



WISCONSIN OFFICE of
HEALTH CARE REFORM

Implementing Health Care Reform in Wisconsin

Special Committee on Health Care Reform Implementation

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Overview

- Office of Health Care Reform
- Changes Happening Now
- Transition to 2014
- 2014 and Beyond
- Health Insurance Purchasing Exchange
- Payment Reform
- Important Public Health Investments
- Primary Care
- Workforce Development
- Grant Opportunities
- Health Insurance Market Reforms
- Implementing Health Care Reform: Statutory Changes

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
- This readiness is a tribute to the work of Governor Doyle in partnership with employers, providers, insurers, legislators, advocates

[Big Picture Impacts of Reform]

- 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
- Increase affordability of prescription drugs for Wisconsin's seniors
- Increased federal funding saves state taxpayer dollars

Office of Health Care Reform

- Brings together the two state agencies primarily responsible for implementing health care reform – DHS and OCI
- Developing a plan to build on successes we have achieved in Wisconsin
- Track 400 separate items for implementation to ensure Wisconsin doesn't miss any opportunities
- Set up a listserv to help track grant opportunities and disseminate information to stakeholders
- Pursue federal funds for grant opportunities
- Design an easy to use, consumer friendly online health care purchasing exchange
- Maintain public website:

www.healthcarereform.wi.gov

Office of Health Care Reform

- Health care reform puts decision making power in the hands of the states
- We can set up health care reform in a way that works best for Wisconsin if we act now
- Our focus is:
 - Implementing significant changes taking effect right away and begin work on major components of reform
 - Raising awareness of reform in Wisconsin
 - Influencing reforms at national level

[Changes Happening Now]

- Small business tax credit
- Seniors in the Medicare Part D donut hole eligible for \$250 rebate on prescriptions
- Temporary high risk pool

Changes Happening Now Small Business Tax Credit

- Covers small businesses currently offering health care coverage 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

Changes Happening Now 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

Changes Happening Now

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

Changes Happening Now

Senior benefits

- \$250 rebate to Medicare beneficiaries who hit the donut hole in prescription drug coverage
 - Size of the rebate grows over time
 - Donut hole completely closed in 2020
- Beginning in 2011 in Medicare:
 - 50 percent discount on prescription drugs in the Part D donut hole
 - Deductibles, copayments, and other cost-sharing for preventive care will be eliminated
 - Free annual wellness check-ups

Changes Happening Now Temporary High Risk Pool

- Wisconsin Share = \$73 million over 3 ½ years, \$21 million per year
- Wisconsin is using funding available to design a meaningful, affordable and sustainable option for people with pre-existing conditions who can't get coverage until 2014
- Applications accepted beginning July 15th and services began August 1st
- Go to www.hirsp.org for more information

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
- Will provide option for coverage for people until new Medicaid funding kicks in
- \$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 began July 1st
- Visit www.badgercareplus.org/basic/ for details.

Transition to 2014 Medicaid 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 to 2019
 - Pregnant women up to 300% FPL
 - Parents/Caretakers up to 200% FPL
 - Childless adults up to 200% FPL

Transition to 2014

Medicaid Maintenance of Effort

- 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 Increased Federal Funding

- Increased federal funding will provide real savings to state taxpayers
 - Annual MA budget: \$6 billion, 20% of total state budget
 - HCR will bring \$750-980 million in additional federal funding 2014-2019

2014 and Beyond 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
- Enhanced FMAP for kids
- Increased Medicaid primary care rates 2013-14

2014 and Beyond Medicaid Coverage Options

- **After 2014, the state may choose 3 coverage options for parents, caretakers, pregnant women and childless adults with incomes between 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 the state - state 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

Health Insurance Purchasing Exchange

- States must prove by January 1, 2013 that they will be ready to successfully implement an exchange by January 1, 2014
- If states do not participate the federal government will implement an exchange in those states
- Wisconsin will apply for a planning grant to cover a range of activities including market analysis, IT analysis, analysis of business operations, financing and sustainability, and governance. The grant application is due September 1st.
- DHS is currently reviewing proposals from potential vendors to develop an automated system to support a Wisconsin Health Insurance Exchange

