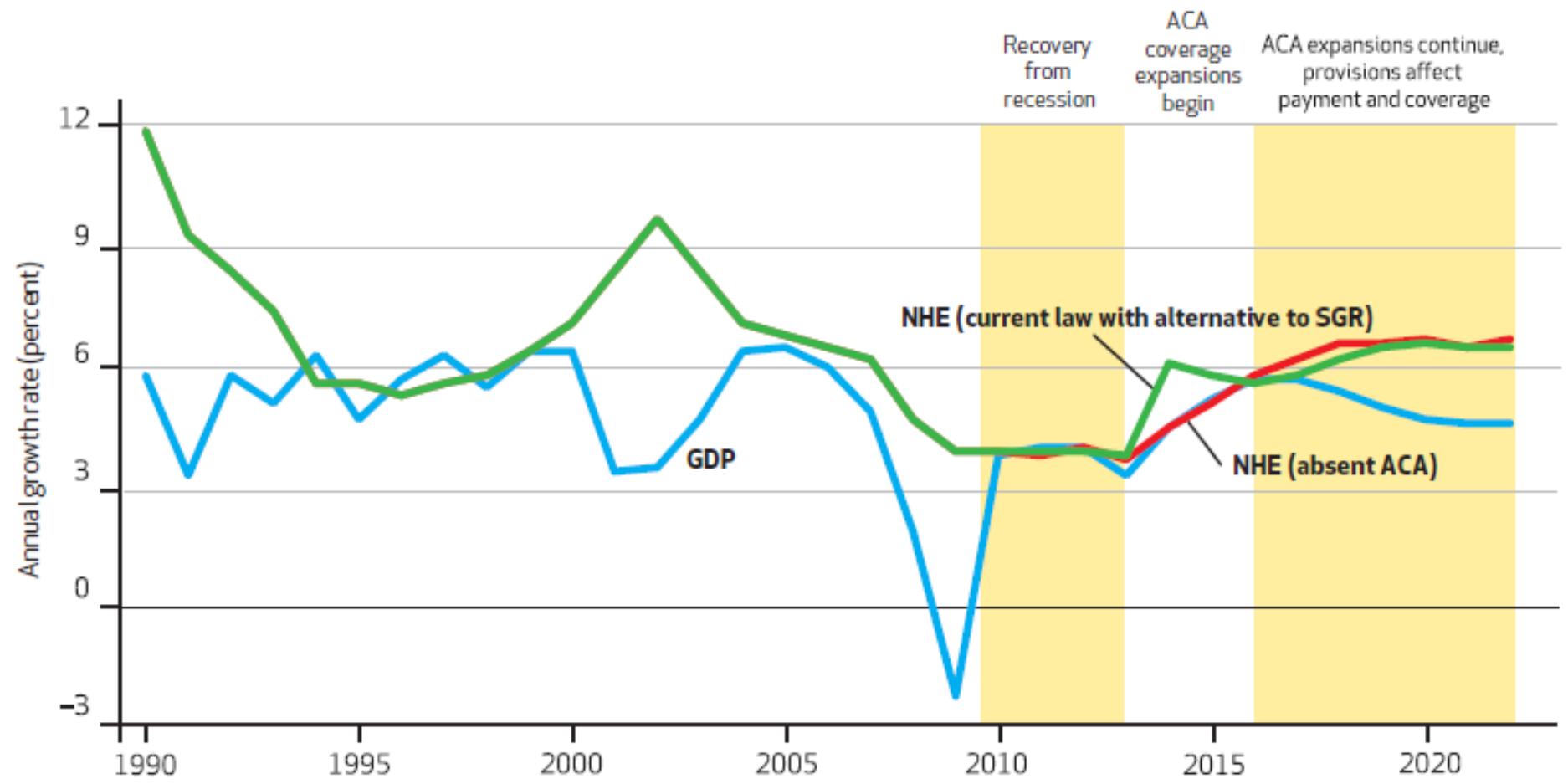
# ACA Effect on Federal Budget

2013 – 2022

(In Billions)

