Forecasting the Future of U.S. Health Care: What Will Stay and What Will Go?

Nicole O. Fallon, VP, Health Policy & Integrate Services
LeadingAge NY Financial Professionals Annual Conference
August 29, 2017

Health Care Forecast: Unsettled atmosphere, possible storms ahead

- Obamacare/ACA Repeal & Replace Status
- Medicaid Reform: Per capita caps
- Tax Reform
Dynamics

• Many of the President’s policy agenda items require legislation
• Congressional Republicans have their own agenda, “A Better Way”
• Their agendas don’t always overlap
• They aren’t always on the same timeline
• Many distractions in Washington

Congress vs. President's Playbook

• “A Better Way” – Ryan/Republican Plan
  – Repeal ACA
  – Medicaid Reform
    • Block grants or per capita allotment
  – Medicare Reform
    • Unified Part A & B premium, deductible, OOP and cost sharing
    • Medicare Compare
    • Increase SSI age
    • Premium Support program for FFS and MA
  – Tax Reform
• Trump’s Contract with America
  – Repeal and Replace ACA/Obamacare
  – Require for every new federal regulation, two existing are eliminated
• Heritage Foundation Blueprint
Congress by the Numbers

U.S. House
• 240 Rs, 194 Ds (as of Aug)
  – 1 vacancies
  – 100 Republican members in Medicaid expansion states
  – 40 Republican members that won’t vote for a second budget reconciliation bill on tax reform unless it also balances the budget over the next 10 years

U.S. Senate
• 52 Rs, 46 Ds, 2 Is
  – 51 votes needed for Budget reconciliation passage
  – 6-8 Senate Republicans who require a replacement plan before voting for ACA repeal
  – Vice President Pence is the tiebreaker

Key Administration Leaders

• Secretary of Health and Human Services:
  Rep. Tom Price
  – Orthopedic Surgeon
  – Former House Budget Chair
  – Opposition to mandatory CMMI payment models, but supports bundled payments for some patient populations
  – Advocate for ACA repeal and replace

• Head of CMS:
  Seema Verma
  – Professional focus on Medicaid
  – Unclear her knowledge of LTSS and Medicare
  – Expressed interest in Medicare payment reform ideas
  – Appears open to discuss regulatory reform
Health Care is Hot!

• Affordable Care Act Repeal/Replace
• Medicaid
  – See ACA repeal/replace
  – LTSS financing
• Medicare
  – Bi-partisan programmatic proposals
  – Old friends (therapy caps; observation days)
  – Home Health and Hospice
• On the Regulatory Side...

REPEALING THE AFFORDABLE CARE ACT/ OBAMACARE
ACA Repeal and Replace

Two paths to Affordable Care Act reform

• Congressional majority and the Administration could work with the minority on bipartisan solutions

OR

• Majority can use budget reconciliation to allow bill passage by simple majority in the Senate

Why Reconciliation?

• Streamlines consideration, especially in the Senate (legislation only needs majority)
• Limits provisions to those affecting spending and revenue
• Other issues, like sale of insurance across state lines, tort reform, would require additional legislation
• Budget FY 2017 contains reconciliation instructions for health care
House ACA Repeal:
H.R. 1628 – American Health Care Act (AHCA)

- Eliminates tax penalties for failure to obtain or provide health insurance coverage – individual and employer mandates
- Medicaid per capita caps or block grant
- Medicaid expansion repealed (non-expansion states get additional $ through 2022)
- Restores Medicaid DSH payments
- Eliminates community rating for premiums – allows insurers to charge older adults at a 5 to 1 ratio (current 3 to 1)
- Provides $138 billion fund to assist states in addressing issues of high-cost individuals, other purposes
- No change in Medicare provider cuts, delivery system reform

American Health Care Act of 2017:
Medicaid Per Capita Caps

- For appropriations beginning FY2020 (10/1/2019)
- Equals FY2016 Medicaid expenditures inflated by medical component of Consumer Price Index (M-CPI)
- Each state gets an annual targeted spending amount for each enrollee category:
  - Blind & Disabled
  - Elderly
  - Children
  - Medicaid expansion
  - Other Non-disabled, non-elderly, childless adults
- States spending more than their target amount would lose federal funding in the subsequent year.

CBO Projections
2019-2027

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Medicaid</td>
<td>4.6</td>
</tr>
<tr>
<td>Spending Growth</td>
<td></td>
</tr>
<tr>
<td>for Elderly</td>
<td></td>
</tr>
<tr>
<td>M-CPI</td>
<td>3.7</td>
</tr>
<tr>
<td>CPI</td>
<td>2.4</td>
</tr>
<tr>
<td>GDP</td>
<td>3.9</td>
</tr>
</tbody>
</table>
LeadingAge Concerns about Medicaid Provisions

• Medicaid is the default payer for long-term services and supports

• Every state would lose money under the legislation. Losses would grow over time ($840B over 10 years, CBO estimate)

• Legislation is unclear as to whether the mandate for nursing home coverage would survive

• With tightening funding, would optional coverage like medically-needy, home- and community-based services survive?

• The allocation for elders would not be adjusted if a state’s elder population aged from young-old to oldest-old.