Health Insurance Purchasing Exchange in Wisconsin

- **Keep it simple**
 - One front door to health care access.
 - Provide customers with useful information but don't overwhelm.
 - Utilize brokers, community partners and other "navigators" to help consumer make informed decisions.
- **Fully integrate the exchange with Medicaid**
 - Many consumers will not know whether they are eligible for Medicaid or exchange help.
 - Many families will have certain members eligible for Medicaid while others will be exchange subsidy eligible.
 - Full integration will allow us to leverage previous investments in IT systems to implement the exchange in a cost-effective manner.
- **Make the exchange truly transformative**
 - Don't do the minimum required.
 - See the exchange as a vehicle to push payment reform.
 - Coordinate with payers and providers.
 - Harness managed competition to reward value over volume.
 - See the exchange as opportunity to align quality improvement efforts statewide.

Health Insurance Purchasing Exchange in Wisconsin

- **Build off regional strengths**

- Health care in Wisconsin is local and/or regional.
- Exchanges should recognize regional providers/insurers and allow them to effectively compete against statewide insurers.
- Wisconsin is well positioned to implement health care reform because we have a number of strong, integrated partners.

- **Focus on customer service**

- Consumers should be the number one priority.
- The website application tool must be easy to utilize.
- The call center must be adequately staffed.
- Community based partners must be engaged to help.
- Brokers must be part of the solution.
- Philosophy – No wrong door to health care in Wisconsin.

- **Coordinate with other existing health care reform initiatives**

- The exchange should coordinate with WHIO, WIRED, WCHQ, WHA, WMS and other reform efforts.
- Don't replicate other efforts.

Health Insurance Purchasing Exchange Opportunities

- Advance payment reform.
- Partner with Medicaid, Medicare, ETF and other large payers.
- Ensure greater portability in health insurance and prevent employees from getting “handcuffed” to their job because of health care needs.
- Create strong economic incentives for insurers and providers to better align around value.
- Drive real improvement in health care quality and efficiency.

Opportunities for Payment Reform

- **Medical Homes**
 - Medical homes for Medicaid beneficiaries with chronic conditions
- **Accountable Care Organizations**
 - Incentive payments under Medicaid for pediatricians meeting certain criteria such as expenditure and services savings and quality of care
- **Health Care Quality initiatives**
 - Delivery System reform
- **Comparative Effectiveness Research**
 - Establish non-profit Patient-Centered Outcomes Research Institute
- **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.

Important Public Health Investments

- **Wisconsin has work to do...**

- 43% of adults fail to meet physical activity recommendations
- 76% do not consume 5 or more fruits or vegetables per day
- 22% of women 40 and older hadn't had a recent mammogram
- 36% of men over 50 have never had a colonoscopy
- 19.8% of adults still smoke
- 65% of adults are overweight or obese

- **Health care reform goes beyond direct treatment for disease and also focuses heavily on prevention.**

- **Many synergies with Healthiest Wisconsin 2020**

<http://dhs.wisconsin.gov/hw2020/report2010.htm>

Prevention and Public Health Fund

Federal fund designed to allocate grant funds to address and support:

- Breastfeeding
- Oral health
- Childhood obesity
- Teen pregnancy prevention
- STI and HIV/AIDs prevention
- Home visiting
- Employee wellness
- Immunizations
- Chronic disease prevention
- Disparities
- Women's health
- School health clinics
- Community Health

Prevention and Public Health Fund

- \$500 million for FY 10
- \$750 million for FY 11
- \$ 1 billion for FY 12
- \$1.25 billion for FY 13
- \$1.5 billion for FY 14
- \$2 billion for FY 15 and every subsequent year

