Senate Medical Affairs Subcommittee

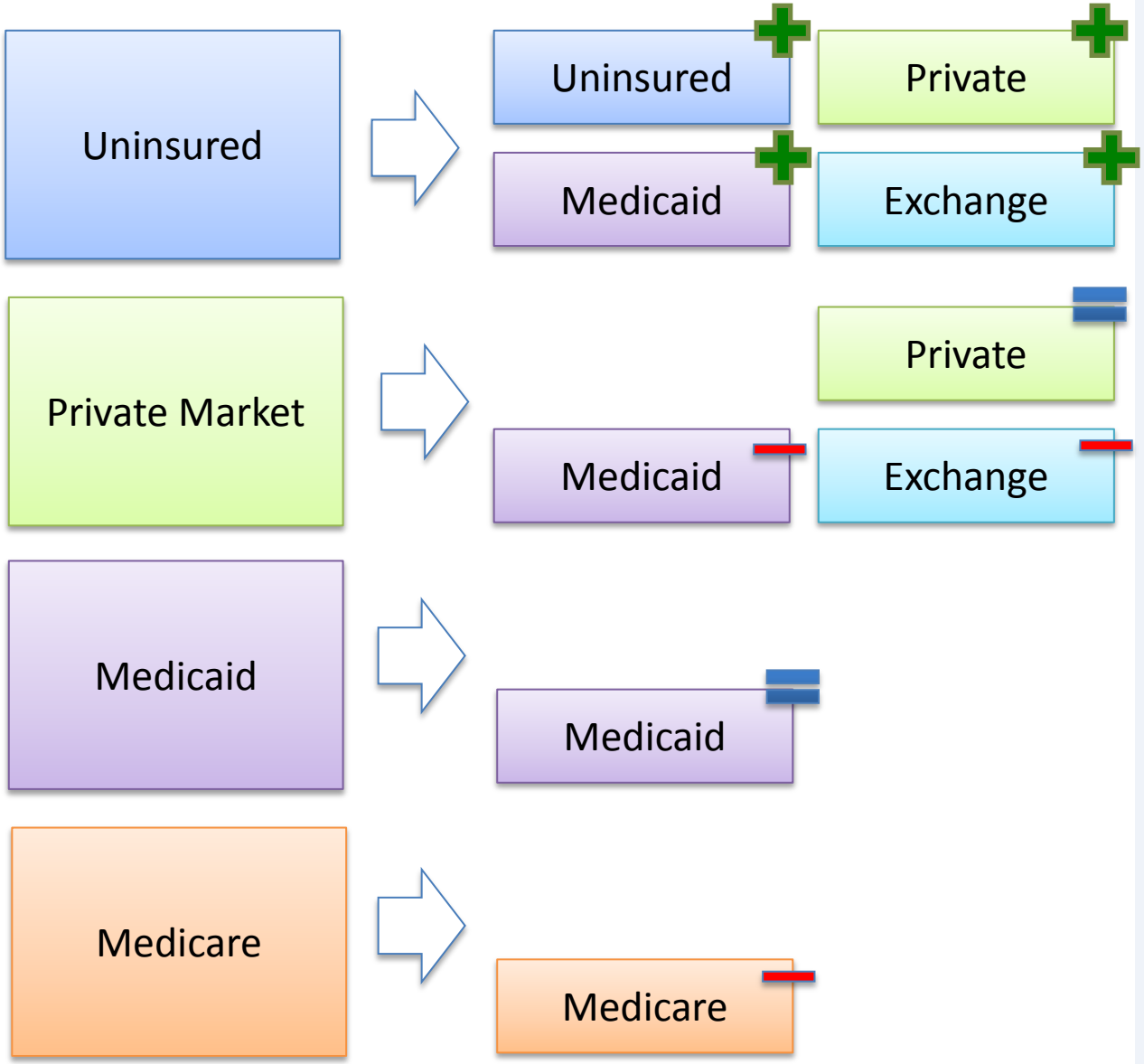
Affordable Care Act (ACA) Considerations

South Carolina
Department of Health and Human Services

March 7, 2013

Many estimates are preliminary projections as of March 2013 and not considered final.
These estimates may change as more state and federal data and guidance becomes available.

