Connecticut Health Reform in the Wake of Federal Action:

Federal Reforms & SustiNet

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April 19, 2010

Overview of the Patient Protection and Affordable Care Act (PPACA), as amended

- Overall architecture of the new federal law
- Suggested changes to state law because of reform
- A basic approach for adjusting SustiNet to the new federal law
- Policy design issues under this basic approach

Part I

Overall structure of the new federal law

Basic architecture: 2014

- Health insurance exchanges
  - Run by state agency, nonprofit, or federal government
  - Consumers can choose among multiple health plans
  - Access by
    - Consumers not offered employer-sponsored insurance (ESI),
    - Small firms (and at state option, large firms)
- Subsidies
  - Medicaid up to 133% of federal poverty level (FPL)
  - Tax credits, other subsidies up to 400% FPL
- Shared responsibility
  - Individuals must buy coverage (with exceptions)
  - Employers with >50 FTE workers pay a penalty if ESI not offered
- Insurance reforms
- Delivery system reform encouraged in many ways

Other policy features

- "Early deliverables" effective in 2010:
  - Immediate for and important to Connecticut:
    - High-risk pool dollars
    - Grants for independent state offices of health insurance consumer assistance
    - Reinsurance for early retirees
    - "Backstop" rate review provisions
    - Medical loss ratio reporting
    - Small business tax credits
    - Early adopter Medicaid expansion for SAGA – medical loss ratio
    - Required coverage for tobacco cessation for pregnant women
    - Planning grants for Medicaid coverage of patient centered home services for chronically ill
    - ***Grants*** for work force programs including focus on primary care and the underserved
    - Dependents on parental policies
    - No preexisting condition exclusions for children
    - Rescissions limited to fraud and intentional misrepresentation
    - Bar on lifetime limits & annual limits limited to reasonable limits
    - First dollar coverage for preventive services.

Major caveats

- The law is huge and complex
- We're waiting for guidance on some provisions
- Many provisions are already binding on the state
- Many grants are authorized but not yet appropriated – chances to bring in federal $

Elements of SustiNet & Federal Reform

- Newly available federal resources to implement delivery system reforms, starting NOW. E.g.:
  - $5 billion in reinsurance for early retiree coverage, premised on slowing cost growth for the chronically ill
  - $10 billion for care innovation demonstrations
  - 90 percent Medicaid match for medical home demonstrations
  - SustiNet as state/regional hub for primary care, med. home
- SustiNet embodies an integrated strategy for implementing delivery system reforms favored by federal law to "bend the cost curve"

Part II

Key policy issues

Implementation before 2014

- Not in question: applying delivery system reforms to existing SustiNet populations before 2014 (SustiNet plan begins in 2012)
- Issues before 2014
  - Expanding HUSKY to currently ineligible consumers
  - Offering SustiNet to employer groups (small firms, non-profits, municipalities)
  - Offering SustiNet to individuals

The relationship between SustiNet and the exchange

- Modifying CT licensure rules so SustiNet can be offered in the exchange
- Independence of SustiNet and the Exchange
  - Should a non-profit or the federal government run the exchange, instead of a state agency?
  - Should something other than a state agency run SustiNet?
- Supplementing federal subsidies for SustiNet and exchange plans that reform health care delivery

Conclusion

- SustiNet fits comfortably within the federal reform framework
- SustiNet positions CT to access newly available federal resources
- Careful thought will be needed to flesh out answers to key questions as part of the 60-day report