

# The Patient Protection and Affordable Care Act of 2010

## An Overview of the New Health Care Law

### Enacted March, 2010



# The Patient Protection and Affordable Care Act of 2010

*March, 2010:*

*President Obama Signed Into Law Landmark Health Care Reform Legislation*



**March 23, 2010** – “Today, after almost a century of trying. Today, after over a year of debate. Today, after all the votes have been tallied, health insurance reform becomes law in the United States of America...We are a nation that faces its responsibilities and faces its challenges. Here in this country we shape our own destiny...That's what makes us the United States of America.”

*– President Obama*



## UnitedHealth Group's Position on The Patient Protection and Affordable Care Act

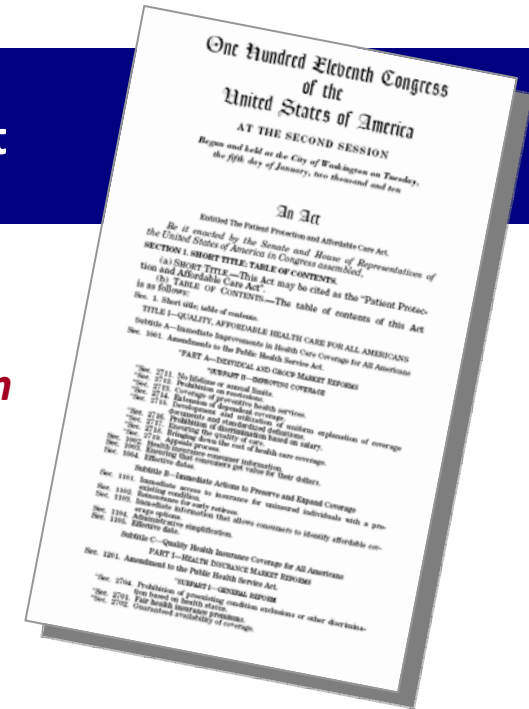
*“UnitedHealth Group is committed to ensuring that expanded access to quality care for millions of Americans is achieved and sustained over time. We remain concerned that any advances under the new law will be eroded by the unchecked rise of health care costs that were not adequately addressed in the legislation. We will continue to work with all stakeholders to tackle this complex but critical issue.”*

*—President and CEO Stephen J. Hemsley, March 30, 2010*



# An Overview: The Patient Protection and Affordable Care Act

*The Patient Protection and Affordable Care Act commits \$940 billion over 10 years to expand coverage to nearly 32 million of the 54 million uninsured Americans. This would be offset by \$438 billion in new taxes and more than \$500 billion in spending reductions, largely in the Medicare program.*

