



iSchool: Health Reform, Exchanges & Information

September 13, 2013

Nancy Taylor, Vice President, Public Policy, External Relations and Communications

The Affordable Care Act

- PPACA
- Patient Protection and Affordable Care Act
- The ACA
- ObamaCare or Obama Cares



It's a Big, Complicated Law

Controversy, Complexity Fuel Fear, Confusion

“American Public: Confused as Ever About Obamacare”

- Wall Street Cheat Sheet, August 29, 2013



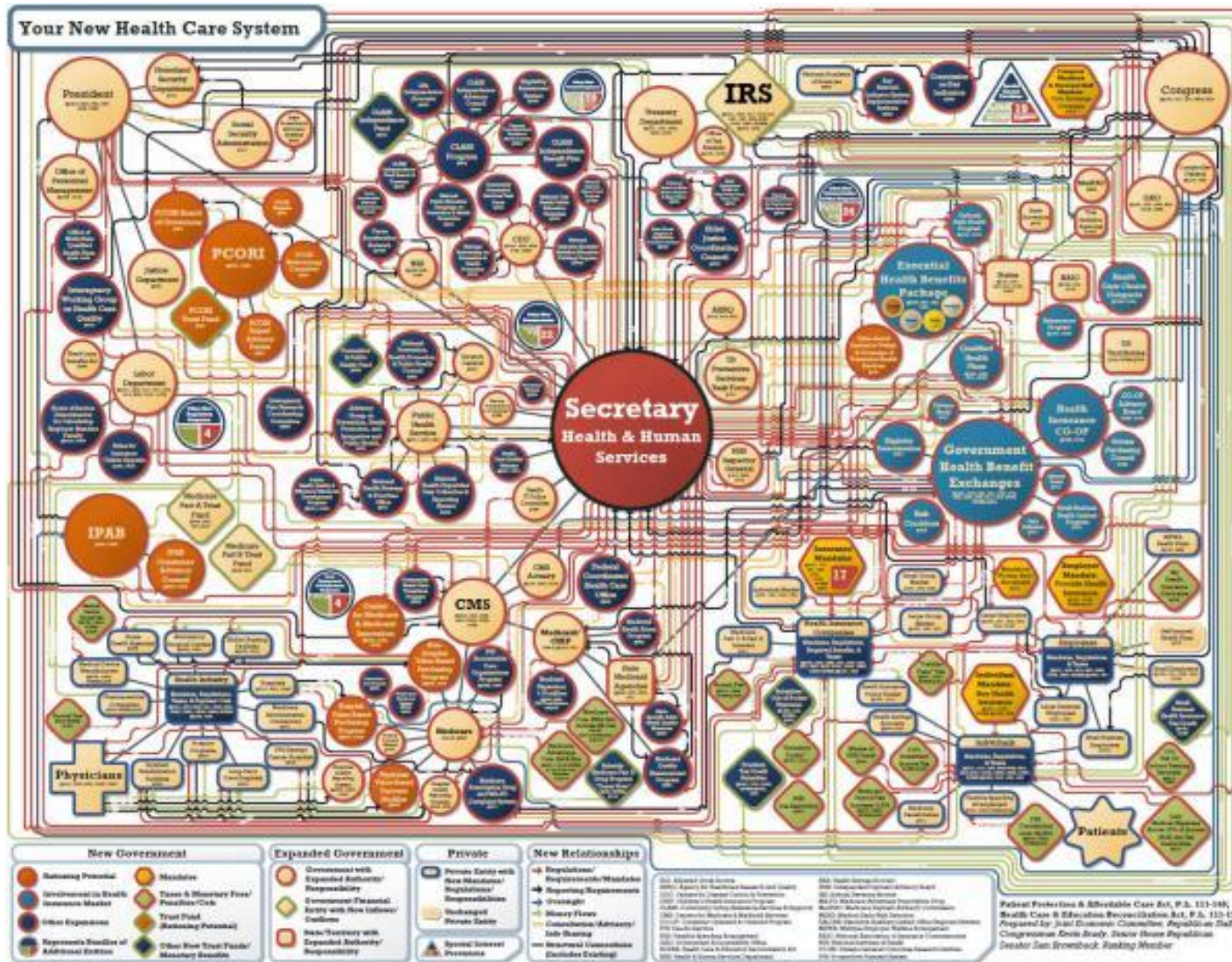
What to Believe?