Shifting Payor Mix under ACA



Significant Uncertainty:

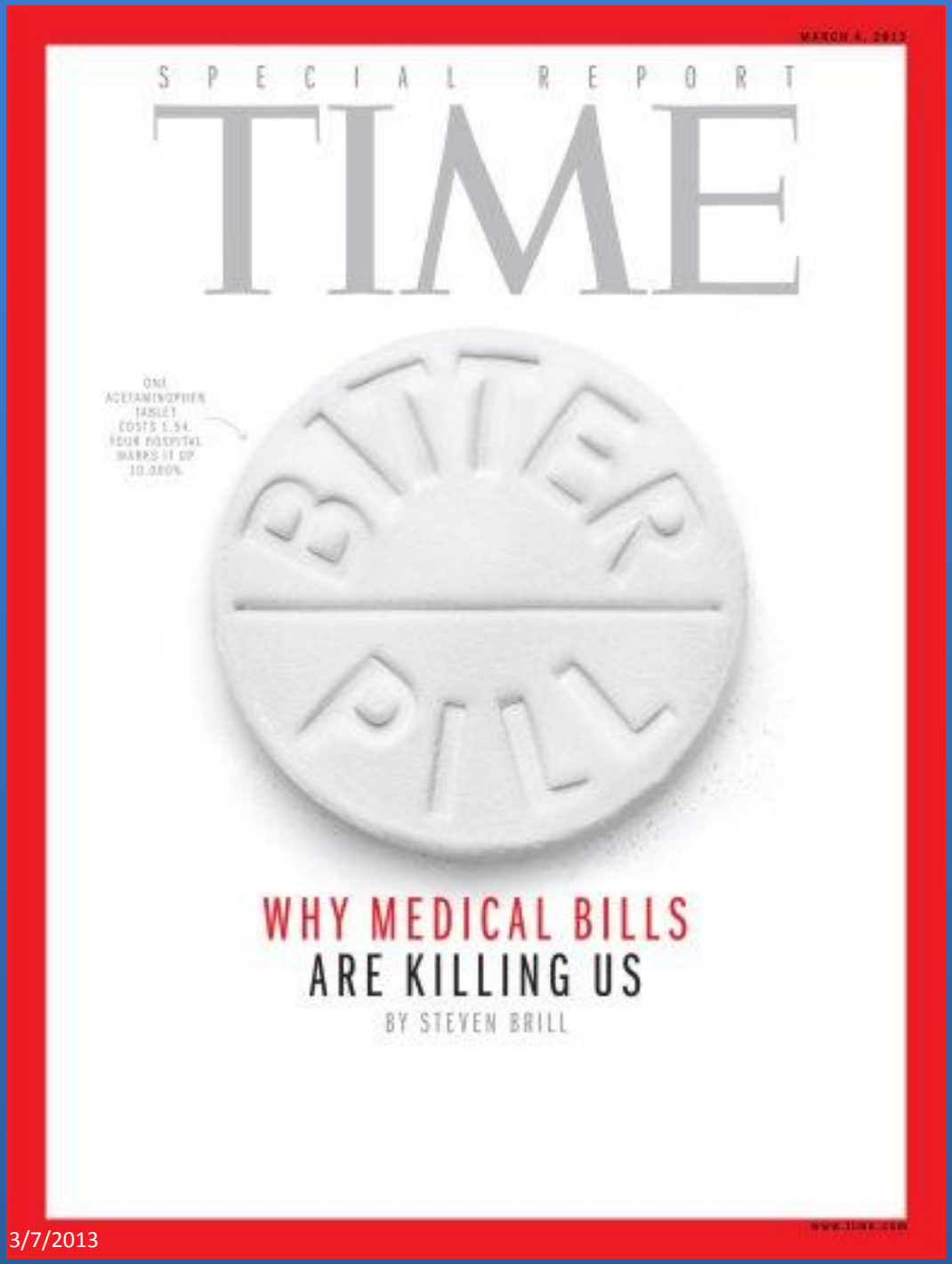
What percent of cost do current and future payor types cover?

How many lives will shift?

How does utilization change by payor type?

How does ACA affect patient out of pocket?

What dynamics will change related to payment and coverage at time of service?



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*"When we debate health care policy, we seem to jump right to the issue of who should pay the bills, blowing past what should be the first question: **Why exactly are the bills so high?**"*

"the American health care market has transformed tax-exempt 'nonprofit' hospitals into the towns' most profitable businesses…"

"the health-care-industrial complex spends more than three times what the military-industrial complex spends in Washington"

"the bills they churn out dominate the nation's economy and put demands on taxpayers to a degree unequaled anywhere else on earth"

