HEALTH REFORM

Presentation to San Francisco Health Commission

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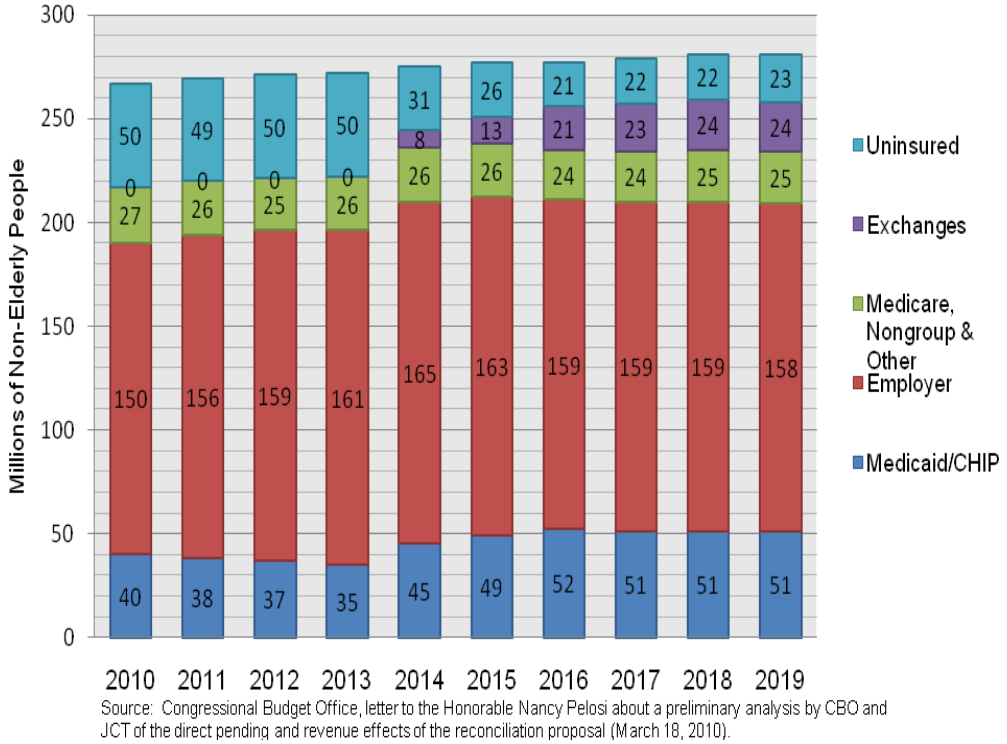
Introduction

- H.R. 3590 and H.R. 4872 signed into law in March
- Multi-pronged approach to health reform
- 92% of U.S. residents will have insurance by 2016



Source: Congressional Budget Office, letter to the Honorable Nancy Pelosi about a preliminary analysis by CBO and JCT of the direct pending and revenue effects of the reconciliation proposal (March 18, 2010).

Major Components of Health Reform

Temporary High-risk Pool

Medicare Doughnut Hole Reductions

Insurance Reforms
- Dependent coverage up to age 26
- No pre-existing condition exclusion for children
- Elimination of cost-sharing for prevention
- No dollar limits on essential benefits for group health plans

Individual Mandate

Medicaid
- Eligibility Expansion
- DSH Reductions

Employer Requirements

Health Benefit Exchanges

Premium and Cost-sharing Subsidies

Insurance Reforms
- Guarantee issue and renewal
- No pre-existing condition exclusions
- Coverage of essential benefits for small group and individual plans

Important Considerations

- Provisions most directly impacting DPH occur in 2014
- Estimates and projections are preliminary
  - Law subject to interpretation and implementation at the Federal level
  - The State has a significant role in implementation
  - Particulars of California's 1115 waiver is uncertain

Potential Impact of Medicaid Eligibility Expansion

Physical Health

- ~36k new Medi-Cal eligibles in SF
- Increase of nearly 29%
- $800,000 in new revenue/1% shift from uninsured
- $23 million in additional revenue if all sought services from DPH

Behavioral Health

- 17.5% CBHS Medi-Cal penetration rate
- Could result in 6,300 new eligibles in CBHS system
- Could result in as much as $19.8 million new revenue