<http://www.obamafordummies.com/obamacare-rfid-chip-implant.html>

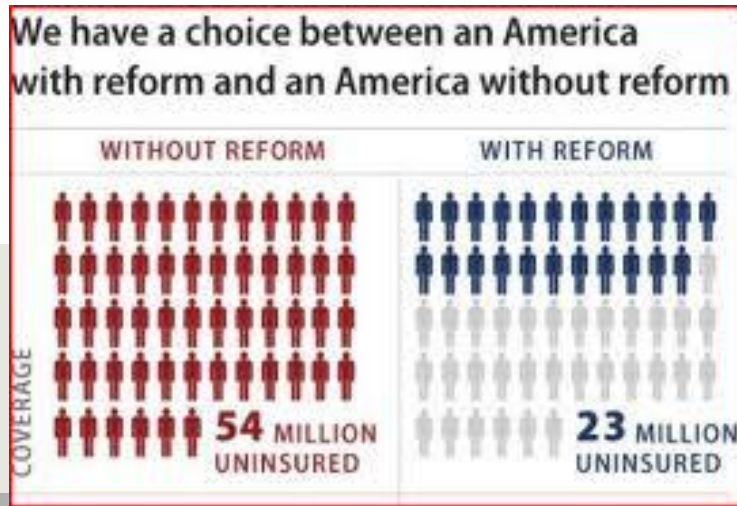
<http://www.snopes.com/politics/medical/microchip.asp>



A picture is worth a thousand words



History is being made



Major Themes of the Affordable Care Act

- Reforming Insurance Market
- Expanding Coverage
- Encouraging Responsibility
- Improving Care Delivery



Reforming Insurance Market

Improvements in Private Insurance Coverage

- Those in large group coverage
 - Preventive services with no cost-sharing
 - No more annual or lifetime dollar limits on coverage
- Those in individual & small group coverage also have
 - 10 Essential Benefits must be covered
 - Annual limits on out-of-pocket costs
 - More standardized plans



Seniors Get New Benefits, Too

- Closing the prescription drug “donut hole”
- Adding more preventive benefits
 - Annual Wellness Visit
 - More no cost screenings
- **But also squeezing rates for Medicare plans & providers**





And Dependents Can Stay On Up to Age 26!

Holding Insurance Companies Accountable

“Because of the Affordable Care Act, insurance companies have to spend at least 80% of every dollar that you pay in premiums on healthcare--not on overhead, not on profits, but on you.”

— President Obama, July 2013



Holding Insurance Companies Accountable



Medical Loss Ratio

80% or 85% of premium must be spent on benefits



Rate Review

States to review rates more closely



Summary of Benefits

Clear, detailed format for describing benefits & coverage

Individual & Small Group Insurance Reforms

| No More | Insurance Terms | Personal Responsibility |
|---|---|---|
| <ul style="list-style-type: none">■ Pre-existing condition discrimination■ Charging women more■ Charging older people more than 3X younger people | <ul style="list-style-type: none">■ Guarantee issue; no health rating factors■ No gender rating■ Limits on age-rating bands to 3:1■ Rates CAN vary by family size, geography | <ul style="list-style-type: none">■ Need healthy & sick people in insurance risk pool■ Costs will spiral if healthy wait until sick■ Small penalty for those who don't enroll |



