



# Federal Health Reform

## Expansions of Insurance Coverage

Once fully implemented, the Patient Protection and Affordable Care Act (PPACA) will provide access to insurance coverage for more than 30 million of the nation's 46 million uninsured. In California, it is estimated that 6.5 million, or 80 percent, of the state's 8.2 million uninsured will gain access to coverage.

Federal reform mandates that everyone purchase health insurance or have it through employers. The individual mandate, as it is known, and most coverage expansions start in 2014.

More than two-thirds of the newly insured Californians would be covered through the private insurance market, with most of the rest enrolling in Medi-Cal. The vast majority of those who will not be covered are undocumented immigrants, who are not eligible for any of the bill's coverage expansions.

Expanded access to private insurance will be achieved through significant market reforms. These include ending health plan abuses that deny patients coverage, such as refusing to offer policies to people with pre-existing medical conditions or taking away insurance from patients who get very sick.

The reforms also create health insurance exchanges to help individuals and small businesses purchase affordable coverage. Medi-Cal eligibility expansions will cover an additional 1.5 million to 2 million previously uninsured Californians by 2014.

### **Private Insurance Market Changes that Increase Access to Insurance**

#### **Covering Young Adults**

Effective in June 2010, insurers must allow parents to keep kids up to 26 years old on their policies.

#### **High-Risk Pools**

Beginning this summer, the federal government will fund high-risk insurance pools to provide coverage to people who are unable to get health insurance in the private market because they have pre-existing medical conditions. As allowed under the health reform bill, California has decided to operate its own high-risk pool, in conjunction with the state's Major Risk Medical Insurance Program (MRMIP), instead of leaving it to the federal government.

#### **Ending Rescissions, Lifetime Limits on Coverage**

Federal health reform prohibits insurers from canceling policies for patients once they become very sick unless they can prove the patients committed fraud when signing up for coverage. For many years, private insurers systematically rescinded coverage for patients who needed extensive medical treatment to reduce costs and boost profits.

The reform bill also prohibits health plans from imposing annual or lifetime limits on an individual's coverage.

#### **Health Insurance Exchanges**

The main route for most individuals to purchase coverage will be through state-run health insurance exchanges. In the exchanges, plans will offer a variety of standardized health insurance options and levels of coverage. Individuals accessing the exchange will be able to compare plans based on price and provider networks.

#### **Subsidies and Tax Credits**

Uninsured individuals with incomes 133 percent to 400 percent of the Federal Poverty Level (roughly \$29,000-\$88,000 a year for a family of four) will receive sliding scale tax credits to help them purchase coverage through the exchange. The UCLA Center for Health Policy

Research estimates that 2.3 million Californians, or about 40 percent of the state's uninsured, will use the credits.

### **The Role of Employers**

There is no employer mandate to provide coverage.

Employers with less than 50 employees can receive a tax credit for workers who earn less than \$50,000 a year. Larger employers will face a fine if any of their employees access tax credits to purchase coverage through the exchange.

Federal reform also calls for states to set up Small Business Health Options Program (SHOP) Exchanges, which will be similar to health insurance exchanges, to provide coverage options for small businesses.

### **Coverage Through Medi-Cal, Healthy Families and Medicare**

#### **Medi-Cal Expansion and Maintenance**

By 2014, the reform bill will require the Medi-Cal program to cover everyone up to 133 percent of the Federal Poverty Level. In addition, for the first time, Medi-Cal will cover single adults without children. The individual mandate will also boost Medi-Cal rolls because it will force people who currently qualify but don't participate in the program to sign up.

For the years 2010-2014, the reform bill places a "maintenance of effort" (MOE) restriction on states. This means California cannot reduce the eligibility and benefits for – or otherwise substantially cut – the Medi-Cal program for the next four years, without losing federal funding.

#### **Healthy Families**

While there is no specific expansion of eligibility in the Healthy Families Program, there is an MOE requirement that lasts from now until 2019. This prevents California

from making any cuts, reducing eligibility or eliminating the program. The MOE requirement protects health care for 1 million children currently enrolled in Healthy Families.

#### **Reinsurance Program for Employees Ages 55-65**

From June 2010 until January 2014, Medicare will have a reinsurance program for employees aged 55-64. Under this program, Medicare will pay some of the costs associated with employers providing coverage to people in this age range. This will help employers to purchase affordable coverage for older workers.

### **Concerns**

CMA applauds the steps that the federal government is taking to expand access to insurance coverage.

Patients with coverage are more likely to receive needed preventative care and stay healthy.

However, access to coverage is not access to care. CMA is concerned about the health care system's ability to absorb all of the newly insured persons who will need treatment. California's two insurance regulators, the Department of Managed Health Care (DMHC) and the Department of Insurance (DOI), must strictly enforce laws governing plan provider networks.

Without an adequate supply of physicians, patients would face delays in getting care and be forced to turn to costly and overcrowded emergency rooms in greater numbers. Gaining access to care is already a problem for many patients served by Medi-Cal.

Rates need to be raised so more physicians can afford to treat Medi-Cal patients and access can be improved. The reform bill boosts Medi-Cal rates to the same level as Medicare, but only for primary care providers and only

for two years. The increase needs to be wider spread and sustained for access to care to be assured.

### **Next Steps for Lawmakers**

1. Implement the federal high-risk pool for California.
2. Establish the California Health Insurance Exchange, and consider whether to combine the individual exchange with the SHOP Exchange.
3. Complete an inventory of all programs designed to serve the indigent or uninsurable. Calculate budget savings and reinvest them in health care programs.
4. Consider enhancements to state law, such as an employer mandate, that could help Californians afford coverage.
5. Raise Medi-Cal reimbursement rates so more doctors can afford to participate in the program.
6. Work with federal regulators on implementation.