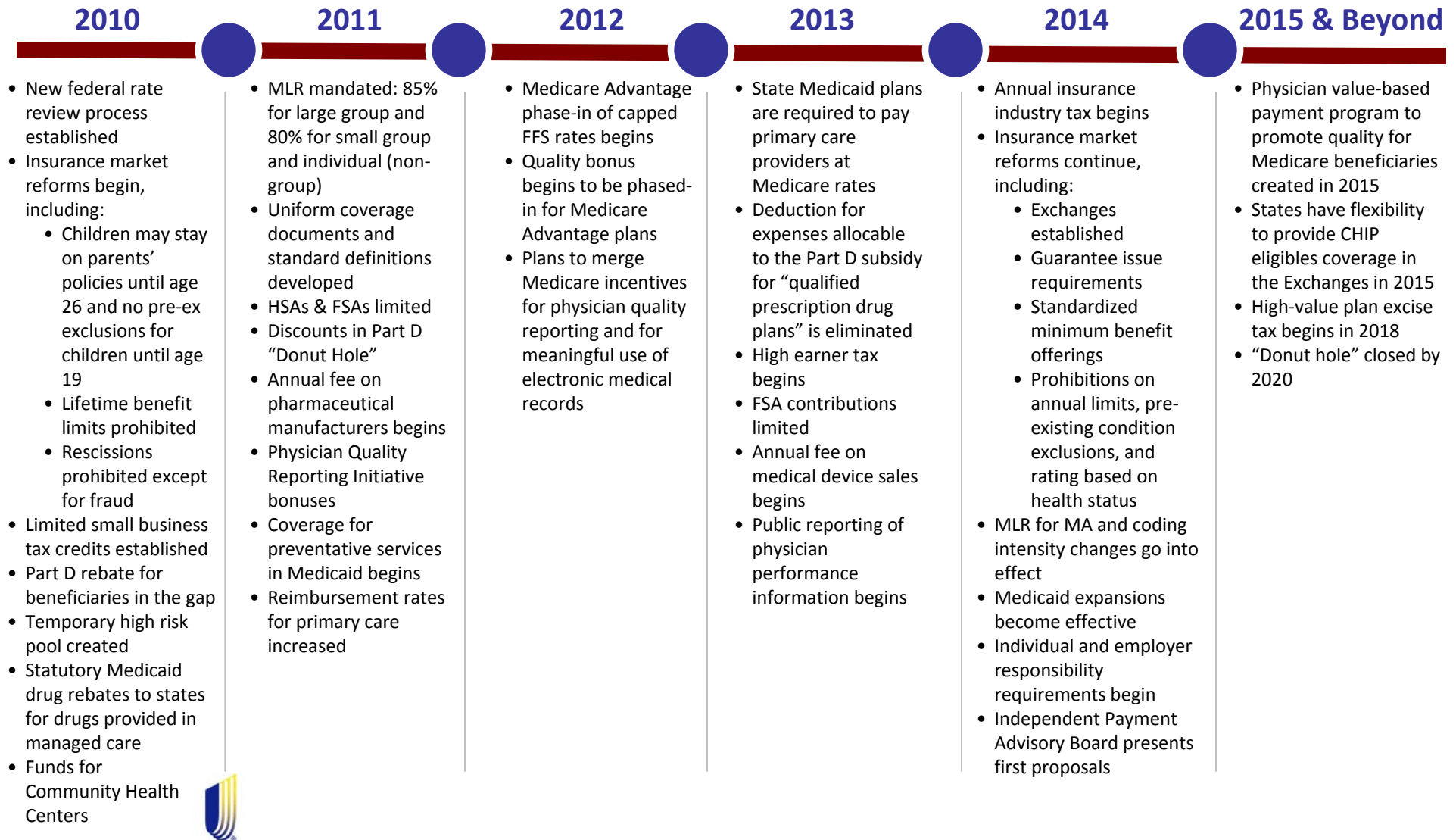


The Patient Protection and Affordable Care Act includes:

- 1) Creation of a new insurance marketplace, resulting in expanding access to coverage and the formation of state-based Exchanges
- 2) Sweeping insurance market reforms
- 3) Fundamental changes to Medicare, expansion of the Medicaid Program, and reforms to Part D, closing the “Donut Hole” by 2020
- 4) Fraud and abuse, health IT, and prevention and wellness initiatives, including the promotion of prevention programs across the health care system



# Timeline of Key Elements: The Patient Protection and Affordable Care Act



# UnitedHealth Group & The Patient Protection and Affordable Care Act



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OptumHealth<sup>SM</sup>

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PrescriptionSolutions<sup>®</sup>

*The expansive  
new health care law includes  
elements that will have an  
impact across UnitedHealth  
Group and throughout the  
health care system*

INGENIX<sup>®</sup>

OVATIONS



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# The New Insurance Marketplace & Other Insurance Market Reforms

***The Patient Protection and Affordable Care Act fundamentally reforms the insurance market, both in providing access to coverage for those previously uninsured and in changing the system for those who already have coverage***

## The New Insurance Marketplace...

- ✓ State health insurance Exchanges (for individuals and small employers up to 100 employees) estimated to provide coverage to 24 million
- ✓ New coverage alternatives, such as CO-OPs and benefit plan levels
- ✓ Individual responsibility requirement and employer requirements/penalties for not offering coverage
- ✓ Subsidies and tax credits to offset insurance premiums
- ✓ Temporary high-risk pool established until 2014 to provide coverage to those who can't obtain insurance due to health status or a pre-existing condition
- ✓ New voluntary long-term care insurance program for individuals with functional limitations

## ...and Other Insurance Market Reforms

### *Effective 2010:*

- ✓ Children up to age 26 covered on their parents policies and up to age 19 obtain coverage with no pre-ex condition exclusions
- ✓ Lifetime caps ended
- ✓ Prohibition on rescissions except in the case of fraud or intentional misrepresentation
- ✓ New rate review authority process established

### *Effective 2011:*

- ✓ Establishment of standard MLRs for all plans
- ✓ Uniform health plan documents created

### *Effective 2014:*

- ✓ Guarantee issue coverage for all
- ✓ No exclusions for pre-existing conditions
- ✓ Minimum, essential benefits and standard benefit offerings
- ✓ Insurance industry annual tax begins