Expanding Coverage: The Biggest Big Deal in the ACA

Coverage Expansion Begins Jan 2014



Coverage Expansion Builds on Current Sources

Two Primary Sources of New Coverage

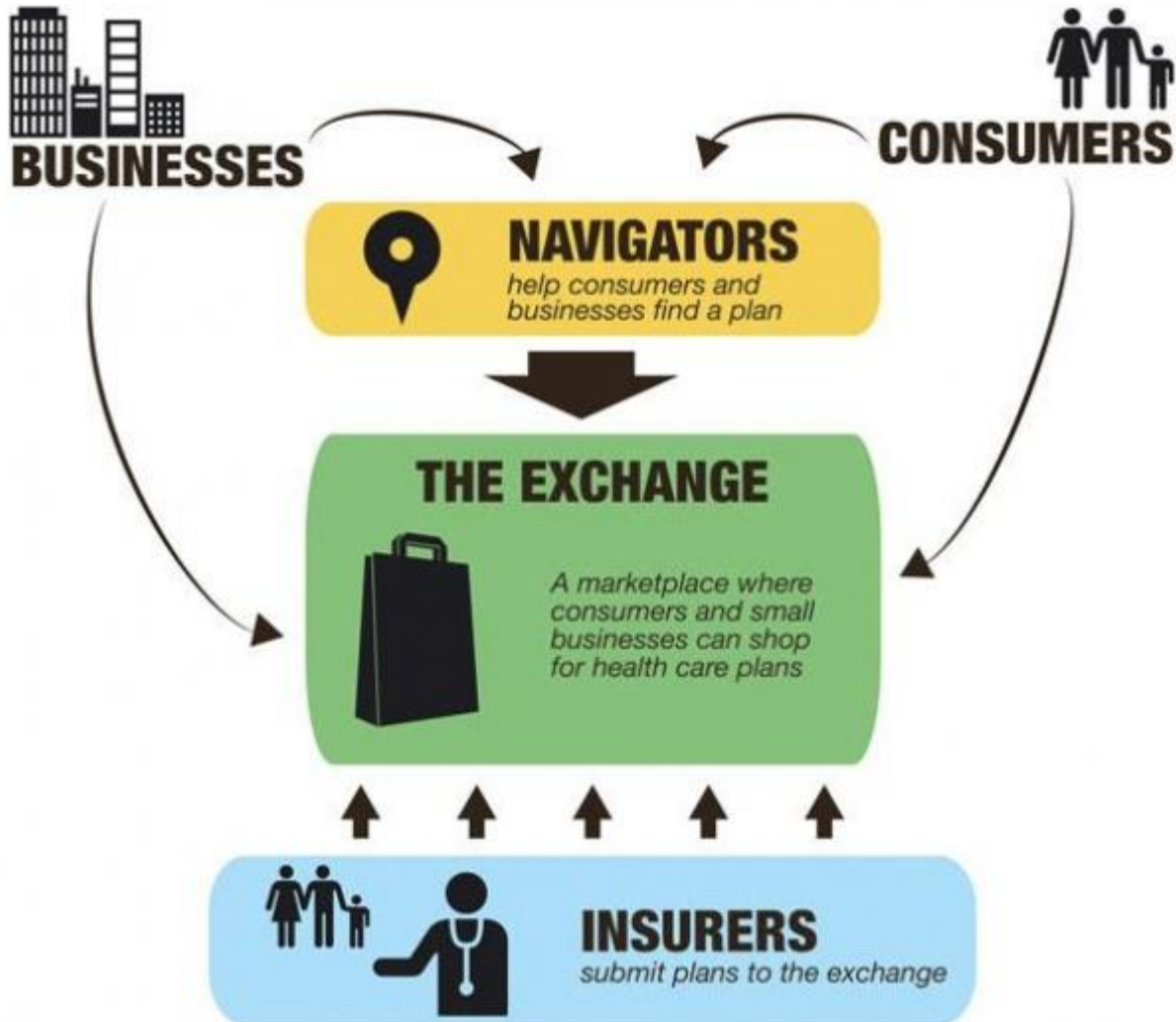
- Medi-Cal (Medicaid) for those with lowest income
- Marketplace (exchange) coverage with tax credit & cost-sharing assistance





