Patient Protection and Affordable Care Act: Government Accountability in a Period of New Federal and State Roles for Health Insurance

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Outline

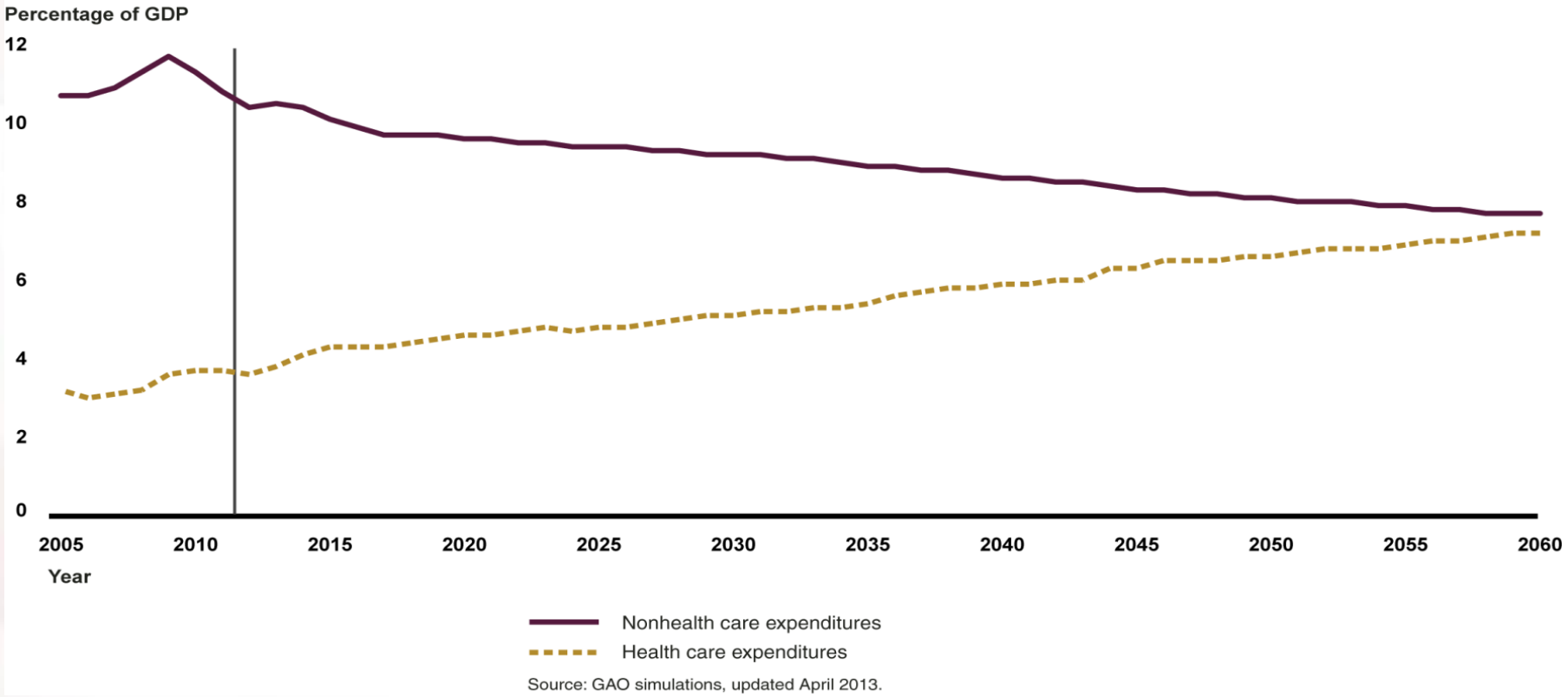
- Context: Increasing health care expenditures, public sector spending, and uninsured population
- Key PPACA provisions and new federal and state roles
  - Medicaid expansions
  - Health insurance exchanges
  - Premium tax credits
  - New insurance requirements
- Areas of focus for GAO and accountability organizations