<b><u>Costs to the U.S. Treasury:</u></b>		
Insurance Exchange Subsidies/Tax Credits	1,015	
Small Employer Tax Credits	20	
Medicaid/CHIP Expansion	643	
Other Costs	19	
<b>Total</b>		<b>1,697</b>
<b><u>Benefits to the U.S. Treasury:</u></b>		
Medicare / Medicaid Cost Savings	741	
Penalty Payments--Individuals	55	
Penalty Payments--Employers	106	
Hospital Insurance Tax	318	
Tax on High-Premium Plans	111	
Fees on Certain Manufactures and Insurers	165	
Effect on Current Tax Liabilities	216	
Other Revenue	94	
<b>Total</b>		<b>1,806</b>
<b>Net Effect on Deficit</b>		<b>-109</b>

# Annual Growth Rates, Gross Domestic Product (GDP) And National Health Expenditures (NHE), Calendar Years 1990-2022



**SOURCES** Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group; and Department of Commerce, Bureau of Economic Analysis. **NOTES** Data for 2012-22 are projections. Years 2010-13 are based on modest recovery from the recession and include the impact of some Affordable Care Act (ACA) provisions. Years 2014-15 reflect the beginning of the impact of major ACA coverage expansions. Years 2016-22 reflect the continuation of ACA coverage expansions through 2017 and the effects of other ACA provisions on payment and coverage. Elevated Medicare enrollment growth is due to baby boomers. SGR is Sustainable Growth Rate.



# Cost and Outcomes in U.S.

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- US spending 2.5x more per person on health care than peer nations
  - Primarily due to higher private spending
- US health spending nearly 2x more as percent of GDP (17.6% vs 9.5%)
- Major outcomes in the US rate near the bottom compared to peer nations
- ROI and value issue emerging



U.S. HEALTH  
IN  
INTERNATIONAL PERSPECTIVE



Shorter Lives, Poorer Health

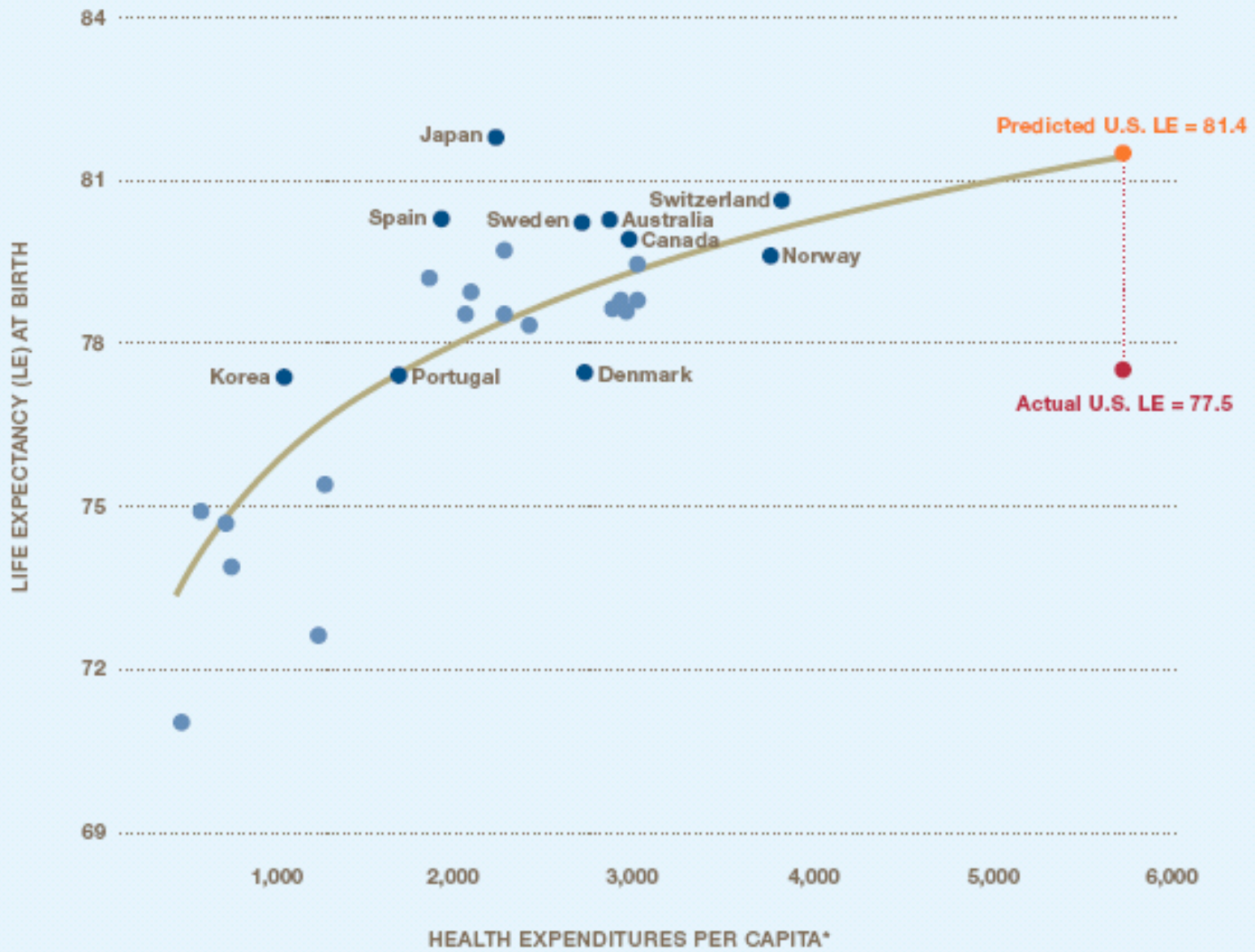
NATIONAL RESEARCH COUNCIL AND  
INSTITUTE OF MEDICINE  
OF THE NATIONAL ACADEMIES