Encouraging Responsibility: A story of mandates,
taxes and penalties

Exchanges



Basic Exchange Functions



Website

To display standardized comparisons of plans



Calculator

To compare costs across plan options



Eligibility Portal

Links individuals to options available



Hotline

A toll-free consumer hotline








Navigators

To answer questions and assist individuals

Exchanges



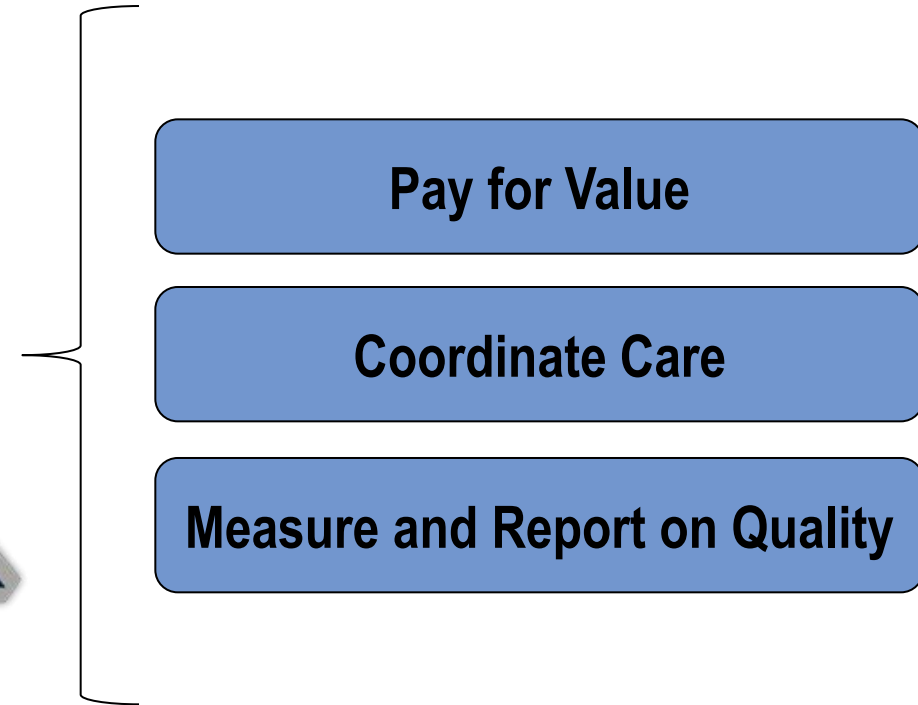
Exchanges

| Bronze Medium Benefits Package 7 plans available Hide Plans About Bronze Medium | | as low as \$1,058 | STANDARD BENEFITS FOR ALL BRONZE MEDIUM PLANS | | | | | \$2,000 (ind.) \$4,000 (fam.) | \$5,000 (ind.) \$10,000 (fam.) | \$30 copay | \$10 copay | annual deductible, then \$150 copay | annual deductible, then \$500 copay |
|--|---|-----------------------------|---|---|---|---|---|----------------------------------|-----------------------------------|------------|------------|-------------------------------------|--|
| <input type="checkbox"/> |  | \$1,058.32 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | |
| <input type="checkbox"/> |  | \$1,088.60 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | |
| <input type="checkbox"/> |  SMALLER NETWORK | \$1,184.00 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | |
| <input type="checkbox"/> | TUFTS  Health Plan | \$1,330.53 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | |
| <input type="checkbox"/> |  | \$1,346.00 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | |
| <input type="checkbox"/> |  MASSACHUSETTS | \$1,440.56 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | |
| <input type="checkbox"/> |  Harvard Pilgrim HealthCare | \$1,462.50 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | |
| Bronze High Benefits Package 7 plans available Show Plans About Bronze High | | as low as \$1,047 | STANDARD BENEFITS FOR ALL BRONZE HIGH PLANS | | | | | \$250 (ind.) \$500 (fam.) | \$5,000 (ind.) \$10,000 (fam.) | \$25 copay | \$15 copay | \$150 copay | annual deductible, then 35% co-insurance |

