

One year ago President Obama laid out his health reform agenda in Green Bay. There was optimism then that Congress would reach consensus on the legislation and produce a bipartisan bill. That didn't happen. The dialogue on this issue has been highly emotional and energetic on all sides. It is difficult to find anyone that does not have a strong opinion about how this happened and what should happen next.

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This presentation has four goals: To provide an environmental scan of how WHA believes this legislation will affect Wisconsin; Present the four central themes that are present in the legislation; Describe the impact that health reform will likely have on Wisconsin and Explain future WHA priorities that are shaped by member input under the direction of our reform task force and the WHA Board; and to explain why this is far from over.

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The Bill is now law. It is hard to believe it was just a few months ago that President Obama signed the legislation into law surrounded exclusively by Democratic leaders.

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Understanding Wisconsin attributes is essential to fathom the impact of this bill here. Wisconsin has the second lowest uninsured rate in the country. We begin health reform unlike many other states. Our coverage far exceeds the national average; it even exceeds what is expected to occur when the new coverage kicks in 2014. We have a high level of physician-hospital integration either real through employment, or defacto through strategic partnership, and our physician groups and hospitals are largely aligned on a regional or local basis.

Wisconsin is easily among the top three states in the nation when it comes to adopting health information technology...especially Electronic Health Records...an important facilitator of delivery reform.

Wisconsin is ranked number one in the nation for health care quality by the federal Agency for Healthcare Research and Quality. AHRQ measures not just hospitals, but physicians, long term, and home health care.

Wisconsin has low per capita spending in the Medicare program. Wisconsin is often described as a high value state. We are efficient in Medicare spending and we deliver high quality patient outcomes.

We also have a relatively favorable tort environment which is a tool that has helped us recruit and retain physicians...And our hospitals and medical groups are in a relatively healthy financial position.

The other dynamic is the fact that we have 59 critical access hospitals out of 130 hospitals in the state. The CAH status will shelter those hospitals from some of the cuts that are coming. But it also makes them ineligible for some of the potential opportunities associated with delivery reform.

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When the President was in Green Bay last June, his budget director was quoted as saying if the rest of the country would practice medicine like Green Bay (or all of Wisconsin for that matter), the country would have higher quality and significantly lower costs. Some of us were optimistic that health reform would be about that, it wasn't. However, it did shape our messaging during the health reform debate.

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I see five key themes in health reform legislation: Coverage, Financing coverage, Insurance Reform, “Real” Reform, Value and payment, and, Adequate workforce and access.

Above all else this is a coverage bill: 32 million uninsured will be added to their state’s Medicaid program or to new state-level exchanges that will feature subsidized coverage beginning in 2014. Of that 32 million, about half will become Medicaid eligible; the other 16 million will be part and full time workers who are low income and largely work for small organizations or independent contractors. That group will then be eligible for the state level health exchanges where they are envisioned to have a menu of health care choices and receive subsidies to help them get insurance beginning in 2014.

It’s important to understand that 48 million Americans are uninsured---32 million will gain coverage. It’s not universal.

How will this coverage be financed? The price tag is 1 Trillion dollars. Attempts were made to keep it under a trillion, the bill came in at 950 Billion dollars, but subsequent Congressional Budget Office scoring pushed the price tag beyond \$1 trillion. The real number may be far larger.

Health reform was also about reform of the health insurance industry. There are 20 initiatives embedded in this legislation that will change the way health insurance is sold. These reforms, like coverage of adult children, regulation of medical loss ratios, and limits on underwriting for patients with pre-existing conditions are among the most popular provisions in the bill.

There is some recognition of the physician workforce issue, but the address is inadequate. Congress ran out of money before they could address this simmering crisis.

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Here's a timeline that is helpful in understanding when things begin to happen. There is some early insurance reform but as we look at 2013 and 2014, things start to happen as far as coverage is concerned. 2014 is when major insurance reform provisions take effect. That is a ways off, but it is significant that between now and 2014 there is a lot of room for legislative action and regulatory debate. New coverage is pretty much delayed for three years, but a lot of intensive debate and discussion will occur between now and 2014.

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Paying for coverage is not delayed. Half the dollars that will pay for coverage will come from Medicare cuts and half will come from new taxes and fees. Cuts will happen to PPS hospitals, that is, hospitals that are paid prospectively, home health, long term care, and cuts in the popular HMO Medicare Advantage plan, which many seniors have chosen as their way to access the Medicare program.