Context: Rising health care spending and increasing public share

	Percent of GDP 2012	Percentage point change 2000-2012
National health care expenditures	17.2	+ 3.8
	Share of total **2012**	**Percentage point change 2000-2012**
• Federal government	26.2	+ 7.2
• State and local government	17.8	+ 1.3
• Private business	20.7	- 3.8
• Household	28.4	- 3.1

(Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Bureau of the Census. http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html)

Context: Health Care Increasing Share of Spending at State and Local Level



Note: Historical data are from BEA's National Income and Product Accounts. Data in 2012 are GAO estimates aligned with published data where available. GAO simulations are from 2013 to 2060, using many CBO projections and assumptions, particularly for the next 10 years.

Context: Rising Health Insurance Premiums and Access Challenges Pre-PPACA

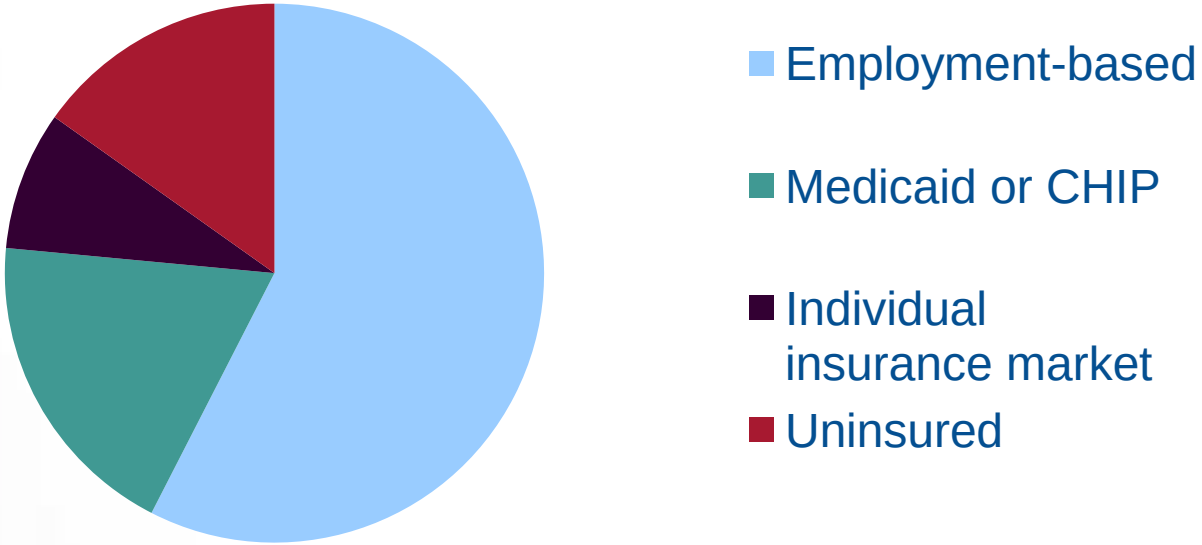
- $16,351 average annual premium for employer-sponsored health insurance for family coverage in 2013
  - 4 percent increase from 2012, but cumulative 80 percent increase since 2003
  - Average worker contribution $4,565

  Source: Kaiser Family Foundation, Employer Health Benefits 2013 Annual Survey, http://kff.org/private-insurance/report/2013-employer-health-benefits/
- Prior to 2014, in most states premiums for individuals purchasing coverage on their own could vary widely based on age, gender, health status, and other factors
- On average, 19 percent of applicants for insurance in individual insurance market were denied in first quarter 2010

Context: Health Insurance Coverage and Uninsured Pre-PPACA

- Most nonelderly Americans received health coverage through employment but 41 million were uninsured in 2013

