

## Health Care Reform

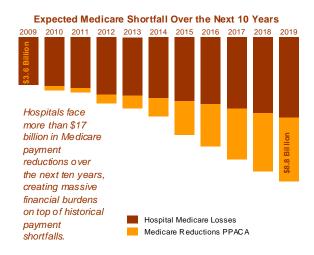
## Implementing Health Care Reform in California

Hospitals are committed to implementing comprehensive health care reform and providing equitable access to affordable, safe, medically necessary, high-quality care. The Patient Protection and Affordable Care Act (PPACA) will cover millions of Californians, and is a strong foundation on which to build lasting reform.

However, California hospitals continue to face challenges due to:

- Government payment shortfalls
- Limited labor supply
- Unfunded state mandates
- High cost of health information technology

With the cost of providing care exceeding Medicare and Medicaid payments, hospitals are concerned about their ability to continue to support communities and implement reforms.



In light of the history of payment shortfalls as well as increasing demands on California hospitals due to state laws such as the \$110 billion seismic-compliance law, health care reform must be implemented with great caution. In 2009, California hospitals lost \$12.2 billion in providing care to patients. This includes more than \$3.6 billion in Medicare payment shortfalls and \$4.6 billion in losses from the Medi-Cal program.

Community Health Indicators			
(Per 1,000 Population)	CA	US Rank	
Inpatient			
Beds	1.9	48th	
Admissions	94.2	42nd	
Inpatient Days	490.9	45th	
Inpatient Surgeries	24.6	48th	
Births	14.3	14th	
Outpatient			
Emergency Visits	273.9	51st	
Other Outpatient Visits	1,055.8	45th	
Outpatient Surgeries	35.6	51st	

Over the next 10 years, California hospitals will face more than \$17 billion in additional payment reductions in the Medicare program. This will worsen hospital losses and result in cost shifting to the commercial market.

California hospitals must have the resources necessary to meet the needs of their patients and provide high-quality care to all who need it as they embrace the goals of health care reform.

Several provisions in PPACA must be addressed to ensure hospitals are well positioned to fully participate in reforming health care:

- Payment reductions
- Geographic variation
- Barriers to clinical integration

For more information, contact Anne O'Rourke at (202) 488-4494 or aorourke@calhospital.org; or Anne McLeod at (916) 552-7536 or amcleod@calhospital.org.



binding recommendations for hospital payments

## **Timeline of Major PPACA Components**

Watershed Decision Years are 2015 and 2020-2021

<ul> <li>\$80 million in Medicare payment reductions</li> <li>Insurance reforms and mandates</li> <li>Tax credits for small businesses</li> </ul>		
Start to close Medicare Part D doughnut hole     Moderate coverage expansions	0040	\$80 million in Medicare payment reductions  Geographic variations and
Enhancement of Medicare fund efforts     Workforce Commission and Research Institute	2010	Medicare area wage index Medical loss ratio minimums
and Innovation Center established		Institution of health plan reports  Voluntary expansion of Medicaid
•\$318 million in Medicare payment reductions	2011	\$2.5 billion excise tax - pharmaceuticals  Public long-term care insurance
<ul> <li>◆First year of readmission penalties #</li> <li>◆Pharmaceutical excise tax increases to \$3 billion #</li> </ul>		(CLASS) established * Medicare Advantage payments frozen #•
<ul><li>◆First year of "value-based purchasing" (VBP) program</li><li>◆Ranking of Medicare Advantage Plans #</li></ul>	2012	\$575 million in Medicare payment cuts•
<ul><li>Voluntary Accountable Care Organizations #</li><li>Medicaid core quality measures issued</li></ul>		Nonprofit consumer operated and oriented plans (CO-Ops)
	2013	2.9% excise tax on medical devices #  Geographic variation policy implemented
<ul><li>\$942 million in Medicare payment reductions</li><li>Medicare and Medicaid DSH cuts begin</li></ul>		Standardize electronic health information  Bundled payment pilot begins #
<ul><li>Exchanges formed (state-based)</li><li>Office of Personnel Management to contract with at</li></ul>		Medicare VBP expanded #● Multi-state health care choice regulations●
least two multi-state plans #  ●\$8 billion fee on health insurance premiums	2014	\$2 billion in Medicare payment reductions  Independent Payment Advisory Board
<ul><li>Individual mandate</li><li>Employers with &gt; 50 employees mandate *</li></ul>		submits annual recommendations to  Congress to reduce Medicare and total
<ul><li>Medicare readmission/VBP penalties expanded #</li><li>Payment cuts for hospital-acquired conditions #</li></ul>	2015	health care spending and improve quality *  Medicare VBP and bundled payment
	2013	programs expanded # Government Accountability Office reports to•
<ul><li>\$2.5 billion in Medicare payment reductions</li><li>New Medicaid eligibles covered 100%</li></ul>		Congress on the affordability of health insurance and availability of affordable private
FMAP incentive for transition of CHIP to Exchanges     Medicare VBP program expanded	2016	coverage (groups and individuals) *
<ul> <li>Increase of fee on health plans to \$11.3 billion #</li> <li>Presidential election year *</li> </ul>		\$3.2 billion in Medicare payment reductions  Allows employers with more than 100
The State Indian State In your	2017	employees to enter Exchanges (state discretion) * Increase of fee on health plans to \$13.9 billion #•
<ul> <li>\$3.6 billion in Medicare payment reductions</li> <li>40% excise tax on excess benefits in coverage #</li> <li>Reduction in funding for Medicaid newly eligibles</li> <li>Increase of fee on health plans to \$14.3 billion #</li> </ul>		Medicare VBP program expanded #  Federal funding for Medicaid reduced
	2018	- Sastar failuring for Micalcula (Cadocas
	2019	\$4.2 billion in Medicare payment reductions  Reduction in funding for Medicaid newly eligibles
Continued Medicare payment reductions     End of decade of HCR implementation     Presidential election year *	2020	Total and Total
	2020	Independent Payment Advisory Board makes

Beyond

<sup>\*</sup> Watershed events

<sup>#</sup> Non-congruent or inconsistent events