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## The Affordable Care Act in Texas: Five Years and Counting

David W. Hilgers | October 21, 2014

### ACA Timeline

**Bill Passed**      3/23/2010

- 2010**
- Eliminated pre-existing conditions for children
  - Limited cancellation of coverage
  - Eliminated lifetime limits
  - Required Plans to cover preventable care
  - Allowed children to remain on parents' coverage until age 26
  - Established high risk coverage



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## ACA Timeline, continued

- 2011
  - Limiting insurance company administrative costs and profit to 15% of premium
- 2012
  - Changes in Medicare linking payment to quality
  - Initiation of accountable care organizations
- 2013
  - Bundled payment program
  - Increased medical payments to primary care



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## ACA Timeline, continued

- 2014
  - Eliminates discrimination based on pre-existing conditions or gender
  - Eliminates annual limits on coverage
  - Begin premium subsidies for people with income between 100% and 400% of poverty
  - Opening of the exchanges
  - Medicaid expansion to 133% of poverty
  - Implementation of tax on individuals for failure to purchase insurance



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## The Results So Far

Impact on Uninsured*	2013	2014	Change
U.S.	18%	13.4%	-4.6%
Texas	26.8%	24.81%	-1.99%
Florida	24.7%	19.61%	-5.12%
Mississippi	18.11%	21.46%	+3.34%
Colorado	16.54%	9.02%	-7.52%
Oregon	16.91%	6.38%	-10.54%

\*Gallup 2014



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## The Results So Far

- Uncompensated care in the US is reduced by 5.7 Billion in 2014 (Department of Health and Human Services)
- $\frac{3}{4}$  of this savings went to the 26 states that expanded Medicaid
- Tenet reported a 57% decline in uninsured inpatient admissions and a 27% decline in uninsured outpatient visits in states adopting the expansion.
- Community Health reported a 41% decline in self-pay ER visits in expansion states as opposed to a 5% decline in states rejecting expansion



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## The Results So Far In Texas

- 24.21 % uninsured
- 6.4 Million people uninsured
- Uncompensated care costs \$4 billion/yr
- Texas did loosen the limits on kids thereby covering about 600,000 more by 2017, so there was some expansion.
- 737,000 Texans enrolled through the insurance exchange



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## Uninsured by Demographic Group<sup>1</sup>

	Change in Percentage Uninsured	Total Percentage
Hispanics	-5.59% <sup>2</sup>	33.2%
African American	-7.19%	13.8%
Low Income	-5.5%	25.2%
18 - 25	-5.5%	25.2%

<sup>1</sup>Gallup 2014

<sup>2</sup>Commonwealth Fund reported Latino uninsured dropped by 13%



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## Payment of Premiums

- Gallup**                      ■ **67% of new enrollees paid first premium**
- Insurance execs**        ■ **80% of new enrollees paid first premium**



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## Impact on Uninsured

20 million gained insurance	
Employer Coverage	Insured 8.2 million new patients
Medicaid	Insured 5.9 million new patients
Exchange policies	Insured 3.9 million new patients by March 2014
	Insured 7.3 million new patients by August 2014

Less than 1 million lost coverage



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## Debate on New Insureds

- Kaiser says 57% of exchange were primarily uninsured
- Rand says 25% of exchange were primarily uninsured
- McKinsey says 36% of exchange were primarily uninsured



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## Premium Increases

**Most popular exchange programs 8.4%**

**Other plans 1.0%**

**Employer plans 3.0%**

**Versus**

**9.9% in 2008**

**10.8 in 2009**

**11.7% in 2010**



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## Inflation

### **Great debate about why, but medical inflation has declined dramatically**

- 2010-2012 – Health care spending grew more slowly than the U.S. economy – 3.7% versus 7% average before
- Federal budget projections for Medicare
  - Estimates have been reduced every year for 6 years
  - 2019 estimate has been reduced \$95 billion
  - Predicts a per person cost for Medicare of \$11,300 in 2019 versus \$12,700 in 2010
- Currently, the health care inflation rate is 2.0% compared to 2.34% last year and an average of 5.48%



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## Subsidy Costs

- 9 of 10 people who used the federal exchange got a subsidy which lowered the premiums for those people by 76%
- \$11 billion was paid in subsidies for people using federal exchanges
- For non-federal exchanges, the estimate is \$17 billion
- This was consistent with CBO estimates



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## Medicaid Spending

- 2013 \$265 billion
- 2014 \$410 billion estimate
- 2024 \$570 billion estimate

By failure to expand:

- Texas will forego \$9.2 billion in 2022
- Texas failed to insure an additional 1.2 million
- Florida will forego \$5.5 billion in 2022
- Georgia will forego \$2.9 billion in 2022

In 10 years, Texas will forego \$100 billion in federal funds



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## Medicaid Expenses

- 4.8 million people in the U.S. are not covered because of rejection expansion
- 1 million in Texas. 600,000 Hispanics (Kaiser Fdn)
- The non-expanding states are funneling \$152 billion to expanding states over 8 years. \$88 billion of this comes from Texas, Florida, North Carolina, Georgia, and Virginia. If these states adopted Medicaid expansion, they would net \$234 billion over 8 years.