Preliminary Estimates of DSH Reductions for SFGH

	Baseline	Estimated Reduction
FY 08-09 Medicare DSH Baseline:	9,232,103	
TOTAL MEDICARE DSH REDUCTION (beginning no later than 2014; may be phased-in over time)		**6,924,077**
FY 09-10 Medicaid DSH Baseline:	65,586,000	
Annual Medicaid DSH Reductions:		
2014	4.4%	2,892,497
2015	5.3%	3,470,997
2016	5.3%	3,470,997
2017	15.9%	10,412,990
2018	44.1%	28,924,972
2019	49.4%	32,395,968
2020	35.3%	23,139,977
TOTAL MEDICAID DSH REDUCTIONS		**104,708,398**

Potential Grant Funding Opportunities

Primary Care	• Primary Care Extension Program • Community-based and school-based health centers • Nurse –managed health clinics
Behavioral Health	• Integrated services to adults with mental illness and co-occurring primary care and chronic disease conditions
Long-Term Care	• Community First Choice Option • State Balancing Incentive Payment Program
Public Health & Prevention	• Prevention and reduction of chronic disease and health disparities • Healthy aging • Childhood nutrition and physical exercise • Epidemiology and laboratory capacity
Workforce Development	• Teaching health centers • Family nurse practitioner training • Public health epidemiology and laboratory science

Health Reform and Local Health Care Programs

- City undertook and implemented health care reform efforts in absence on national reform

- Re-examination of following is required:
  - Health Care Security Ordinance
  - Local health insurance programs
  - Health Care Accountability Ordinance

Reasons for Re-Examination

- Health Reform creates
  - an individual mandate for health insurance
  - health insurance opportunities for the uninsured
  - employer requirements

- Locally, Health Reform
  - Requires evaluation of each local health care initiative that has been created to reassess such issues as:
    - Continuation, modification, discontinuance
    - Program eligibility
    - Target population

Proposed Approach Given Health Reform

- Ensure that San Francisco's local health programs do not create a disincentive for individuals to enroll in subsidized health insurance options
- Critical to efficiently use local General Fund for those without options
- Guiding principles for consideration
  - Actively encourage and provide assistance to eligible uninsured residents to enroll in a federal/state subsidized health insurance option
  - Seamlessly transition residents enrolled in a locally developed health insurance program into a federal/state subsidized health insurance option
  - Appropriately modify eligibility rules/process for local health access programs to ensure that they work in concert with any federal/state health insurance eligibility

What happens now?

- The Department is not recommending any changes to the local health programs and initiatives at this time.

- Over the course of the next 12 – 36 months, before Health Reform is fully implemented, the Department will work with other key stakeholders to fully assess each program for continuation, modification or discontinuance

Summary of Health Insurance Options for the Uninsured

- Under Health Reform, all eligible citizens and legal immigrants are mandated to have health insurance (with some exemptions)

Health Insurance Program	State Option to Implement	Federal Poverty Level	Subsidies	Impl. Date
Medicaid Expansion	No	0% - 132% FPL	NA	1/1/2014 (or sooner)
Basic Health Plan	Yes	133% - 200% FPL	Yes	1/1/2014 (or sooner)
Health Exchange	No	133% FPL and above	Yes, up to 400% FPL	1/1/2014 (or sooner)
High Risk Pool	National Level	All Income Levels	Yes	6/2010 - 1/1/2014

Medicaid Expansion

- Medicaid expands to those with incomes up to 133 percent of FPL (including childless adults)
  - Scope of benefits, delivery system, etc. not yet defined for Medi-Cal program
- Health Reform addresses the following three requisite conditions to expanding health insurance:
  - individual health insurance mandate (with subsidies by household income level)
  - guarantee issue from health insurers
  - sufficient provider capacity (via increased Medicaid payments for primary care services)
- Department supports efforts that result in expanding the pool of private providers serving low-income populations
  - In the past, federal and state financing mechanisms have not created the appropriate financial incentives to entice providers to serve this population

Health Care Security Ordinance (HCSO)

- City and County implemented its own local reform effort with passage of Health Care Security Ordinance

- The principal goal of the Ordinance was to expand access to health care benefits for uninsured workers and residents via:
  - Employer Spending Requirement (ESR) – Office of Labor Standards Enforcement
  - Healthy San Francisco (HSF) – Department of Public Health

- Federal Health Reform will impact aspects of the Ordinance. However, the impact would likely not occur until 2014 when the major components of Health Reform become effective