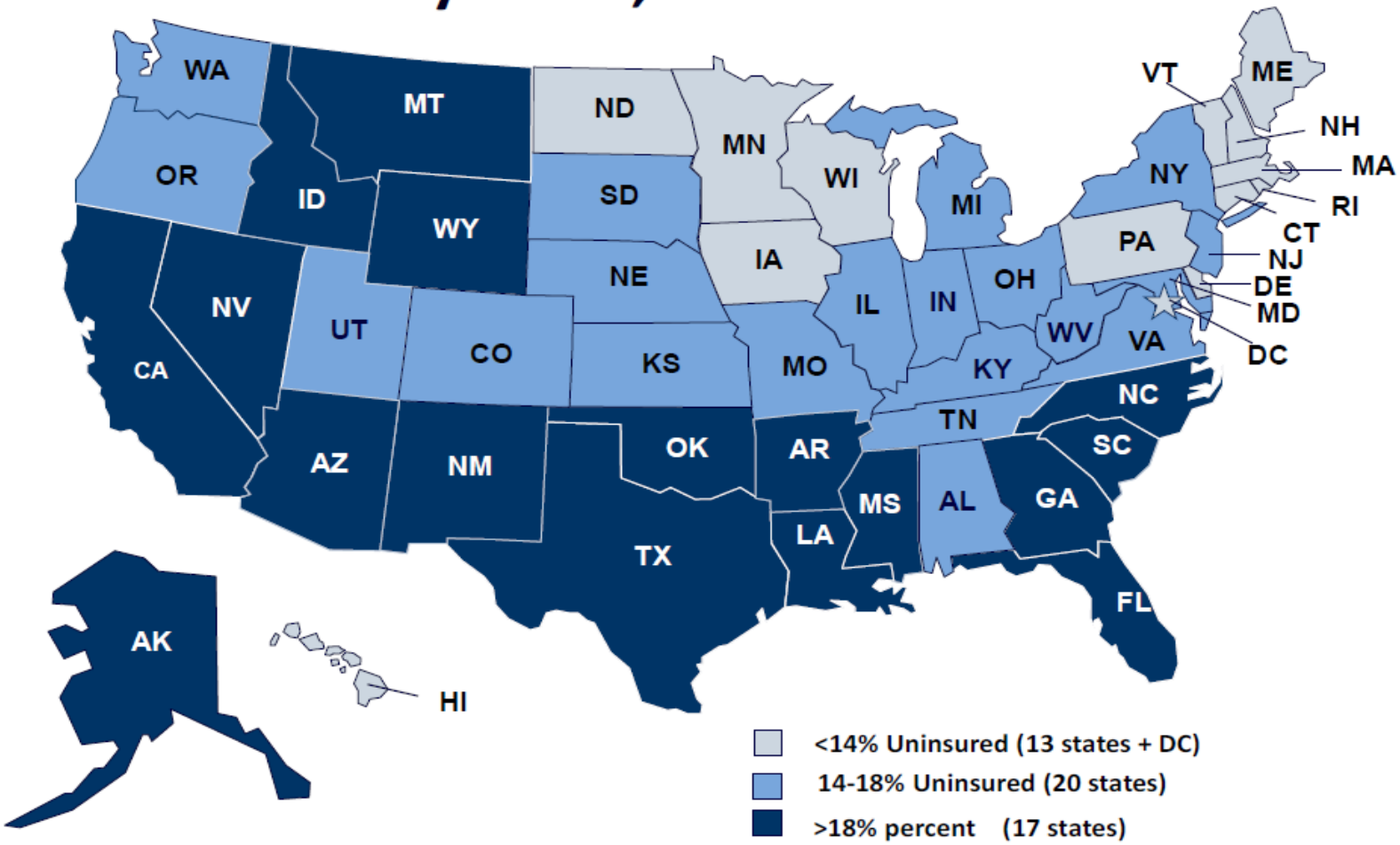
Source of health coverage



(Source: U.S. Census Bureau, Current Population Survey, 2014 Annual Social and Economic Supplement.)

