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# PUERTO RICO Health & Insurance CONFERENCE 2012

***Economic Transformation in Health***

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## Health Reform After One Year

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# Will Health Reform be repealed?

# Patient Protection Accountable Due Act (PPACA) 2011



- No Co-payments for many preventive services and treatments(2011)
- Provide dependent coverage for children up to age 26 (2011)
- No denying children for preexisting condition (2011)
- No lifetime maximums (2011)
- Oversee or regulate cost/pricing (2011)
- (Must pay out minimum of 85% on large group markets and 80% on small groups/individual markets or provide rebates)
- Consumer protection (ability to appeal to an independent arbitrator) (2011)
- Gradual reduction of Medicare Part D “Doughnut hole” (2011-2020)
  - \$244 deduction effective 2010
  - \$553 deduction effective 2011
  - \$654 deduction effective 2012

# Basic Elements of the PPACA – 2011



- Medicare increases primary care payment by 10% (2011)
- Medicare launches “Physician Compare Website” to review and compare physician quality, and experience by patients (2011)
- Track reforms to reward providers for quality care, efficiency, and prevention, rather than volume (2011)
- Accountable care organizations (ACOs) (2011)

# Basic Elements of the PPACA – 2011



- Increase in Medicare Hospital Insurance Tax of high income earners (\$210B, 2012-2019)
- Reimbursement for Physicians under Medicare
  - 0.5% increase in reimbursement to MDs in 2010
  - 21.5% cut in reimbursement to MDs in 2011 (postponed)
  - Now 27.4% cut in reimbursement to MDs in 2012 (postponed)
- Creation of high risk pools for those who cannot obtain insurance elsewhere (2011)
- Provide incentives (tax credits) for small employers (<26 employees) who provide health insurance
  - 35% tax credit (2010-2013)
  - 50% tax credit (2014 on)



# Basic Elements of the PPACA 2014

- The Individual Mandate
  - Require health insurance coverage for all Americans enforced through a penalty
  - \$750 per person per year (2014)
- Subsidies for those with incomes up to 400% of Federal Poverty Level (FPL)
  - \$74,120 for family of 3 in 2011 (2014)
- Expand Medicaid eligibility –
  - 133% (2014)
- Employers must 'play or pay' (2014)
  - Stipulation relating to actual amount of coverage to be considered to be playing
  - Paying will cost employers \$2,000 for all employees beyond the 30th employee
- Small employers (< 50 employees) exempted (2014)

# Basic Elements of the PPACA – 2014

- Prohibition of pre-existing conditions exclusions (2014)
- Prohibition of basing insurance premiums on health status (2014)
- Excise tax on “Cadillac” health insurance plan (\$32B, 2018-2019)
- Medicare Advantage
  - Currently at 112% of traditional Medicare  
100% plus up to 5% bonuses for quality performance improvement of traditional Medicare (2014)
- Establish independent Medicare Commission (2014)
  - To monitor waste and potential budget savings

# Potential and Actual Impact of Health Care Reform



- Average annual premium for family coverage provided by an employer was \$15,073 in 2011: An annual increase of 9%
- Cost of family coverage has increased 100% while wages increased 34% since 2001
- One argument: insurance companies raising rates in anticipation of insurance rate increase limitations (10%)
  - Increased cost of coverage for adult children
  - Increased cost of preventative screenings
- Affecting hiring decisions



# Potential and Actual Impact of Health Care Reform



- 2009-2010 slowest rate of health care spending growth in 50 years
- May favorably impact cost of PPACA
- If cost control continues, should see slower increase in employer based health insurance premium

# Potential and Actual Impact of Health Care Reform



- Growth in insured with no commensurate growth in providers of primary care
- Under valuing penalty for non-enrollees leading to self-selection bias
  - Continued uninsured issue (18 Million)
  - Insurance risk pool up
  - Insurance premiums up
- Incentive for employers on the margin of employment or payroll to downsize in order to avoid pay or play penalties

# Potential Impact

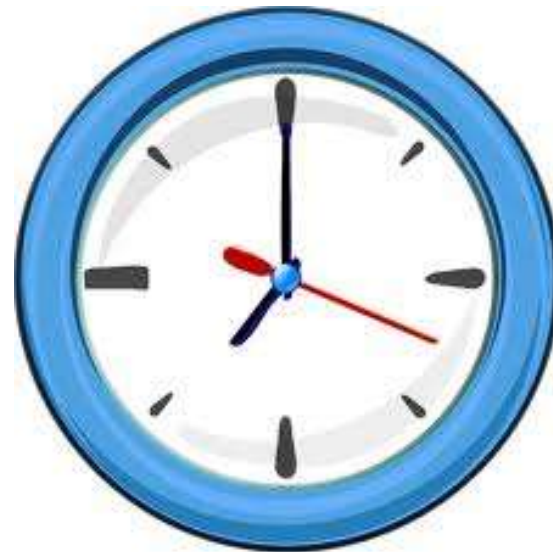
- Adjustment in Medicare Advantage causing potential pressures on over burdened fee-for-service Medicare system
- Significant physician reimbursement limitation can result in increased services per physician and/or lack of availability of physicians
- Medicare still expected to be bankrupt in 5 to 17 years depending on cut back in physician reimbursement

# Potential Impact

- Increasing Medicaid programs causes State budget issues especially in time of recession
- Federal matching grants always a risk
- Potential cutbacks in reimbursement to providers through Medicaid
- Lots of experiments with alternative payment/delivery systems
- Accountable care organizations
  - Efficiency in managing population health in an integrative manner
  - Focus on prevention
  - Merging of physicians and hospitals
  - Where will power lie?
  - Monopolization of markets?

# What will ultimately happen?

## Time will tell...







THANK YOU!

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