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## Medicaid Expansion

- Many states that have rejected Medicaid expansion so far are strongly considering an about face.
- Arizona approved expansion in June and Pennsylvania in August using a Medicaid Waiver that included some premiums in the expanded population.
- Indiana, Missouri and Arkansas are considering a waiver option to get expansion dollars
- Texas legislature held a hearing in August to discuss the options for expanding.



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## Accountable Care Organizations

- 626 ACOs nationwide including commercial and MSSP
- 210 Commercial ACOs, 329 MSSPs and 74 doing both
- 205 million covered lives (Leavitt)
- 17 Medicare ACOs in Texas
- 18 Million covered lives with 60% of those lives in commercial ACOs



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## ACO Medicare Savings

- Shared savings in first year \$300 M
- Fifty-three out of the 204 ACOs generated shared savings totaling more than \$300 million during their first performance year;
- Nine out of the 34 ACOs participating in the Advanced Payment model option of the MSSP generated gross shared savings of \$58.53 million, but over a third (34.5%) of that gross amount was generated by one ACO;



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## ACO Medicare Savings

- One ACO participating in the risk-sharing/shared-losses option (Track 2) of the MSSP generated losses of \$9.97 million and will have to repay \$3.96 million to CMS;
- Two ACOs participating in Track 2 of the MSSP generated gross shared savings and will receive performance payments from CMS of nearly \$17 million; and
- During the second year of the PACO, 11 out of the 23 Pioneer ACOs earned \$68 million in financial bonuses
- Physician owned MSSPs were more successful at generating shared savings.



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## Texas ACOs

ACO	Savings	Dividend
Memorial Hermann	\$57M	\$28M
Rio Grande	\$6M	\$3M
Amarillo Legacy	\$5M	\$2.3M
Integrated ACO	\$3.5M	\$1.7M
Methodist Patient	\$12.7M	\$6.2M
Physicians ACO	\$12M	\$0
RGV Health Care	\$20.2M	\$12M
Totals	\$116.2M	\$43.2M



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## Commercial ACOs in Texas

- 8 to 14 Million covered lives in the US
- Major insurers and hospitals are partnering
  - Aetna, Baptist and Health Texas in SA, Aetna and Memorial Hermann in Houston
  - Seton and BC in Austin
  - Premier PHC in Dallas



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## ACOs

- This model is flawed and will probably not survive in its present form
- However, it is promoting innovation and creativity as has never been seen before in the delivery system structures.
- These range from state-wide all payer ACOs to multi-state ACOs.
- New reimbursement models and narrow networks
- The ACOs have spurred new care management models including the Family Medical Home



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## Family Medical Home

- NCQA web site indicates over 8000 sites with over 36,000 clinicians have been certified as family medical homes
- Representative health plan medical homes
  - United—5 in 5 states with over 1 million lives and 200 providers
  - Wellpoint—12 multi-stakeholder pilots in 9 states with over 1.1 million lives and 565 providers
  - Aetna—5 multi-stakeholder sites in 4 states with over 2 million lives and 155 practices
  - Humana—5 pilots in 6 states with over 200,000 lives and 113 providers
  - Cigna—7 pilots in 7 states with over 1.3 million lives and 780 providers



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## Family Medical Homes and ACOs

- Family medical homes (FHM) are seen as essential to the success of ACOs
- ACOs are developing FMHs in tandem with the development of the ACOs
- Particularly used for chronically ill to shift the 5% of the population generate 50% of health care costs conundrum.
- Have been successful with dually eligible
- Believe that focusing resources on these populations can save the system money
- Teams with nurses, social workers, care givers ensuring that this population receives need care will cut costs.



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## Impact on Insurance Companies

- Total for 2014—\$332 M
- From 2011 to 2014—\$1.9Billion
- In 2013--\$500 M
- In 2012—\$1.1 Billion
- In 2014 7 million people received refunds averaging \$80 per person



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## Impact on Insurance Companies

- Insurance rebates of premium in 2011 in Texas for individual and large insurance plans that did not keep their profit and administrative costs below 15 or 20%. \$166M including

Blue Cross	\$89M
United	\$14M
Humana	\$22.5M



HUSCH BLACKWELL

### David W. Hilgers

#### Husch Blackwell LLP

111 Congress Avenue, Suite 1400

Austin, TX 78701-4093

512.703.5739 direct

512.480.5019 fax

david.hilgers@huschblackwell.com

[www.huschblackwell.com](http://www.huschblackwell.com)

@HBHealthcareLaw

Blog: [www.healthcarelawinsights.com](http://www.healthcarelawinsights.com)



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