Note: 2014 Annual Social and Economic Supplement reflects revised questions that may not be comparable to prior years.

Uninsured Rates Among the Nonelderly by State, 2010-2011



SOURCE: KCMU/Urban Institute analysis of 2012 ASEC Supplement to the CPS.

New Federal and State Responsibilities in 2014 under PPACA

- States may expand Medicaid coverage to 138% of poverty level
  - Expansion 100% federally funded 2014-2016
- Health insurance exchanges in each state
  - State-based or federally facilitated (at state option)
  - New marketplaces for individuals and small employers to select qualified health insurance options.
- Premium tax credits for those up to 400% of federal poverty level
  - Sliding scale to limit premium costs as share of income
- New health insurance rules guarantee issuance, restrict premium rate variation

CBO Estimates of Changes in Health Insurance Coverage in 2014 Under PPACA

- Employment-based coverage: between -0.5 million and 0
- Medicaid and CHIP: +7 million
- Nongroup (individual) and other insurance: -1 million
- Exchanges: +6 million
- Uninsured: -12 million

(Source: CBO, "Updated Estimates of the Effects of the Insurance Coverage Provisions of ACA," April 2014)

Medicaid Expansion and PPACA

- PPACA required states to expand Medicaid to all non-elderly individuals below 138% FPL (133% with 5% disregard)
- Supreme Court allowed state option
- State decisions about expanding coverage:
  - Nearly half (23 states) decided against expansion, but some continue to consider for 2015
  - Variation across states will continue