Medicaid Costs to States

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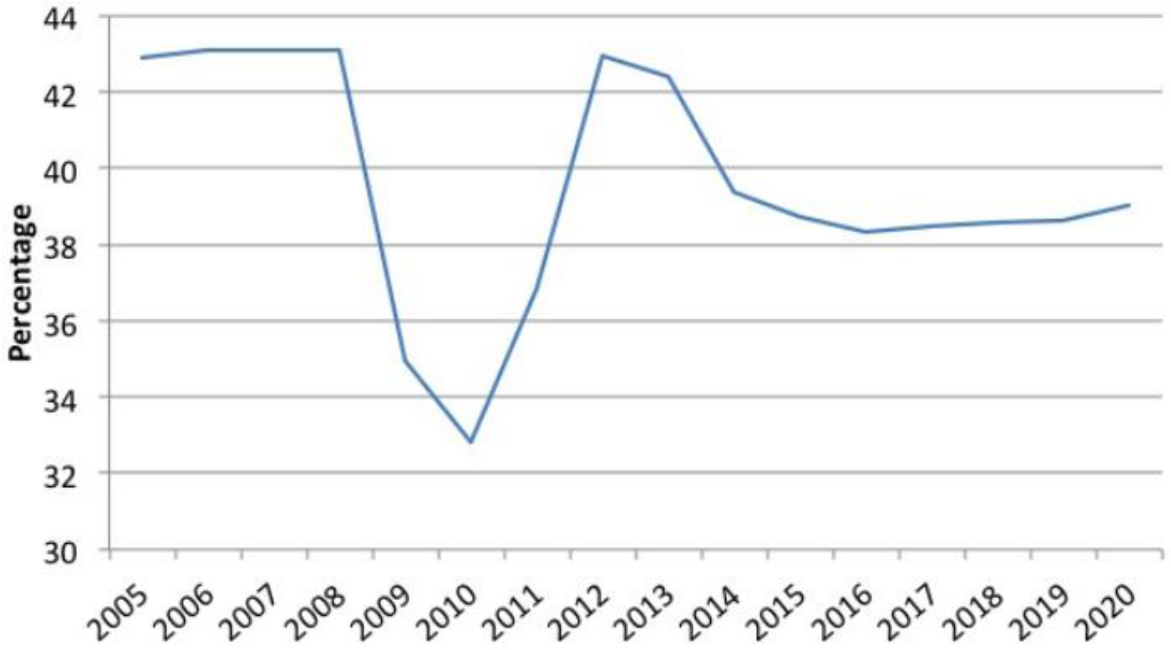
State Share of Total Medicaid Expenses



Source: Centers for Medicare and Medicaid Services, 2011 Actuarial Report

"If states participate in the ACA's full Medicaid expansion, the long-term share of federal support is projected to be 61%, with states picking up the other 39%, assuming that the federal government does not retreat from the ACA's generous FMAP rates."

-Charles Blahous, Mercatus Center at George Mason University, March 2013

DHHS Strategic Pillars

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Payment Reform
- MCO Incentives & Withholds
- Payor-Provider Partnerships
- Catalyst for Payment Reform
- Value Based Insurance Design

Clinical Integration
- Dual Eligible Project
- Patient Centered Medical Homes
- Telemedicine/Monitoring

Hotspots & Disparities
- Birth Outcomes Initiative
- Express Lane Eligibility
- Foster Care Coordination
- Health Access/Right Time (HeART)

Improve value by lowering costs and improving outcomes:

Increased investment in education, infrastructure and economic growth

Shift of health care spending to more productive health and health care services

Increased coverage/treatment of vulnerable populations

Self-funded Alternatives to Obamacare

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- *Hospital Accountability*
  - *$50M in annual incentive payments*
  - *Required to participate in cost transparency program*
  - *Must co-manage high flyers with FQHCs*
  - *Claims must be submitted for uninsured*
  - *Access to affordable insurance status must be determined*
- *Rural Hospital Stabilization*
  - *100% payment of UCC for small rural hospitals*
  - *All requirement above*
  - *Partnership incentives*
- *FQHCs/RHC/Free Clinics*
  - *Stabilization funding*
  - *Co-management of high flyers in ER*
- *Capacity building and access*
  - *Telemedicine investment at MUSC*
  - *New accountability for all GME funding*
  - *MUSC OB coverage in underserved areas with high infant mortality*
- *Community-based services*
  - *New level of care in assisted living centers with higher reimbursement*
  - *Higher standards of performance for all CRCF*

A Path Forward

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- Continue working on improving value in the health system
  - Set performance expectations
  - Strengthen core programs
- Manage and measure enrollment growth and shifts under ACA
- Invest in health hotpots and building capacity
- Apply for flexibility in 2017 when ACA waivers are available

The amount of implementation risk is significant

Just expanding coverage does not mean meaningful connection will be made between providers and patients

