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Healthcare Reform: A Year Later

Will it stay or will it go? Time will tell, but for now, it is prudent to consider opportunities in the changing world of healthcare. We know your organization is working hard on the checklist of items to be completed by the imposed deadlines. However, some provisions of the bill will have more far reaching effects that make it important to evaluate long-term strategies and consider changes in light of the financial impact of the new law. Some of these items that may be of interest are summarized here.

Taxes and Fees

Although there are expected to be some savings, the bill will require additional revenue, some of which will come from additional fees and taxes. For example:

- The Medicare Part D subsidy being received by many employers for retiree prescription drug costs will be taxed in the future. There are opportunities to take advantage of the expanding Medicare Rx plan by integrating your Rx plan with Medicare (similar to current integration of the physician and hospital coverages) or offering an employer-customized Part D plan directly to your retirees.
- The excise tax on high cost ("Cadillac") healthcare plans may impact an employer's retiree medical plan in the future, requiring immediate financial recognition due to accounting rules, even if the current plan cost is far below the thresholds. Health plan costs are likely to catch up to the thresholds because the increase to the thresholds is limited by the Consumer Price Index (CPI) whereas the health plan cost trends have historically been much greater than the CPI. The need for immediate measurement and recognition of this impact has been overlooked by some employers.
- For highly-paid employees, the Medicare tax will not only increase but will also apply to personal unearned income.
- There will be annual fees charged to the pharmaceutical and health insurance sectors.

Medicare's Reimbursement Structure is Changing

Collaboration, consolidation, and quality measures will impact reimbursement amounts under the new law. Since Medicare represents a significant portion of revenue for most providers, changes in the Medicare reimbursement structure will reverberate throughout the system as providers react and realign to maximize potential revenue. The following are some examples of how the new structure encourages more cooperation between providers, payers, and the pharmaceutical industry, as well as renewed focus on quality of care:

- ACOs (groups of providers responsible for the overall care of a patient) can share in any cost savings they achieve for Medicare through the coordination of care.

Healthcare Reform: A Year Later (continued)

- Bundling payments to providers will require cooperation and, along with an increase in primary care physician reimbursements, may further the trend toward a greater number of hospital-employed physicians for their mutual benefit (as well as stronger primary care/specialty physician coordination). In addition, Medicare will no longer be contracting with new physician-owned hospitals.
- Penalties related to preventable hospital readmissions, hospital-acquired conditions, and poor quality metrics should provide further incentives to focus on quality of care. In addition, a newly implemented hospital value-based purchasing program will base reimbursements on quality measures. These quality metrics will be made publicly available on the Internet.
- Increased cooperation and communication, along with increased focus on quality of care, should result in fewer medical professional liability claims.

Unintended Consequences on Workers' Compensation (WC)

Although WC is not directly addressed by the health reform legislation, expanding coverage and changes in the way health care is delivered and financed is certain to have some effect on medical costs under WC. For example:

- Currently, there may be some incentive for employees without healthcare insurance to try to get medical coverage by filing a WC claim. With the expansion of healthcare coverage under the new law, this incentive should be reduced.
- The emphasis on preventative services and primary care may reduce complications for chronic conditions, thus lowering WC claim severity.
- The reduction in Medicare reimbursement rates will also reduce WC medical fee schedules that are based on these rates. This will lower the medical benefit component of WC costs.
- The focus on quality measures and management of medical services will extend to the care of WC patients.
- Increased fees and taxes may get passed on in the form of higher WC insurance premiums.

Overall, there will be new required benefits, more available coverage, changing sources of federal funding, increased financial pressure on healthcare providers, and increased regulation. The new rules will potentially change how providers do business, employers provide coverage, and individuals choose from amid the various options. Are you ready?

The following are some links with more information on the new law:

Summary of the Acts

Timeline for changes

White house blog on Health Care Reform

Complete Patient Protection and Affordable Care Act

Complete Health Care and Education Reconciliation Act