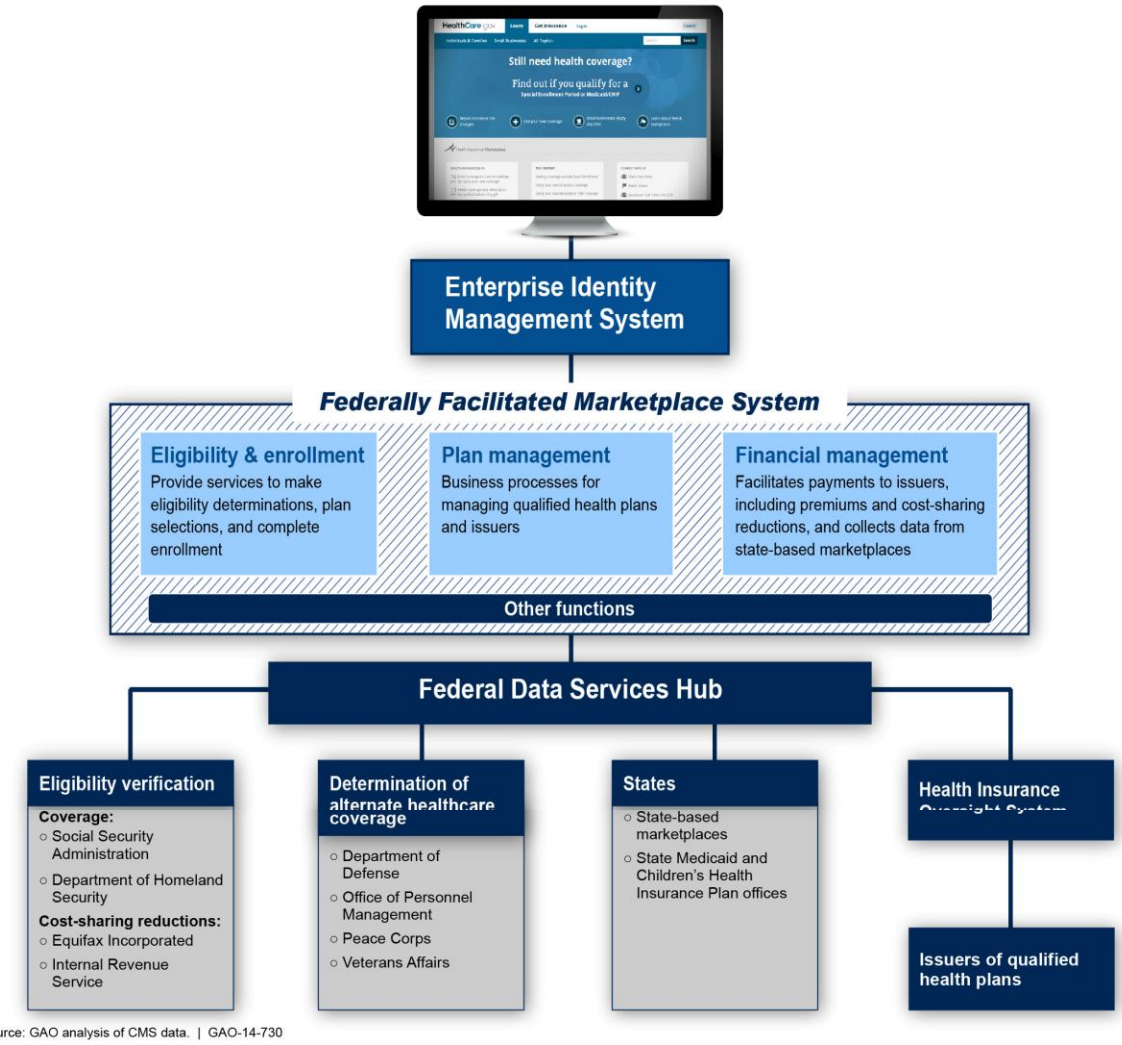
Medicaid Expansion and PPACA

- Other factors
  - 100% federal matching rate for 2014-2016
  - Maintenance of eligibility for existing enrollees
  - Income is Modified Adjusted Gross Income (MAGI)
- Streamlined application
- Eligibility data sharing among state systems
- Development of enrollment & renewal strategies
- Improper payments will continue to be a significant issue

PPACA: Insurance Exchanges
Basic Description

- Marketplaces in each state where individuals and small businesses can shop for health plans under level playing field.
- Access points for determining eligibility for federal tax and cost sharing subsidies, Medicaid, or CHIP.
- Open enrollment began October 2013 with coverage starting January 2014. Second open enrollment period beginning November 2014.
- Core functions include (1) eligibility and enrollment, (2) plan management, (3) consumer assistance, and (4) financial management