Delivery System Reform



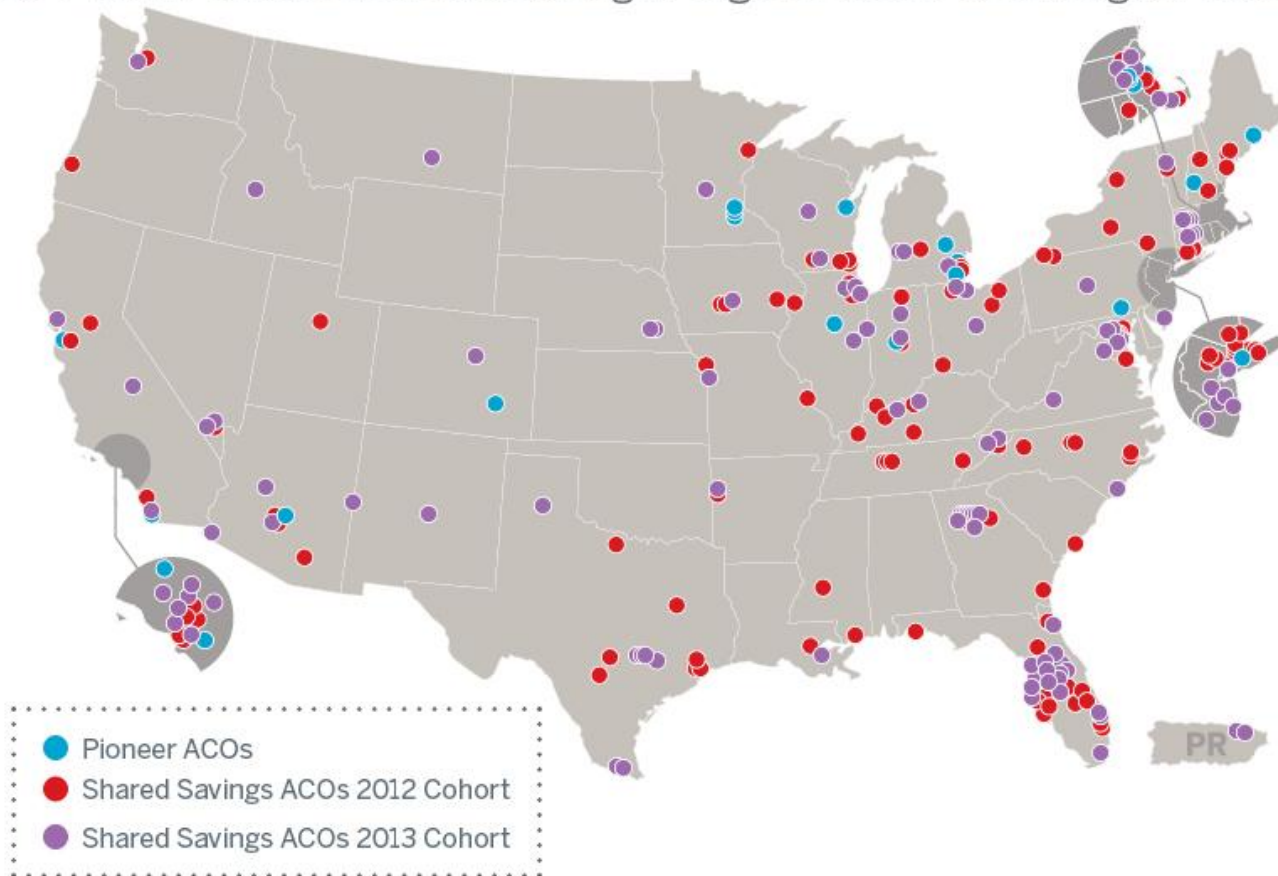
The Triple Aim



Growth of Accountable Care Organizations

Where the ACOs Are

23 Pioneer and 228 Shared Savings Program ACOs¹ as of August 2013



¹ Accountable Care Organization.



Source: CMS; Advisory Board analysis.

Learn more at advisory.com/MedicarePaymentInnovationProject

© The Advisory Board Company



Pioneer ACOs Modestly Good 1st Year Results

- 32 ACOs accepted two-sided risk for Medicare costs & quality
 - All 32 met quality metrics
 - 25 reduced readmissions
 - 11 reduced costs modestly, \$87 million saved serving 669,000 beneficiaries
 - 9 Pioneer ACOs are transitioning to MSSP ACO program, which is one-sided risk program in early years. 2 Pioneer ACOs dropped out.
 - Per capita Medicare costs 0.3% for ACOs v. 0.8% for comparison Medicare beneficiaries (adjusted for geography, risk)