Prevention & Wellness

- Wisconsin has received \$1.16 M/18 months for Maternal, Infant and Early Childhood Home Visiting programs
- Wisconsin has applied for \$2.7 M/year to support pregnant and parenting teens & prevent teen pregnancy
- Family planning coverage for non-pregnant women with incomes up to 300% of FPL

Prevention & Wellness

Future opportunities:

- **Community Transformation Grants**
 - To reduce chronic disease rates, address health disparities, and develop stronger evidence-based prevention programming
- **Community Wellness Pilot**
 - To provide community prevention interventions, screenings and clinical referrals for 55-64 year olds
- **\$4-\$8 M/year to establish elder abuse, neglect and exploitation forensic centers**

Primary Care

Future opportunities:

- \$11 B appropriated over 5 years for expansion of Community Health Centers
- \$1.5 B to expand the National Health Service Corps provider loan repayment and student scholarship programs for primary care providers
- \$120 M to develop and establish primary care extension program

Primary Care

Future opportunities:

- \$43 M for the Preventive Medicine and Public Health Training Grant program
- \$5 M to develop and implement physician and nurse practitioner home-based primary care demonstration program
- \$1.5 M to develop and implement nurse-managed clinics

Workforce Development

Wisconsin has received:

- \$2 M to support health care workforce training
 - Nurses
 - Geriatric specialists

Workforce Development

Wisconsin has applied for:

- \$150,000 to develop strategic plan for health care workforce
- \$1.7 M to support training for personal and home health aides
- \$3.25 M over five years to establish a Public Health Training Center

Workforce Development

Future opportunities:

- \$4.5 M to establish state and regional Centers for Health Care Workforce Analysis
- \$750,000 for advanced nursing education expansion program
- \$10.8 M to support geriatric education and training

Workforce Development

Future opportunities:

- \$125 M for accredited professional training programs, including training for physician assistants
- \$30 M for training in general, pediatric and public health dentistry
- \$35 M for student recruitment and training for social workers, psychologists, professional child & adolescent mental health

Workforce Development

Future opportunities:

- \$50 M to establish new accredited or expanded primary care residency programs
- \$230 M for teaching health centers for graduate medical education programs
- \$100 M to establish National Centers of Excellence for Depression

Prevention and Wellness

- National strategy for prevention & wellness
 - National Prevention, Health Promotion and Public Health Council
 - Education and Outreach Campaign
- Menu labeling
 - Restaurants required to disclose calories on menu board
 - Additional nutrition information must be available upon request

Grant Opportunities

- **Review grants document at <http://www.healthcarereform.wisconsin.gov>**
- **Monitor Grants.gov site for funding announcements**
- **Develop partnerships, as appropriate**
- **Apply for funding**
- **Use new funding to enhance the health of Wisconsin citizens**

Health Insurance Market Reforms

- Reforms effective:
 - Today
 - September 23, 2010
 - Early 2011
 - January 1, 2014
- Statutory/Admin. Rule Changes
- National Association of Insurance Commissioners Recommendations

Health Insurance Market Reforms Effective Today

- Temporary Early Retiree Reinsurance Program
- Health Insurance Consumer Assistance Office
- Rate Review
- Web Portal

Health Insurance Market Reform: Early Retiree Reinsurance Program

- Temporary program to provide reimbursement to employment-based plans for a portion of the cost of providing health insurance coverage to early retirees over age 55.
 - Claims between \$15,000 and \$90,000.
- Limited funds; employers should go to www.hhs.gov for more information and to apply

Health Insurance Market Reform: Consumer Assistance Office

- \$30 million in grants available for states to establish offices of health insurance consumer assistance to:
 - Assist with filing of complaints and appeals
 - Collect, track, and quantify problems and inquiries
 - Educate consumers on their rights and responsibilities
 - Assist consumers with enrollment in plans
 - Resolve problems with obtaining subsidies
- Funds can be used to enhance or strengthen models that are already working.
- State insurance departments are eligible for funds and can sub-contract with one or more non-profit organizations.