Overview of Healthcare.gov and Supporting Systems



Source: GAO analysis of CMS data. | GAO-14-730

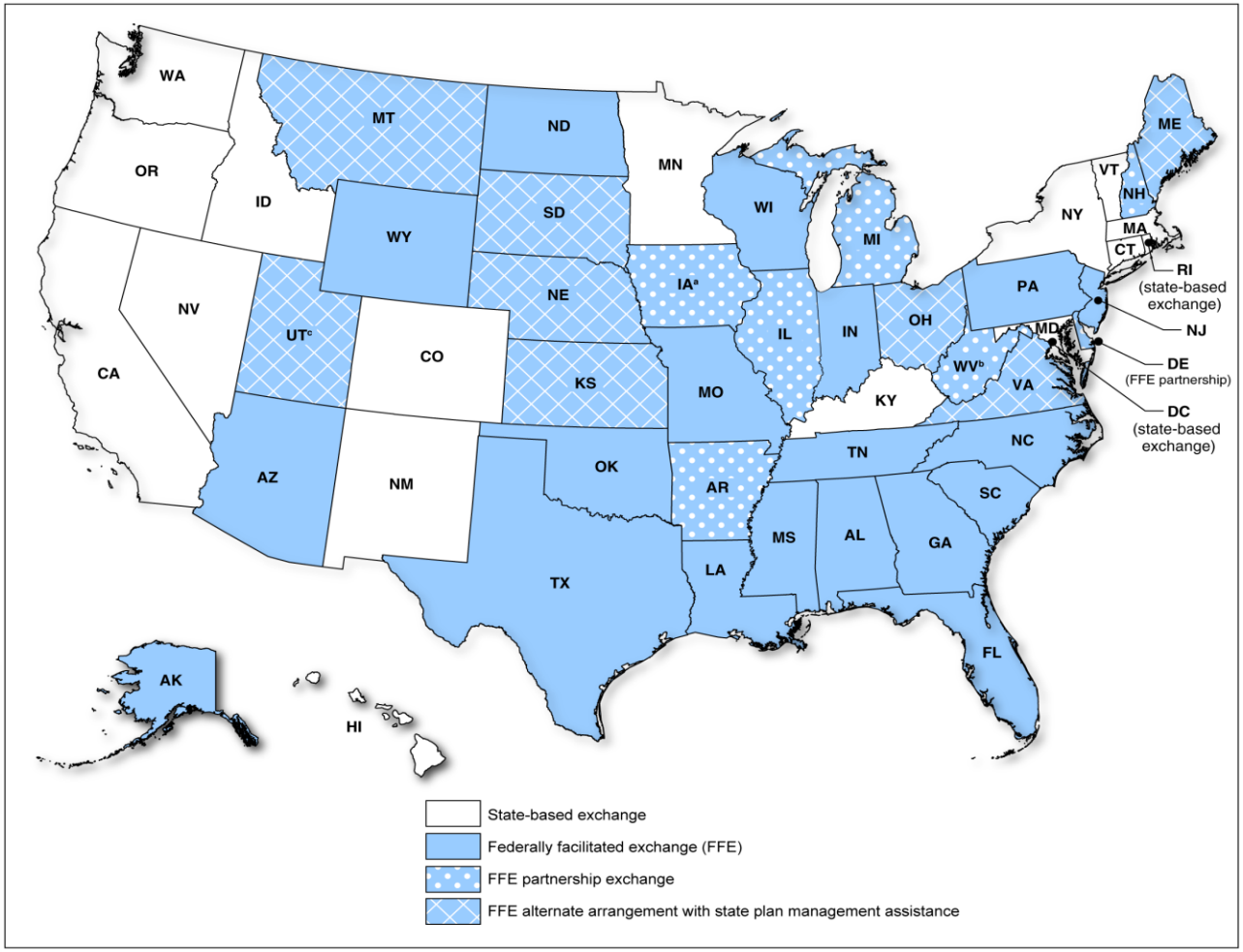
PPACA Insurance Exchanges
Federal, State, or Shared

CMS is responsible for overseeing the establishment of all exchanges and for operating federally facilitated exchanges.

- 34 states: federally facilitated exchanges operated by CMS
  - 19 entirely federally facilitated
  - 15 states will assist with some functions
- 17 states (includes DC): state-based exchanges
  - 2 other states operate small business (SHOP) exchanges

Activities carried out by CMS in the 15 “shared” exchanges and 17 state-based exchanges have evolved and may continue to change

Health Insurance Exchanges: Federally-Facilitated, State-Based, or Shared



Source: GAO analysis of CMS information; Map Resources (map).