Projection risk is very high

A conservative budgeting approach is imperative

Health Care Business Model Must Change

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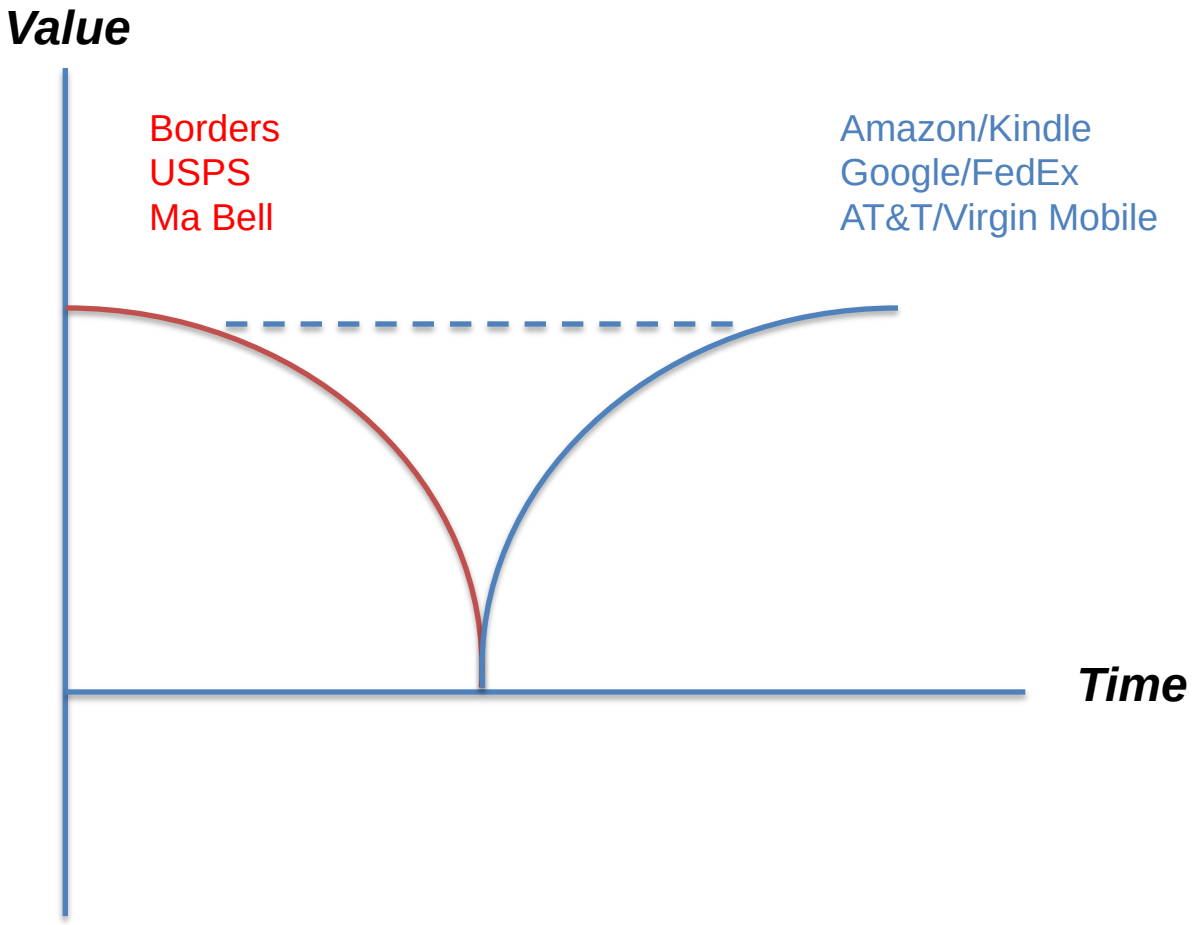

Move from fee-for-service that drives market share growth and utilization to population management

Transparency in pricing and outcomes for consumers to make better decisions

Remove barriers to competition at all levels

Focus on total costs which requires clinical integration and more focus on social determinants

Consumer must share more cost – we are overinsured and too separated from the consequences of our actions

Ideas for Systemically Reducing Health Care Costs

South Carolina Health & Human Services

- *Move from fee-for-service that drives market share growth and utilization to population management*
- *Transparency in pricing and outcomes for consumers to make better decisions*
- *Remove barriers to competition at all levels*
- *Focus on total costs which requires clinical integration and more focus on social determinants*
- *Consumer must share more cost – we are overinsured and too separated from the consequences of our actions*

- *Medicaid budgeting*
  - *Biennial budgeting*
  - *Growth cap tied to economic performance*
- *Remove barriers to competition*
  - *Eliminate CON*
  - *Remove restrictions to scope of practice not based on evidence*
- *Transparency*
  - *Require quotes for medical procedures above a certain dollar amount*
- *Personal Responsibility*
  - *Limit state expenditures on the uninsured to individuals with demonstrated need*
- *Administrative waste reduction*
  - *Universal pharmacy prior authorization form*
- *Tort reform*