Health Insurance Market Reform: Consumer Assistance Office

- OCI is working on the grant application and proposes subcontracting with ABC for Health.
 - Application is due September 10th
 - Award date is October 8th
 - Funds support 12 months of activity.
 - States must prove sustainability beyond that point.

Health Insurance Market Reform: 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
- \$250 million in grants available to states over a 5 year period to enhance rate review activities.

Health Insurance Market Reform: Rate Review

- As a condition of receiving grant funds, states must:
 - Report trends in premium increases to HHS; and
 - Make recommendations to the state exchange about whether certain insurers should be excluded from participation in the exchange based on a pattern of unjustified premium increases.

Health Insurance Market Reform: Rate Review

- **Grant Cycle I (Planning): OCI received \$1.0 million (max. award) to:**
 - Develop procedures for reviewing and identifying rate filings that exceed certain predefined thresholds
 - Develop a public hearing process designed to give policyholders and insurers an opportunity to discuss rates
 - Improve documentation of the underlying factors influencing proposed rate increases

Health Insurance Market Reform: Rate Review

OCI \$1.0 million grant, continued

- Collect documentation that will assist in more meaningful comparison across issuers
- Develop standardized rate filing information
- Provide rate information to the public in plain language to assist consumers in understanding how rate increases may impact their premium

Health Insurance Market Reform: Rate Review

- Grant Cycle II: HHS expected to release the application for cycle II funds after releasing regulatory guidance on rate review the fall.
 - HHS indicates grant awards will be made prior to 2011.

Health Insurance Market Reform: Web Portal

- HHS is developing a website through which individuals and small businesses may identify affordable health insurance coverage.
 - Phase I Complete...offers summary level information on available public and private coverage options by state and zip code. <http://finder.healthcare.gov/>
 - Phase II: Due for completion in October. More detailed pricing and benefit information will be available at that time.

Health Insurance Market Reforms: Effective September 23, 2010

- Free Preventive Care
- No pre-existing condition exclusions for kids
- Coverage for young adults on their parents insurance up to age 26
- No rescissions, except for fraud
- No lifetime limits on essential benefits and restricted annual limits on essential benefits
- Independent Review

Health Insurance Market Reforms: Free Preventative Care

- **Plans must provide coverage without cost-sharing for:**
 - 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

Health Insurance Market Reforms: No pre-existing conditions for kids

- For enrollees under the age of 19, no pre-existing condition exclusions can be imposed.
 - Applies to group and individual coverage
 - Specific benefits associated with a pre-existing condition cannot be excluded
 - A complete exclusion from plan enrollment is not allowed

Health Insurance Market Reforms: Coverage up to Age 26

- Plans that provide dependent coverage must extend coverage to adult children up to age 26
 - State law currently requires coverage up to age 27
- The terms of a plan for dependent coverage cannot vary based on the age of a child
- Adult children up to age 26 can be married and qualify for coverage, unlike current state law

Health Insurance Market Reforms: No Rescissions, Except for Fraud

- Coverage may be taken away only for fraud or intentional misrepresentation.
 - 30 day notification must be made to policyholders prior to cancellation.

Health Insurance Market Reforms: Lifetime and Annual Limits

- No lifetime limits on essential benefits.
- Restricted annual limits on essential benefits. Phase in is as follows:
 - Plan years beginning between Sept. 23, 2010 and Sept. 22, 2011 annual limit of as low as \$750,000 is permissible.
 - Plan years beginning between Sept. 23, 2011 and Sept. 22, 2012 annual limit as low as \$1,250,000 is permissible.
 - Plan years beginning between Sept. 23, 2012 and Sept. 22, 2014 annual limit as low as \$2,000,000 is permissible.
 - Plan years beginning after Sept. 22, 2014 will be fully subject to the prohibition.