Jan., 2013

Americans die sooner and experience higher rates of disease and injury than people in other high-income countries.

Disadvantage exists at all ages from birth to 75, and even among advantaged Americans.

Among peer countries, the US is at or near the bottom in nine key areas of health outcomes including – life expectancy at birth, infant mortality, injuries, obesity.



Prepared for the Robert Wood Johnson Foundation by the Center on Social Disparities in Health at the University of California, San Francisco.

Source: OECD Health Data 2007.

Does not include countries with populations smaller than 500,000. Data are for 2003.

\*Per capita health expenditures in 2003 U.S. dollars, purchasing power parity



# Where Do We Go from Here?

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- What will major players do?
  - Employers
  - Insurers
  - Providers
  - Consumers
- No magic bullet for cost control
  - If not Obamacare, what next?
- Uncertainty makes business planning and policy development more difficult



# Keep In Touch!

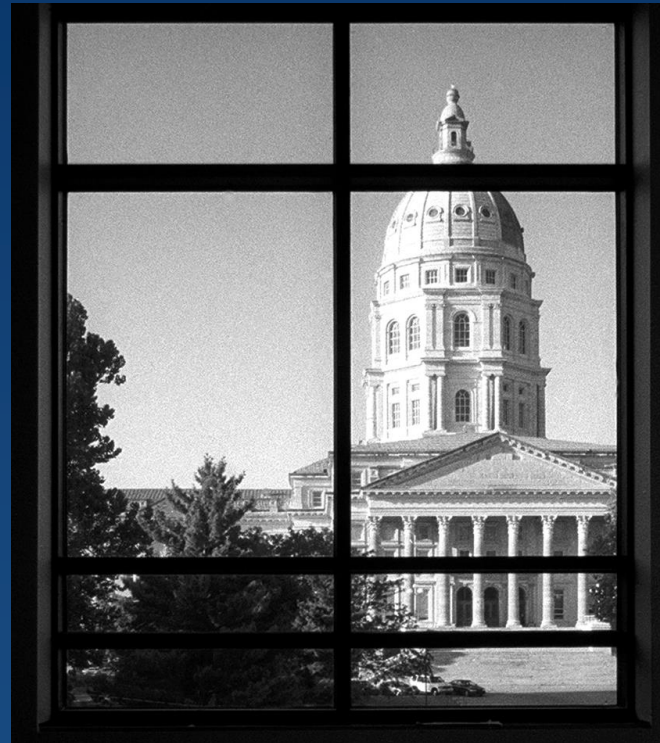
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