• Medicaid expansion has been important to coverage of direct care workers and some senior housing residents

ACA Untouched for Now

• Annual Medicare payment updates reduced by productivity adjustment factor

• Hospital readmission penalties

• Value-based Payment for PAC

• ACOs and bundling

• QAPI and governance/transparency requirements

• Financial Alignment demonstrations – managed care

• Preventive care coverage under Medicare

• Closing of Part D donut hole

• Physician face-to-face requirement to certify home health eligibility

• Home health demos: Independence at Home, Money Follows the Person
Results—House

• House narrowly passes H.R. 1628 May 4
• Next move – Senate
• “The Senate Will Fix It”:
  – Reluctant House members: final bill likely to be substantially different from House bill

The Senate

• Leadership selected 13-man working group to revise the House bill
• Normal committee process abandoned and the bill is drafted in secret
• “Rump” groups
  – Medicaid expansion state senators
  – Non-expansion state senators (“me, too, we want money if They are getting money”)
Action and Reaction

• Motion to Proceed passes (7/25) but for what bill?
• Better Care Reconciliation Act (BCRA) (June)
  – HR 1628 is base bill
  – Worse for Medicaid/caps.Blocks/bad update
• ORRA (2015 r/r) floated, briefly
• “Skinny Repeal” (defeated 7/28)
  – Drama!
    • 5 o’clock press conference: “we hate it but we’ll vote for it if the House guarantees a conference”
    • Suspense!
      – The Nays have it: Sens. Collins/Murkowski/McCain thumbs down

Why Did It Fail?

• In general
  – Bad news for states
  – Medicaid expansion state senators and governors get nervous
• Senate more sensitive to downside of repeal
  – Millions of people to lose insurance
  – Premiums may go down, but deductibles and copays up
• Very small margin for victory
  – “I hate this bill but it will get better when we conference with the House.”
  – Planned Parenthood defunding lost 2 votes upfront
Will It Come Back?
No Rest for the Weary

• The President is tweeting
• The OMB director is threatening
• Majority Leader McConnell says he’s done
• Bills keep being floated (Graham-Cassidy)
• Bipartisan groups in both Senate and House at work on smaller bills
  – HELP Comm.: Promising bi-partisan effort to shore up individual insurance market
• Medicaid $$ still wanted...risk!
• And, ultimately, HHS has lots of authority to play around with ACA implementation (threat?)
Other Bills We Are Watching

Medicare Issues

• **Observation days** – H.R. 1421, introduced March 8
  – Count all time spent in a hospital toward the 3-day inpatient stay requirement for SNF PAC eligibility

• **Therapy caps**
  – Exceptions process expires December 31, 2017
  – Caps in 2017:
    • $1,980 for outpatient physical and speech therapy
    • $1,980 for occupational therapy
  – Repeal legislation – H.R. 807/S. 253

• Path to consideration not yet clear
Home Health

- **Home Health Planning Improvement Act (S. 445),** introduced by Sens. Collins and Cardin
  - Allows physician assistants, clinical nurse specialists, nurse practitioners and certified midwives to approve Medicare coverage of home health care

- **Community-Based Independence for Seniors Act (S. 309)**
  - Demo coverage of non-medical supportive services

- **Preserve Access to Medicare Rural Home Health Services Act (S. 353)**

---

**CHRONIC Care Act**

- **Creating High-Quality Results and Outcomes Necessary to Improve Chronic Care Act (S. 870)**
  - Extends Independence at Home demonstration
  - Continued access to Medicare Advantage SNPs
  - Expansion of telehealth and other technological applications
  - Encourage care coordination within ACOs
  - GAO study on medication synchronization

- **Sponsors:** Sens. Hatch, Wyden, Isakson, Warner
- **Status:** Senate Finance Committee approve May 18, ready for consideration by full Senate
Medicare Red Tape Relief Project

- House Ways & Means- Health Subcommittee
- Proposals due August 25


- Ideas:
  - Lack of consistency in survey process
  - 5-Star: eliminate “grading on a curve”
  - Change CNA training lockout to discretionary
  - Repeal doubling of CMPs
  - Simplify PBJ
  - Other ideas?

2017/2018 Federal Budgets

- 2017 appropriations passed – H.R. 244
  - Rejected most proposed cuts to aging services and related programs – senior housing, energy assistance, social services block grants, Alzheimer’s research, Meals on Wheels

- Full 2018 budget proposal May 23
  - Includes many of the same cuts proposed for 2017
  - Includes Medicaid cuts from AHCA legislation
  - 15% reduction to HUD Budget proposed
  - Allows little time for regular order on appropriations

- No FY 2018 budget resolution yet
  - House Committee: Includes Medicare, Medicaid, tax cut provisions
  - Allows little time for regular order on appropriations
FY 2018 Labor-HHS Approps

• No Budget Resolution so committees operating “in the dark”

• Passed House Approps:
  – Eliminates Medicare State Health Insurance Assistance Program (SHIP). (restore funding to SHIPs to FY 2017 levels of 47.1M).
  – 25% cut to Senior Community Service Employment Program (SCSEP)(but not eliminated)
  – Level funding for LIHEAP (admin. eliminated)

• Senate Approps held hearing; no bill yet

Tax Reform?

• Next big issue
• Fulfill campaign promises
• Budget FY 2018 reconciliation probable vehicle
• Ultimate goal of cuts in mandatory spending programs
  – Medicaid PPC/BG returns?
• Tension point – “simplification” vs. popular tax benefits
LeadingAge Position

• Retain tax-exempt status for charitable organizations
• Retain income tax deduction for charitable contributions
• Charitable giving one of the three legs of the stool that supports our members’ work
• Philanthropy bridges the gap between public programs and individual/family resources

Questions and Conversation...

nfallon@leadingage.org

let’s talk