Health Insurance Market Reforms: Independent Review

- Internal and External review appeals process requirement.
 - Provides an opportunity for an insured to challenge a claim denial.
 - If an internal (insurer) review of a denial does not come back in the consumer's favor, there is an opportunity for an external review by an independent review organization.
- WI has internal and external review requirements in Wis. Stats. 632.83 and 632.835
 - ACA has a delayed effective date until next summer for those states with a process in place already.
- Some statutory changes are needed to synch up federal and state law.

Health Insurance Market Reforms: Effective Early 2011

- Medical Loss Ratio
- Uniform Explanation of Coverage Documents

Health Insurance Market Reforms: Medical Loss Ratio

- MLR of 85% is required for large group coverage; MLR of 80% for small group and individual markets.
 - MLR is percentage of premium spent on medical care vs. administrative costs
- 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.

Health Insurance Market Reforms: Medical Loss Ratio

- Secretary Sebelius asked the NAIC to recommend definitions and methodologies this summer.
 - This is earlier than the statutory requirement of December 31st.
 - The NAIC adopted a supplemental exhibit this week that requires health insurers to report certain information to the states that will be used to calculate MLR.

Health Insurance Market Reforms: Uniform Explanation of Coverage

- HHS must develop standards for a summary of benefits and coverage explanation to be provided to all potential policyholders and enrollees.
- Examples of what the summary must contain:
 - Uniform definitions of insurance and medical terms
 - A description of coverage and cost sharing for each category of essential benefits and other benefits
 - Exceptions, reductions and limitations in coverage
 - Renewability and continuation of coverage provisions

Health Insurance Market Reforms: Uniform Explanation of Coverage

- The law requires HHS to develop the standards in consultation with the NAIC and a working group consisting of consumer groups, insurers, healthcare professionals and healthcare advocates.
 - Recommendations are expected to HHS by the end of the year.
 - The law requires the standards to be developed by March 2011 and the uniform explanation of coverage documents implemented by March 2012.

Health Insurance Market Reforms: January 1, 2014

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

Health Insurance Market Reforms: January 1, 2014

- **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**

[NAIC]

- The ACA calls on the National Association of Insurance Commissioners to provide recommendations 133 times.

Examples:

- Medical Loss Ratio
- Uniform Explanation of Coverage Documents
- Exchanges
 - Establishment and operation
 - The offering of qualified health plans
 - The establishment of reinsurance programs associated with exchanges.

Implementing Health Care Reform Statutory Changes

- There are several areas that will require statutory changes to implement health care reform effectively in Wisconsin
- In many cases, it is too soon to tell exactly what changes need to be made, as we are waiting for further federal guidance

Implementing Health Care Reform Statutory Changes

■ Insurance Market

- OCI has enforcement authority over the health insurance market changes that are effective this year.
- For several of the insurance market reforms, state statutory and administrative rule changes are desirable for the purpose of synching up state and federal law.

■ Development of a Wisconsin Health Insurance Exchange

- State law can spell out creation of decision-making body for policy development and ongoing governance
- This was the Massachusetts model
- OHCR will be seeking stakeholder input in the near future

Implementing Health Care Reform Statutory Changes

- **Options to align state tax law with federal tax law**
 - Imputed Income
 - Small Business Tax Credit
 - Cafeteria Plans for Small Businesses
 - Flexible Spending Accounts
- **“Basic” Health Plan Option**
 - Decision will need to be made whether to pursue as, of January 1, 2014, the “Basic” Health Plan option in statute or if these individuals will go into the exchange or Medicaid.

Implementing Health Care Reform Statutory Changes

- **Medicaid statutory changes necessary to comply with federal law**
 - DHS is identifying all necessary changes
 - ie. Pursuit of payment reform options and aligning MA payment reform with Medicare changes
- **Public Health options for state statutory alignment with federal law**
 - Nursing mothers break time
 - Menu labeling
 - Diabetes report card

Health Care Reform Creates Opportunity for Wisconsin

- The Affordable Care Act gives states latitude to shape health care reform to work for them
- Some states will wait or let the federal government take charge
- Wisconsin should continue to move forward

Office of Health Care Reform

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for more information