Patient Protection and Affordable Care Act of 2010


HSC 4630
Understanding U.S. Healthcare
Presentation Objectives

• Summarize the historical context of the Patient Protection and Affordable Care Act of 2010 (ACA)
• Explain the rationale for the policy
• Evaluate the major components of the ACA
• Distinguish the Supreme Court decisions regarding ACA
History of Healthcare Reform

- Theodore Roosevelt (P) 1912
  - Campaign pledge
- Franklin D. Roosevelt (D) (1932-1945)
  - Social Security Act of 1935
- Harry S. Truman (D) (1945-1953)
  - First president to propose national health insurance
- Dwight D. Eisenhower (R) (1953-1961)
  - Federal Employees Health Benefits Program
  - Tax break for employer-sponsored insurance

(P) = Progressive; (D) = Democrat; (R) = Republican
History of Healthcare Reform

• John F. Kennedy (D) (1961-1963)
  – Medicare bill was defeated

• Lyndon B. Johnson (D) (1963-1969)
  – Social Security Act Amendments, 1965

• Richard M. Nixon (R) (1969-1974)
  – Contributed to the debate

• Jimmy Carter (D) (1977-1981)
  – His Democratic rival, Ted Kennedy’s, cause
History of Healthcare Reform

  – Expanded Medicare

• Bill Clinton (D) (1993-2001)
  – Universal Health Care

• George W. Bush (R) (2001-2009)
  – Medicare Modernization Act of 2003

• Barack H. Obama (D) (2009- )
  – Patient Protection and Affordable Care Act, 2010
Problem: Uninsured

Figure 1

Number of Uninsured Children and Nonelderly Adults, 2007-2009

In Millions:

<table>
<thead>
<tr>
<th>Year</th>
<th>Children</th>
<th>Adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>36.1</td>
<td>8.9</td>
</tr>
<tr>
<td>2008</td>
<td>37.6</td>
<td>8.1</td>
</tr>
<tr>
<td>2009</td>
<td>41.7</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Children include all individuals under age 19. Adults include all individuals ages 18-64. Almost all of the elderly are covered by Medicare.

Who are the Uninsured?

Characteristics of the Uninsured, 2009

Family Work Status
- No Workers: 23%
- Part Time Workers: 16%
- 1 or More Full-Time Workers: 61%

Family Income
- <100% FPL: 40%
- 100-250% FPL: 38%
- 251-399% FPL: 13%
- 400%+ FPL: 10%

Age
- 26-34: 21%
- 35-54: 33%
- 55-64: 10%
- 0-18: 17%
- 19-25: 19%

Total = 50.0 million uninsured

The federal poverty level was $22,050 for a family of four in 2009. Data may not total 100% due to rounding.
SOURCE: KCMU/Urban Institute analysis of 2010 ASEC Supplement to the CPS.
Figure 3

Barriers to Health Care Among Nonelderly Adults, by Insurance Status, 2009

Percent of adults (age 18-64) reporting:

- No Usual Source of Care
  - Uninsured: 56%
  - Medicaid/Other Public: 11%
  - Employer/Other Private: 10%

- Postponed Seeking Care Due to Cost*
  - Uninsured: 32%
  - Medicaid/Other Public: 8%
  - Employer/Other Private: 12%

- Went Without Needed Care Due to Cost*
  - Uninsured: 26%
  - Medicaid/Other Public: 4%
  - Employer/Other Private: 9%

- Could Not Afford Prescription Drug*
  - Uninsured: 27%
  - Medicaid/Other Public: 6%
  - Employer/Other Private: 13%

*In past 12 months.
Respondents who said usual source of care was the emergency room were included among those not having a usual source of care.
All differences between uninsured and insurance groups are statistically significant (p<0.05).
SOURCE: KCMU analysis of 2009 NHIS data.
Adverse Selection

• The sick buy health insurance
• Healthy don’t buy insurance
• These lead to increasing health insurance costs
• Costs spiral out of control
Political Circumstance

• Democratic majority
• Strong support from liberal special interests
• Benefits in the short-term (phase 1); sacrifices in the long-term (phase 2)
• Passed without a single Republican vote
Yes, Mr. Biden, it’s a big deal.
Major Components of ACA

- Consumer protections
- Lowering costs of care and health insurance
- Improving quality
- Increasing access to care
Consumer Protections

- Prohibits pre-existing condition exclusions
- Prohibits insurance companies from dropping coverage
- Eliminates lifetime limits
- State insurance regulations to prevent unreasonably high insurance rate hikes
- Minimum spent on medical care – medical loss ratio
Lowering Costs of Health Insurance

• Health insurance exchanges (marketplaces)
  – Began in 2014
  – State-run and federally-run
  – Individual mandate (subsidies)
  – Employer mandate (tax credits)
  – Standardized benefit levels

Lowering Cost of Care

- Center for Medicare and Medicaid Innovation
- Accountable Care Organizations
  - Medicare program that encourages cooperation among providers and hospitals
  - Incentives to constrain cost growth and improve quality, called “Shared Savings Program”
- Independent Payment Advisory Board
Obama’s Death Panels

“The America I know and love is not one in which my parents or my baby with Down Syndrome will have to stand in front of Obama's ‘death panel’ so his bureaucrats can decide, based on a subjective judgment of their ‘level of productivity in society,’ whether they are worthy of health care. Such a system is downright evil.”

- Sarah Palin on Friday, August 7, 2009 at 4:26pm
Lowering Costs of Care

• Gradually close the Medicare ‘donut hole’
Improving Quality

• Preventive care provisions
• Prevention and Public Health Fund
• Strengthen the primary care workforce
• STARS Medicare Advantage P4P
• Comparative Effectiveness Research
Increasing Access to Care

- Extension of dependent coverage to adult children up to 26 years old
- Medicaid expansion
  - Medicaid eligibility expanded to all adults with income below 133% FPL (~$31,000 for a family of four)
Supreme Court Challenges

- Individual mandate
  - Yes, it’s constitutional
  - Tax – not a penalty

- Compulsory Medicaid expansion
  - No, it’s not constitutional
  - Federal government exerted too much power

- Subsidies in the Health Insurance Exchanges
How ACA is Funded

- Net cuts to Medicaid (excl. coverage provisions) $45 billion
- Increased Medicare tax on high-income taxpayers $210 billion
- Fees on insurers & medical producers $107 billion
- Excise tax on Cadillac health plans $32 billion
- Penalty payments by employers & individuals $69 billion
- Other net spending cuts (incl. education reforms) $52 billion
- Net cuts to Medicare (incl. donut hole fix) $416.5 billion
- Other revenue provisions $149 billion

* $938 billion is cost of coverage provisions from 2010-2019; chart adds to $1.08 trillion due to deficit reduction
Summary of ACA

• Expanding access to health insurance
• Making coverage more affordable
• Improving comprehensiveness of coverage
• Improving coordination of care
• Controlling the growth in costs