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.

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

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Timeline of Major PPACA Components

Watershed Decision Years are 2015 and 2020-2021

2010

- $80 million in Medicare payment reductions
- Insurance reforms and mandates
- Tax credits for small businesses
- Start to close Medicare Part D doughnut hole
- Moderate coverage expansions
- Enhancement of Medicare fund efforts
- Workforce Commission and Research Institute and Innovation Center established

2011

- $318 million in Medicare payment reductions
- First year of readmission penalties #
- Pharmaceutical excise tax increases to $3 billion #
- First year of "value-based purchasing" (VBP) program
- Ranking of Medicare Advantage Plans #
- Voluntary Accountable Care Organizations #
- Medicaid core quality measures issued

2012

- $942 million in Medicare payment reductions
- Medicare and Medicaid DSH cuts begin
- Exchanges formed (state-based)
- Office of Personnel Management to contract with at least two multi-state plans #
- $8 billion fee on health insurance premiums
- Individual mandate
- Employers with > 50 employees mandate *
- Medicare readmission/VBP penalties expanded #
- Payment cuts for hospital-acquired conditions #

2013

- $2.5 billion in Medicare payment reductions
- New Medicaid eligibles covered 100%
- FMAP incentive for transition of CHIP to Exchanges
- Medicare VBP program expanded
- Increase of fee on health plans to $11.3 billion #
- Presidential election year *

2014

- $3.6 billion in Medicare payment reductions
- 40% excise tax on excess benefits in coverage #
- Reduction in funding for Medicaid newly eligibles
- Increase of fee on health plans to $14.3 billion #

2015

- Continued Medicare payment reductions
- End of decade of HCR implementation
- Presidential election year *

2016

- $2 billion in Medicare payment reductions
- Independent Payment Advisory Board submits annual recommendations to Congress to reduce Medicare and total health care spending and improve quality *
- Medicare VBP and bundled payment programs expanded #
- Government Accountability Office reports to Congress on the affordability of health insurance and availability of affordable private coverage (groups and individuals) *
- Payment cuts for hospital-acquired conditions #

2017

- $3.2 billion in Medicare payment reductions
- Allows employers with more than 100 employees to enter Exchanges (state discretion)
- Increase of fee on health plans to $13.9 billion #
- Medicare VBP program expanded #
- Federal funding for Medicaid reduced #

2018

- $4.2 billion in Medicare payment reductions
- Reduction in funding for Medicaid newly eligibles #

2019

- Independent Payment Advisory Board makes binding recommendations for hospital payments

Beyond

* Watershed events
# Non-congruent or inconsistent events