There will be reductions in annual market basket increases to hospitals, penalties associated with hospital-acquired infections and readmissions, and cuts will be made to hospitals that treat high numbers of Medicaid and indigent patients. For Critical Access Hospital, there will be no cuts...but there may be attention given to why such a large group of hospitals is not subject to the pain that other hospitals must go through.

The law also includes 400 billion dollars plus in higher taxes fees and penalties to upper income earners, health plans, medical equipment, pharmacy, tanning salons, and penalties on individuals and employers.

These new taxes and cuts add up to 900 billion dollars plus, so it is likely that as we gear up for the new coverage, the real cost will be far greater than the revenue that is in this bill. That means that the revenue requirements in this bill will need to be revisited.

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The President's advisors said Wisconsin should be a model for the country. There will be a study in 2012 and recommendations regarding "value" that could lead to payment reform that would provide incentives for organizations that deliver high value outcomes while lowering costs. Even if the study makes recommendations that are favorable, Congress would have to enact them. If it takes incentive money away from New York or Florida and gives it to Iowa and Wisconsin, Congress won't readily support it.

Although there is not sufficient time to discuss, there are pilot initiatives in the bill, including payment bundling in 2012 and accountable care organizations in 2013. Some Wisconsin provider organizations may want to explore participation in these pilots as details emerge next year.

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The legislation failed to address issues associated with workforce and access. Who will take care of these 32 million patients that will have coverage in 2014? We know we have a severe primary care crisis in this country and in Wisconsin. We don't have enough primary care physicians; employing non-physicians won't help us enough. How will we address that demand? Congress ran out of money before they could fund these initiatives.

There is new money for the federally-qualified health centers. We have quite a few of these in Wisconsin and they are critical partners with our hospitals. They are terrific Medicaid access points; many also have dental practices. There is a lot of money for expanding infrastructure in employing physicians and non-physician professionals in expectation of the flood of newly-covered lives.

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What will happen in Wisconsin? The Governor was at Meriter Hospital in Madison to announce the creation of the Wisconsin Office of Health Care reform – which will focus on implementation issues. His vision and focus, coupled with the partnership he formed with Wisconsin hospitals, has put Wisconsin in an enviable position as it relates to coverage.

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Looking ahead, there will be new federal money coming into the Wisconsin Medicaid program in 2014. There will be some subsidies for the state health insurance exchanges, and a possible transfer of those with higher incomes now in the Medicaid program into the state-level exchange where they will purchase subsidized commercial insurance. Of the 32 million persons that will have insurance under reform, only 125 thousand additional lives will be covered in Wisconsin. We fall far short of big numbers because we have generous Medicaid eligibility criteria that currently exceed the federal criteria that takes effect in 2014. That is why we will be one of the few states in the nation that will have a population of people that will migrate out of Medicaid into commercial insurance through the state exchange.

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Health reform will cost non-critical access hospitals in Wisconsin about 2.6 billion dollars over ten years. Will cuts be offset with reduction in losses from the uninsured? For most Wisconsin hospitals the answer is probably no. Health reform will not be a net benefit economically for Wisconsin hospitals...unless we can successfully move people out of Medicaid and into commercial coverage that adequately pays for the cost of care.

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We must sustain the current Medicaid program until 2014. That's a tall order. The next Governor will face a budget crisis of unparalleled historic proportions in an environment of "no new taxes." Medicaid will be one of the top three reasons why we have a budget crisis and one of the reasons why the next state budget is going to be a monumental challenge.

We will work to make sure that the insurance exchange recognizes our assets as a high coverage state.

We will work with the Wisconsin Congressional Delegation to try to do what we can to fix the numerous flaws in the legislation.

Wisconsin hospitals will maintain and accelerate their commitment to value, performance improvement and payment reform. It has separated us nationally from other states and our continuing commitment to move quality and value forward is critical.

The Medicare physician payment formula is a looming and expensive fix, but it is critical if Medicare recipients are to have access to physicians.

There are many workforce challenges ahead of us, especially primary care. We are concerned that our two medical schools in Wisconsin are not prepared to aggressively educate and train more physicians. The State of Michigan, which has been in the throes of a depression for nearly a decade, has opened three new medical schools in the last three years. We need to explore that approach as an option for Wisconsin.

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It isn't over....the November elections are seeing some call for repeal of health reform. When the dust settles following the November elections, a majority of the new members of Congress will want significant changes to this legislation. President Obama can block repeal, but there will be a lot of tinkering around the edges on this legislation.

WHA staff is working to help our members understand and digest the numerous provisions within this legislation. And you'll be kept abreast of our efforts over the coming weeks and months.

We must work with what we have, deploy the resources available to us to improve the law, and manage our way through the challenges and opportunities presented to us in the next several years.

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