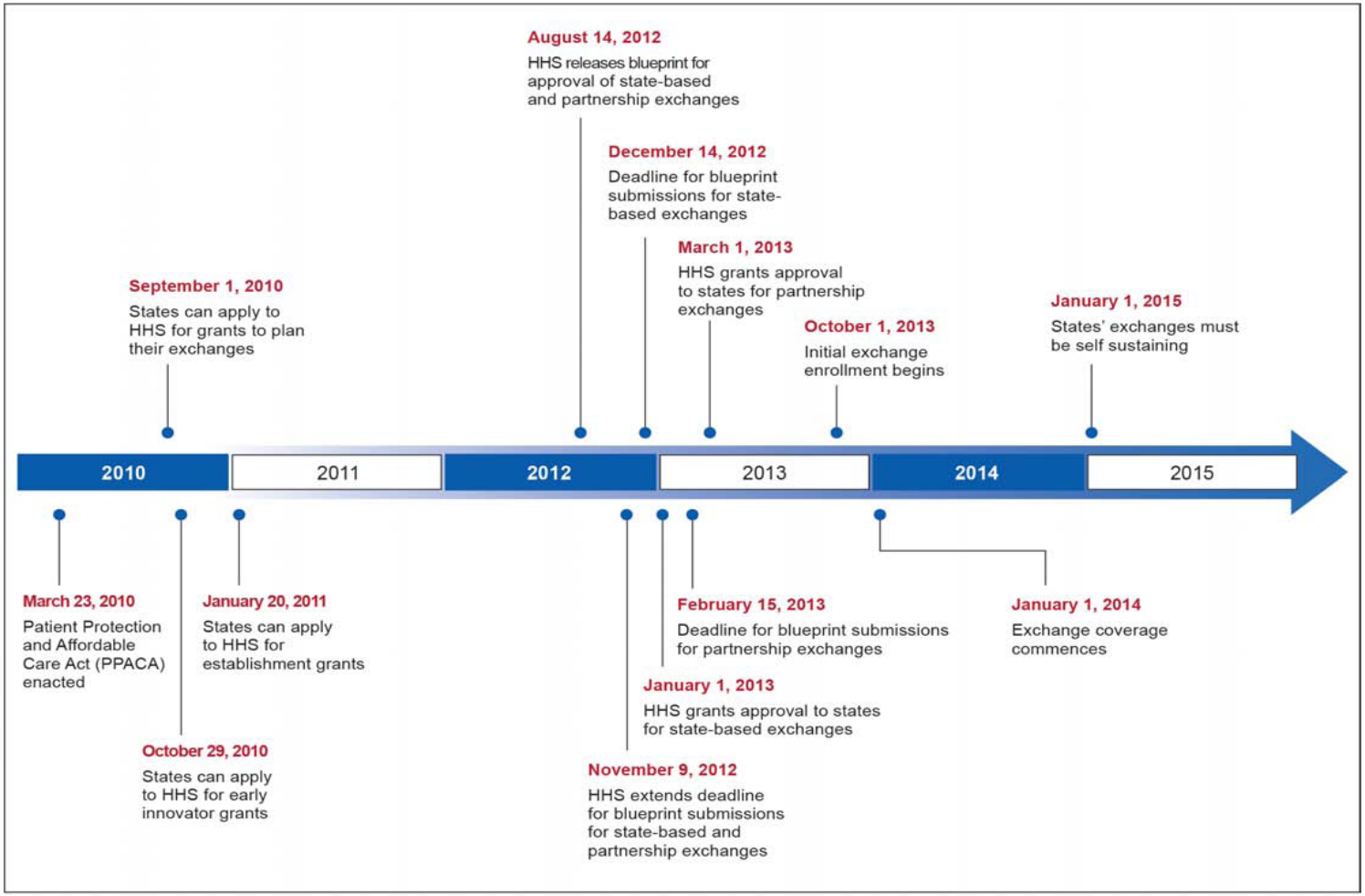
Health Exchanges Pose New Policy and Operational Issues for States and Federal Government

- HHS in addition to building FFEs
  - Review and approve state exchange plans
  - Issue guidance and regulations
  - Build data hub to provide electronic connection to federal sources
- States with state-based exchanges:
  - Governance;
  - Plans and providers;
  - Consumer outreach and assistance;
  - IT infrastructure for assessing eligibility and enrolling individuals into coverage;
  - Financial sustainability

Collaboration Required Across Multiple Agencies and Across Levels of Government

- Federal
  - Major players are HHS (and, within it, CMS) and IRS
  - SSA, OPM, Labor, OMB also involved in implementation
  - Multiple agencies provide information for data hub
- Federal-State
  - Traditional state responsibilities for operating Medicaid and regulating insurance will require careful coordination with federal agencies
  - Exchanges require developing new governance structures
- As these relationships evolve, accountability community will continue to play important role

Timeline for Key Exchange Milestones



Source: GAO analysis of relevant PPACA provisions and HHS regulations and guidance.

