



Health Reform – Impact On Wisconsin

BACKGROUND

With enactment of the Patient Protection and Affordable Care Act (H.R. 3590) and the Reconciliation Act of 2010 (H.R. 4872), the nation moved forward with expanding coverage to an estimated 32 million more individuals at an estimated cost of \$940 billion over 10 years, important health insurance reform and the potential for “value” provisions to transform Medicare reimbursement among other changes. In evaluating the impact of reforms on Wisconsin hospitals, it is important to outline how Wisconsin differs from the rest of the country, namely our high rate of coverage, both in commercial insurance and in Medicaid programs, as well as our high quality, as evidenced by our #1 ranking in quality by the Federal Agency for Healthcare Research & Quality and high value, as documented by the Dartmouth Atlas.

IMPLICATIONS OF HEALTH REFORM IN WISCONSIN

Coverage Expansion – the new law will provide an estimated 32 million more individuals across the country with coverage by 2019—16 million through Medicaid expansions and 16 million through newly created exchanges. However, Wisconsin has already been an innovative and proactive leader in coverage expansions. Governor Doyle indicates 98% of Wisconsinites have access to coverage, one of the highest levels in the nation. This has been through the BadgerCare Plus program expansions among other innovations. Because of our high level of coverage, the WI Department of Health Services estimates roughly 125,000 of the 32 million will come from Wisconsin.

Financing – health reform will be financed primarily through \$500 billion in Medicare cuts over 10 years, including an estimated \$155 billion from hospitals as well as \$400 billion in higher taxes, fees and penalties. Some of the financing provisions the Wisconsin Hospital Association (WHA) has and will continue following, include:

- Hospital Market-Basket Reductions/Productivity Adjustments: The new law will reduce hospital Medicare payment updates by approximately \$112.6 billion over 10 years, including a **loss of roughly \$2.6 BILLION for Wisconsin** over 10 years. These reductions begin in 2010-2011 through market-basket reductions. Starting in 2012 there are added productivity reductions.
- Hospital Acquired Conditions (HACs): Beginning in FY 2015, adds a 1 percent penalty to hospitals in the top quartile of rates of HACs, resulting in reductions of \$1.5 billion nationwide over 10 years.
- Hospital Readmissions: Beginning in FY 2013, imposes financial penalties on hospitals for so-called "excess" readmissions when compared to "expected" levels for certain 30-day readmission measures. This is expected to cut \$7 billion over 10 years. WHA has advocated that any hospital readmission proposal be directed at *unplanned* readmissions related to the *original* admission. And even then there are other factors still in play that occur outside of the hospital's control. Additionally, WHA advocated for the proposal to look to evidenced-based policies to address the issue. While the provision does exempt Critical Access Hospitals (CAHs), the provision does not properly address the issue and WHA remains opposed.
- Independent Payment Advisory Board (IPAB): Creates a new, independent board that would make binding recommendations on Medicare payment policy and non-binding recommendations for changes in private payer payments to providers. The recommendations exclude some hospitals, but not CAHs through 2019. WHA urges Congress to remove CAHs from IPAB review similar to other hospitals.
- Expanded Medicaid Reimbursements: Beginning in 2014, requires all state Medicaid programs to cover individuals up to 133% of the federal poverty level (FPL). Wisconsin already covers individuals up to 200% of the FPL so will not benefit as much as other states. However, WHA is appreciative that states like ours will receive some additional federal assistance for covering this population.

Insurance Reforms – the new law includes a variety of insurance reforms, including:

- Risk Sharing Pools: Wisconsin's long-established risk-sharing program, Health Insurance Risk Sharing Plan (HIRSP), could be a recipient of some of the \$5 billion included under the new law. WHA strongly supports

(over)

the HIRSP program and believes it should receive a portion of these new funds.

- Young Adult Coverage: The new law extends coverage to young adults up to 26 so they can continue being covered under their parent's plans. Wisconsin law already covers individuals up to 27, though the new federal law would extend this coverage to self-funded plans as well.
- Insurance Exchanges: Beginning in 2011, requires states to establish health insurance exchanges through which individuals and small businesses can purchase qualified private health insurance coverage. A Federal employee benefit -like, multi-state health insurance plan will be offered through the exchanges with oversight by the federal Office of Personnel Management Consumer Operated and Oriented Plans (Co-OPS). WHA is grateful the final law did not include the so-called "public option" and will be involved in the development of the insurance exchange in the state.

Innovative Reforms – some of the most transformative provisions of the new law came through value-oriented Medicare payment reforms, including:

- Value/Geographic Variations: The health reform package as enacted includes an important movement to promote VALUE in health care – high quality, cost-effective care – and attempts to rectify longstanding Medicare payment inequity issues. The enacted value provisions include: a) provide \$800 million to be used to address GPCI inequities (doctor payments) as well as provide increases to address geographic disparities to hospitals in the lowest quartile of reimbursement; b) require several studies on geographic variation and value; and c) require the Secretary of HHS to host a national summit of geographic variation and value among other provisions. **WHA thanks our Members of Congress for all their efforts on these important provisions and will continue to be engaged as the issues unfold.**
- Accountable Care Organizations (ACOs): Beginning in 2012, allows hospitals, in cooperation with physicians, to provide leadership in voluntary ACOs. ACOs would be responsible for managing the care of certain beneficiaries and allowed to share some of the savings from improved care management with providers. WHA believes this *could* have been a valuable provision because many Wisconsin providers are already operating as ACOs. **Unfortunately, our hospitals will be disadvantaged under the new law because the formula does not include a national benchmark and Wisconsin hospitals are already operating far more efficiently than many others.**

Workforce – there are provisions that will help with health care workforce education and demand, particularly now that so many newly covered individuals will come into the system. However, WHA remains concerned little attention was paid to these issues during the debate. Positive provisions include:

- Graduate Medical Education: Contains no reductions in IME payments. Redistributes 65 percent of unused residency training positions as a way to encourage increased training of primary care physicians and general surgeons. Qualified hospitals would be able to request up to 75 new slots. WHA continues to support increased GME slots.
- Primary Care Physicians: Requires states to increase Medicaid payment rates to primary care providers in 2013 and 2014 only to Medicare levels, and provides 100 percent federal funding for the incremental costs to states. WHA supports this small step to encourage primary care practice.
- Scholarship/Loan Forgiveness Programs: The new law includes additional scholarships and loan forgiveness programs WHA believes will encourage individuals to enter health care professions.
- National Workforce Advisory Committee: WHA believes a national workforce strategy is a needed and important goal. The national advisory committee could help in this regard.

Key Points:

- WHA supports providing coverage to individuals in need, including an estimated 125,000 in Wisconsin.
- WHA appreciates the efforts of Wisconsin's Members of Congress who worked to retain important value provisions in the final law.
- WHA will continue to engage in the debate over how health reform is financed in the years ahead and advocate wherever possible on improvements.