Characteristics of PCMHs

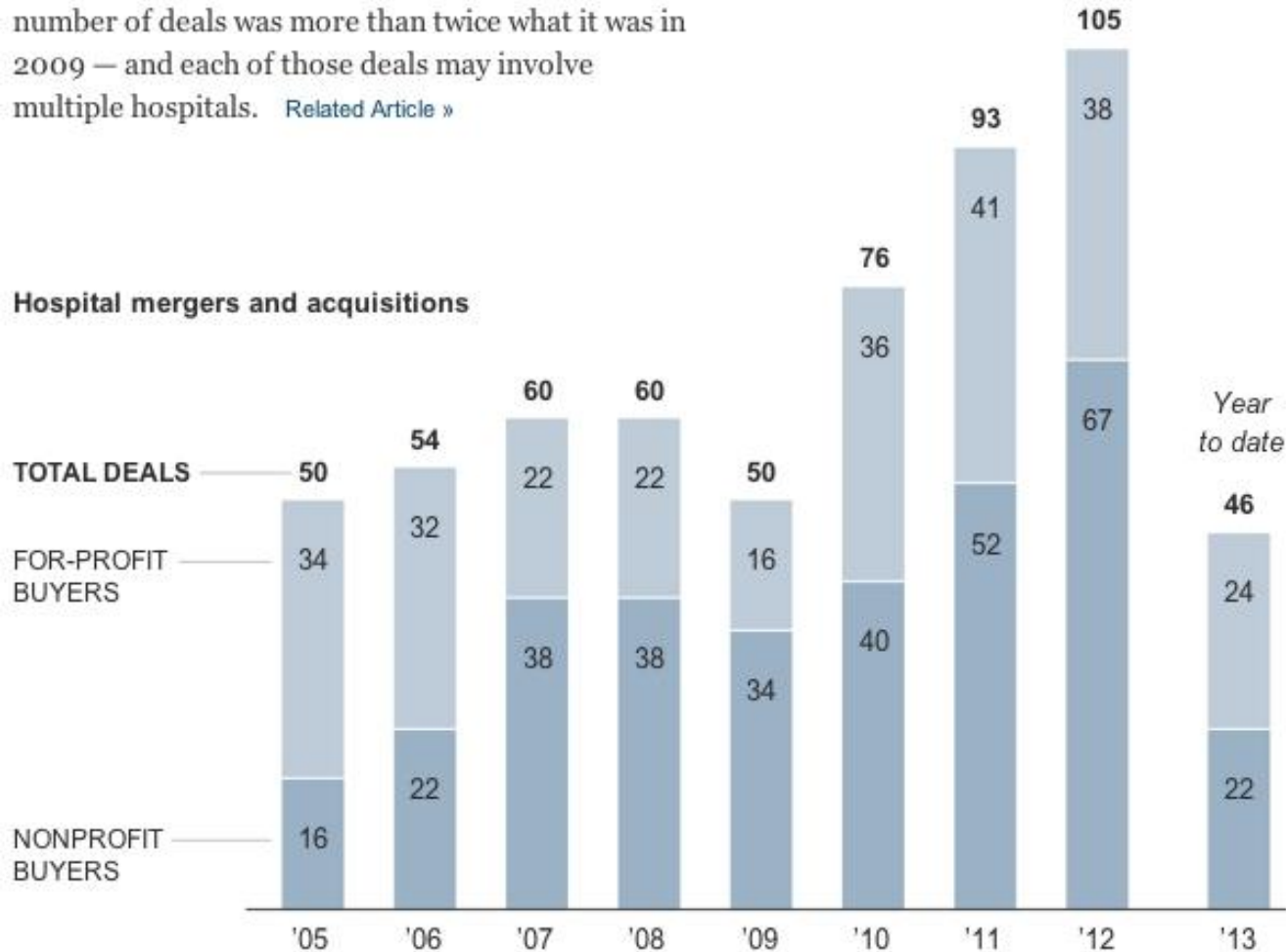
- Personal physician
- Physician-directed medical practice
- Enhanced access to care
- Continuity over time w/same physician
- Quality and safety as hallmarks
- Care is coordinated and/or integrated
- Whole person orientation
- Payment that appropriately recognizes the added value

Delivery System Restructuring

A Wave of Hospital Mergers

Over the last four years, there has been a surge in the number of hospital mergers. In 2012, the number of deals was more than twice what it was in 2009 — and each of those deals may involve multiple hospitals. [Related Article »](#)

Hospital mergers and acquisitions



Delivery System Restructuring

A growing number of U.S. physicians are combining their practices; affiliating with hospitals, insurance companies, and specialty management firms; or going to work directly for such organizations.

Congressional Research Service, Feb 2013

Hospital Consolidation: The Good, The Bad, and The Ugly”

Keynote Address by Maureen K. Ohlhausen Commissioner, Federal Trade Commission

The healthcare industry has seen a massive trend toward consolidation and although most physicians reported not having considered consolidating in the past, two-thirds foresee physicians and hospitals becoming more integrated within the next one to three years. Around 73 percent of surgical specialists reported consolidation between physicians and hospitals as "likely" or "very likely" in the near future.