### *Effective 2018:*

- ✓ High-value plan excise tax begins



# Medicare Reforms

## Medicare Advantage (MA) Reforms

- ✓ Starting in 2012, MA payment benchmarks will be phased-in relative to local Medicare fee-for-service costs, and quality bonuses will be phased-in based on a five-star rating system
- ✓ Starting in 2014, MA plans are subject to a new minimum medical loss ratio (MLR) requirement of 85%
- ✓ MA and Prescription Drug Plan (PDP) enrollment period changes
  - ✓ In 2011, the January - March MA open enrollment period (OEP) for beneficiaries is eliminated and replaced with an opportunity to move to a fee-for-service plan from January 1 - February 15
  - ✓ In 2012, the MA and PDP annual election period (AEP) is moved up to October 15 - December 7
- ✓ Medicare beneficiaries are entitled to an annual wellness visit with no copayment or deductible. Cost-sharing is also removed for immunizations, screening tests and preventative services
- ✓ A new Independent Payment Advisory Board is established to present proposals to the President and Congress to reduce excess cost growth, improve quality of care for Medicare beneficiaries, and slow the growth in national health expenditures

## Part D Coverage Gap ("Donut Hole" Coverage)

- ✓ A \$250 rebate will be given to beneficiaries who enter the coverage gap in 2010
- ✓ The donut hole will be closed by 2020 by reducing coinsurance to 25% for all spending between the deductible and the catastrophic limit for both generic and brand name drugs
- ✓ In 2011, pharmaceutical manufacturers whose drugs are covered in Part D must provide a 50% discount for brand-name drugs
- ✓ A generic drug discount in the form of a federal subsidy is also provided to eligible beneficiaries in the donut hole beginning in 2011

## Retiree Drug Plans

- ✓ Starting in 2013, the deduction for expenses allocable to the Medicare Part D subsidy for "qualified prescription drug plans" is eliminated





# Medicaid Expansion and Medicaid, CHIP, & SNPs Reforms

## Medicaid Expansion

- ✓ Expands the Medicaid program in 2014 to individuals and families with incomes up to 133% of the federal poverty level
- ✓ Entitles childless adults and parents to coverage in the program. States will receive an enhanced federal match for this expansion (100% federal match in 2014 - 2016, phasing down in 2017 and beyond)
- ✓ Newly-created Exchanges will act as national enrollment vehicle starting in 2014

## Federal Statutory Prescription Drug Rebates & Medicaid Managed Care

- ✓ As of January 2010, drug manufacturers are required to provide statutory Medicaid drug rebates to states for drugs provided in managed care
- ✓ Provides an immediate savings opportunity for states that currently deliver their drug benefit through managed care

## Primary Care Payments in Medicaid

- ✓ In 2013 and 2014, states are required to pay primary care providers equivalent to Medicare rates

## Children's Health Insurance Program (CHIP)

- ✓ Extends the CHIP Program through 2015
- ✓ Beginning in 2014, states receive a 23% increase in their federal CHIP match rate
- ✓ States have flexibility to provide CHIP eligibles coverage in the Exchanges in 2015

## Special Needs Plans (SNPs)

- ✓ Extends the authorization for Medicare SNPs through 2013
- ✓ Extends the current state contracting requirement for dual SNPs through December, 2012



# Fraud and Abuse, Health IT, and Prevention & Wellness Initiatives

## Fraud and Abuse

- ✓ Increases funding for fraud and abuse prevention, enforcement and control
- ✓ Expands fraud and abuse rules to ERISA plans, Medicaid, and Medicare Parts C and D
- ✓ Increases penalties for violations
- ✓ Streamlines procedures for Medicare administrative contractors to conduct Medicare prepayment reviews

## Comparative Effectiveness Research

- ✓ In 2010, the Patient Centered Outcomes Research Institute is established
- ✓ Evaluates and compares health outcomes and the clinical effectiveness, risks, and benefits of two or more medical treatments, services, and items. Does not allow comparisons based on cost

## Administrative Simplification

- ✓ HHS to promote uniform adoption of electronic transactions standards, including standards for patient insurance eligibility and patient financial requirements. Electronic funds transfer rules are required by July, 2012, effective July, 2014
- ✓ Beginning in 2015, all payments made by Medicare must use EFT

## Prevention & Wellness

- ✓ Promotion of healthier eating habits and increased physical activity through increased funding for Community Transformation Grants
- ✓ All health plans to provide coverage for preventive benefits with no co-insurance or cost sharing
- ✓ Grants to states or local health departments to conduct pilot programs in the 55-to-64 year-old population for prevention and wellness programs designed to reduce Medicare costs
- ✓ New food labeling requirements for chain restaurants and vending machines



***The modernization of health care is just beginning.***

**All Americans should have access to quality, affordable health care coverage.**

**Each day, UnitedHealth Group applies the broad capabilities and experiences of our 78,000 employees to improve the health care system through innovations and proven best practices.**

**UnitedHealth Group will continue to work with physicians, nurses, hospitals, government officials, policy-makers, thought leaders, customers, industry partners, and others to develop solutions to modernize the health care system and address the challenge of rising health care costs.**