Employer Spending Requirement (ESR)

- The ESR and Health Reform share a similar objective -- to ensure that employers provide health benefits to their employees

- Health Reform is narrower in its intent and impact than ESR:
  - Health Reform does not create an employer mandate, while ESR is an employer mandate
  - Health Reform applies to a smaller number of employers (i.e., size of business based on number of employees) and employees (i.e., eligible employees based on hours worked) than ESR

<u>Impact Assessment</u>

- The ESR remains in effect
- Not aware of language in Health Reform legislation which suggests an intent by federal government to interfere w/ ESR
- If inconsistencies arise in the implementation of Health Reform and ESR, these can be addressed with either federal or local regulation

Healthy San Francisco (HSF)

- Health Reform is beneficial to San Francisco on two fronts:
  - Health Reform expands health insurance options – health insurance is preferable to HSF
  - Some HSF health care services costs now incurred by the General Fund will be funded under Health Reform

- Health Reform implementation will not dismantle HSF -- HSF still needed, albeit serving fewer:
  - Health Reform does not cover all uninsured individuals (e.g., those with exemptions)
  - Health Reform creates an individual mandate, but unlikely that will comply

- Department will re-examine key HSF program features (eligibility, fee/subsidy structure, network, etc.) to determine if changes are needed

<u>Impact Assessment</u>

- Full implementation of the Health Reform will decrease the number of adults eligible for and enrolled in HSF – current estimate is enrollment could decrease by 60%
- Major Health Reform components unlikely to take effect until January 2014, so no immediate reduction in HSF enrollment or HSF General Fund expenditures

Healthy San Francisco and Health Exchange

- HSF is not health insurance
  - HSF could not be a health insurance product in state health exchange
  - HSF enrollment does not meet the individual health insurance mandate

- The Department is not recommending that HSF be converted to a health insurance plan or product consistent with Health Care Security Ordinance

- Implementation of HSF and the Department's participation in the Health Care Coverage Initiative has helped prepare our community:
  - Created a single, streamlined eligibility determination and enrollment for multiple health programs
  - Expanded the network of providers (including private) serving uninsured
  - Promoted the use of primary care medical homes
  - Data identifying uninsured adults that are potentially eligible for Medi-Cal

Healthy Kids (HK)

- HK is a health insurance for children and youth (aged 0 – 18) in households with annual income up to 300% FPL who are ineligible for either Medi-Cal or Healthy Families; currently 7,300 members
  - HK covers two distinct children and youth populations: (1) undocumented with family income up to 300% FPL and (2) documented with family income between 250% - 300% FPL

- Through federal/state funded mechanisms, children have the following health insurance options
  - Medicaid – CA Medi-Cal
  - S-CHIP – CA Healthy Families
  - Health Insurance Exchange

<u>Impact to Be Determined</u>

- Department to assess HK (need and scope)
  - Children and youth in families with incomes above 250% FPL will have health insurance exchange option

Healthy Workers (HW)

- HW is a health insurance for In-Home Supportive Services workers where the San Francisco Public IHSS Authority acts as the employer of record; currently 9,400 members

- Under Health Reform IHSS workers will have expanded opportunities for health insurance

<u>Impact To Be Determined</u>

- City and County will need to determine how HW might work given Health Reform from employment, financing and program perspectives

Health Care Accountability Ordinance (HCAO)

- HCAO requires City and County contractors to offer health insurance (which meets a set of minimum standards) to their employees or pay a fee to the Department to offset costs of health care

Current Impact Assessment

- Implementation of Health Reform does not appear to pre-empt HCAO – HCAO functions as a contracting requirement and not an employer health insurance mandate

- However, under HCAO, the Health Commission sets the minimum health benefits standards met by City and County contractors and reviews the employer fee
  - This may need to be examined in light of the employer provisions of Health Reform

Health Reform Task Force

- Will analyze the impact of health reform on San Francisco
- Make recommendations to the Health Commission, the Board of Supervisors, and the Mayor
- Scope:
  - Changes that San Francisco should make to existing programs
  - Changes to state or federal legislation/regulation
- Members
  - Department of Public Health
  - Department of Human Services
  - Healthy San Francisco
  - City Attorney
  - Community Clinic Consortium
  - Hospital Council
  - Medical Society
  - Health Plan
  - Patient advocates
  - Labor
  - Business

THANK YOU