Premium tax credits

- Available for individuals with incomes between 100 and 400 percent of federal poverty level (FPL) and purchasing coverage through exchanges
  - Benchmarked to second-lowest cost “silver” plan on exchange
- Sliding scale
  - Taxpayers at 100 percent of FPL expected to contribute 2 percent of income
  - Taxpayers at 400 percent of FPL expected to contribute 9.5 percent of income
- Credit is paid to insurers when premiums due, but may be reconciled when end-of-year taxes are filed
- Not available for those below 100 percent of FPL
  - Potential gap in coverage options for low income individuals in states not expanding Medicaid

Insurance requirements

- Guaranteed issue: In 2014, insurers cannot deny individuals due to preexisting conditions
  - Estimates of individuals with preexisting conditions in 2009 range from 36 million to 122 million depending on conditions included
    - Most (88 percent) lived in states without insurance protections similar to PPACA
- Rating requirements: In 2014, insurers cannot charge higher premiums based on health status or sex, and premiums can vary no more than by a ratio of 3:1 based on age
- Essential health benefits: In 2014, insurers must cover 10 categories of services and items, similar in scope to a typical employer health plan

PPACA Implementation: Accountability Community Has a Critical Role

Challenges inherent in design of large complex nationwide initiative

- Creation of new programs and processes
- Involvement of multiple federal agencies, multiple state agencies, insurance companies.
  - Including some new relationships, e.g. role of state insurance regulators
- New public funds

As initial open enrollment IT problems demonstrated, continue to expect difficulties along the way—will need continuous learning and adjustments

While initial focus has been on IT challenges, longer term viability will also depend on decisions by employers, insurers, individuals and may vary by market or state

The Role of the Accountability Community

- Monitor implementation
  - IT data security, privacy protections, interoperability of systems
  - Contracting and financial management issues
    - Reliance on private contractors particularly for IT services
    - Federal grants to states
    - Exchanges to be self-funding by 2015
  - Performance issues, including eligibility and enrollment decisions
- Effects on federal and state budgets; insurance markets, premiums, and coverage; employers; health care delivery

GAO Reports on Implementation of PPACA Health Insurance Exchanges

Healthcare.gov: Ineffective Planning and Oversight Practices Underscore the Need for Improved Contract Management (GAO-14-694, Jul 30, 2014)

Patient Protection and Affordable Care Act: Preliminary Results of Undercover Testing of Enrollment Controls for Health Care Coverage and Consumer Subsidies Provided Under the Act (GAO-14-705T, July 23, 2014)

Health Insurance Exchanges: Coverage of Non-excepted Abortion Services by Qualified Health Plans (GAO-14-742R, Sep 15, 2014)

Healthcare.gov: Actions Needed to Address Weaknesses in Information Security and Privacy Controls (GAO-14-730, Sep 16, 2014)

Patient Protection and Affordable Care Act: Status of CMS Efforts to Establish Federally Facilitated Health Insurance Exchanges (GAO-13-601, Jun 19, 2013)

Examples of Ongoing GAO Work Related to PPACA Exchanges

- Health insurance premiums in individual and small group markets
- Insurer participation in exchanges and concentration of health insurers
- Small business (SHOP) exchanges
- Risk adjustment, reinsurance, and risk corridor programs
- Development of IT systems at federal and state levels
- Continued focus on privacy and security, enrollment controls

Facilitate Coordination and Communication Among Accountability Organizations

- Convened meetings with GAO, HHS OIG, Treasury IG for Tax Administration, NASACT, and State Auditors
- Will meet regularly to continue coordination
- Facilitates information sharing, early indications of areas of risk or concern

GAO on the Web

Web site: http://www.gao.gov/

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