Federal Health Reform:

What does it mean for Arizona?

What Just Happened?
- Sunday March 21st, 2010 – U.S. House of Representatives passed two bills that together make up the health reform package.
- The Senate bill, H.R. 3590, comprises the "meat" of the package.
- The House reconciliation bill, H.R. 4872, contains all the recent changes and amendments to the bill.
- The Senate bill was signed by President Obama on Tuesday, March 23rd, 2010 and is now law.
- The reconciliation bill is now in the Senate and will go to the President's desk within several weeks. No substantive changes are anticipated.
- Bottom line – health reform is now law in the U.S.

What does that mean for us in AZ?
- Some changes to health care take place this year to make health care more accessible and affordable.
- Some changes to health care take place over time (2014 to 2019).
- Arizona receives "extra" federal funding under this legislation because we've already done a lot of the work to expand health care to our citizens (Prop 204 expansion of AHCCCS).
- The state must reverse the recent budget cuts to KidsCare (by June 15, 2010) and AHCCCS (by January 1, 2011) in order to qualify for any federal funds for health care.
- Arizonans benefit from health reform!
Changes Happening Now

- Effective January 1, 2010:
  - Begin closing the Medicare Part D “donut hole” by increasing the amount covered by $250 immediately and increasing that amount annually until the hole is entirely closed.
- Beginning on September 22, 2010:
  - Insurance companies can no longer deny coverage to children with pre-existing health conditions.
  - Provide dependent coverage for children up to age 26 for all individual and group policies.
  - Prohibit individual and group health plans from placing lifetime limits on the dollar value of coverage.
  - Prohibit insurers from rescinding coverage when a person gets sick or develops a disease.
  - Require qualified health plans to provide free preventive services such as recommended immunizations, preventive care for infants, children, and adolescents, and additional preventive care and screenings for women.

Changes Happening Now

- Provide a tax credit of up to 35% for small business owners’ contribution toward their employees’ health insurance premium, if they choose to provide coverage to employees.
- Provide grants for up to five years to small employers that establish wellness programs.
- Establish a temporary national high-risk pool to provide health coverage to individuals with pre-existing medical conditions.
- Require chain restaurants and food sold from vending machines to disclose the nutritional content of each item.

Changes Coming in 2014

- Expand AHCCCS to all people at 133% FPL and under (Arizona currently provides coverage up to 100% FPL).
- Create state-based American Health Benefit Exchange through which individuals can purchase coverage, with premium and cost-sharing credits available to individuals/families with income between 133-400% of the federal poverty level and create separate Exchange through which small businesses can purchase coverage.
- The cost sharing is a sliding scale based on a family’s income. Families earning $88,000 for a family of 4 or less qualify for the cost sharing.
- Small businesses with 50 employees or less are exempt from a requirement to provide coverage to their employees. However, if they choose to provide coverage, the law provides a tax credit of up to 50% for small business owners’ contribution toward their employees’ health insurance premium.
- Require employers with more than 200 employees to automatically enroll employees in the health insurance plans offered by the employer.
- Assess employers with more than 50 employees that do not offer coverage and have at least one full-time employee who receives a premium tax credit a fee of $2,000 per full-time employee, excluding the first 30 employees from the assessment.
Changes Coming in 2014

- Prohibit individual and group health plans from placing annual limits on the dollar value of coverage.
- Impose a fee for people who choose not to have insurance coverage. Low-income people are excluded from this fee. Fee increases over time - $95 in 2014, $325 in 2015, $695 in 2016.
- Exemptions from requirement to buy coverage or pay a fee will be granted for financial hardship, religious objections, American Indians, those without coverage for less than three months, undocumented immigrants, incarcerated individuals, those for whom the lowest cost plan option exceeds 8% of an individual’s income, and those with incomes below the tax filing threshold.
- Permit states to form health care choice compacts and allow insurers to sell policies in any state participating in the compact.

How is this paid for?

- To finance the coverage for the newly eligible (those who were not previously eligible for a full benchmark benefit package or who were eligible for a capped program but were not enrolled), states will receive:
  - 100% federal funding for 2014 through 2016
  - 95% federal financing in 2017
  - 94% federal financing in 2018
  - 93% federal financing in 2019
  - 90% federal financing for 2020 and subsequent years.
- States that have already expanded eligibility to adults with incomes up to 100% FPL will receive a phased-in increase in FMAP for non-pregnant childless adults, up to 93% by 2019. Arizona is one of these states. This means we’ll get more money to pay for our current AHCCCS population.
- Arizona will receive about $2.5 billion in increased funding for AHCCCS between 2014 and 2019. We’ll receive $130 million in increased funding for KidsCare between 2016 and 2019.

Arizona’s recent cuts to KidsCare and AHCCCS

- Under federal health reform law, all states need to maintain current coverage from now until 2014. States will continue to receive all federal matching funds to help pay for coverage.
- States that reduce coverage lose all their federal matching funds for health care.
- In Arizona, we spend about $1 billion per year on health care. The federal government gives us $6.96 billion to cover the rest of the costs.
- Governor Brewer recently signed a budget that eliminates KidsCare on June 15, 2010 and eliminates AHCCCS coverage for 320,000 adults on January 1, 2011.
- We must reverse these cuts prior to their enactment dates or we will lose $7 billion in annual health care funding.

Consequences for this requirement: It is the intention of this health reform package to ensure coverage for all Americans by 2014. Until 2014, states need to simply keep doing what they’ve been doing for decades and maintain coverage for their already-covered populations.
Arizona wins with health reform

- Provide tax credits for 63,700 small businesses in Arizona
- 1.7 million children in Arizona will have affordable access to health care
- Close the donut hole for 853,000 Arizona seniors
- Ensure affordable coverage for 1.3 million uninsured Arizonans
- Provide access to insurance for 148,316 Arizonans with pre-existing health conditions
- Reduce family health insurance premiums by up to $2,050 for the same benefit packages
- Provide AHCCCS for 59,037 more Arizonans and provide $2.5 billion to pay for their coverage
- Create 5,800 jobs in the private market by reducing health care costs for employers
- Allow 607,585 young adults to stay on their parents’ health insurance plans
- Provide more federal funding for 129 community health centers in Arizona

Questions?