Beckers ASC Review, April 2013

Delivery System Restructuring

Physician alignment will continue to be one of the top concerns for CEOs. Physicians will seek alignment with medical groups, hospitals and systems and, in some cases, health plans. Physicians are looking for stability, ability to attract patient volume, competitive benefits and an accommodating lifestyle. Hospitals will be focused on strengthening relationships with physicians through employment, economic risk sharing or shared savings with payers.

Trustee Magazine, January 2013

Doctors unite against healthcare consolidation trend

Fierce HealthCare, April 2013

Hospitals Are Going On A Doctor Buying Binge, And It Is Likely To End Badly

Forbes, March 2013

Measurement and transparency



HEALTH GRADES[™]
GUIDING AMERICA TO BETTER HEALTHCARE[™]



Angie's list[®]

Then and Now: Agriculture Industry

THEN

Higher input, lower output, many farmers, dispersion across US



1900-1949: Output grew by 1.61% per year, while input grew by 0.47% per year

1916: Farmers represented 31.9% of total US population

NOW

Lower input, higher output, fewer farmers, consolidated



1950-2012: Output grew by 1.81% per year, while input declined by -0.08% per year

2006: Farmers represented 1% of total US population

Sources: Alston, JM, M Anderson, J James, P Pardey. "US Agricultural Productivity Growth and the Benefits from Public R&D Spending." In *Public R&D Spending*, 2010.

Then and Now: Telecommunications Industry

THEN

Bulky analog phones, wired, fixed landlines



1993: Internet carried only 1% of information flowing through two-way telecommunication

1994: 157.9M subscriber telephone lines in the U.S.

1995: 6 million global Internet users

2006: Landlines peak at 1.3 billion

NOW

Wireless, mobile, apps, smartphones and tablets



2002: Mobiles surpass landlines after 125 years (inflection point)

2007: Over 97% of all telecommunication information carried over the Internet

2009: 4.7 billion mobile subscribers worldwide

2011: 1.5 billion Internet users

Sources: Kleiner Perkins Caufield Byers, Webb & Associates, Journal of Communication, Cisco Systems, International Telecommunication Union

Disruptive Forces & Scenario Planning

Key market and technology forces will dramatically disrupt the health care industry. Scenario planning helps us to consider the possible futures that may emerge over the next ten years.

MARKET

Healthcare market is likely to change dramatically due to various disruptive trends

- Affordability crisis at a breaking point
- Rise of consumerism and price transparency
- New market mechanisms and channels e.g., public and private exchanges
- Threat of policy and regulatory “wildcards” e.g., single payer system

which drives...

- “Hyper” competition and differentiated advantages among new and existing industry players

TECHNOLOGY

Care and coverage is likely to be greatly impacted by uptake of disruptive technologies

- New innovative models of care
- Enhanced clinical diagnostic knowledge and remote monitoring capabilities
- Technology-enabled engagement and behavioral change
- Increased convenience and/or simplicity at a much lower price point

which drives...

- Innovative care and coverage breakthroughs that deliver on the triple aim promise

Scenario Discussion



* 'Quantified Me' is an extrapolated idea from the 'Quantified Self' coined by Gary Wolf who defines it as self-knowledge through numbers; the macroscope (data-gathering plus computing) applied to the individual human

Healthcare Scenarios

Stretching the boundaries of key market and technology forces helps us generate several disruptive but plausible scenarios.

Best in Class

Continued specialization, rapid medical advances, complexity of conditions, diagnoses, and treatments

Overriding preference for “on-demand” care focused on convenience and low cost

Highly specialized centers of excellence with strong brands, great diagnostic, condition - specific bundles, leading efficiency, and effectiveness

Ultra convenient and cheap entrants that provide care exactly where and when customers want for a fraction of current cost

(Payor / Provider)
Smart Care

Self Care
(Consumer)

Nature of Market Competition

Proliferation of

New Technology

Intersection of personalized coordinated care and population health

Dominance of quantified-self, self care, and consumer-oriented care tools supported by behavioral economics

Integrated players with new care models and highly empowered care givers supported by superior virtual care and care analytics

Health “supermarkets” that sell “cafeteria-style” solutions and compelling self-care support through simple, one-stop-shop interfaces

One-stop Shopping