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EMPLOYEE BENEFITS

Health Reform Bulletin

Week of December 3, 2012

As expected, post-election implementation of the Affordable Care Act (ACA) has accelerated quickly even as two more states – Michigan and Arizona – announced last week that they will not operate state-based exchanges. Frost & Sullivan, a research and consulting firm, released a new report last week that found the market for health information exchanges will grow 30 percent to 40 percent in the next year, and that health care providers will significantly ratchet up their participation in the next 18 to 24 months. At the same time, the federal Department of Health and Human Services (HHS) has issued a number of new and important sets of ACA regulations that further shape what health care reform will look like the years ahead. The new rules impact essential health benefits, market reforms, wellness services, and exchanges. Some of the ACA requirements have raised concerns about how affordable coverage will be going forward both on and off the exchanges.

Federal

Congressional leaders and the White House continue to be divided over revenue increases vs. spending reductions to be included in any agreement to avoid the so-called "fiscal cliff." There is just one month remaining before the imposition on January 1 of across-the-board sequestration cuts and tax increases that are scheduled under current law. Over the past week, Republicans and Democrats have engaged in a public dialogue about their priorities in the negotiations. Congressional Republicans last week rejected a proposal by the Obama administration that reportedly called for $1.6 trillion in new revenue, $400 billion in unspecified spending cuts, $50 billion in new funding for economic stimulus, and an increase in the debt ceiling. The President and congressional leaders have not held any face-to-face meetings since November 16, although they have spoken by phone and administration officials have had discussions on Capitol Hill with key lawmakers. President Obama expressed hope that both parties will settle on the framework for an agreement that gets the long-term deficit under control in a way that is fair and balanced before Christmas.

States

ARIZONA: Governor Jan Brewer notified federal regulators that Arizona will not implement a state-based exchange and would participate instead in a federally facilitated version. Brewer noted that though the state has made progress in planning for the required core exchange functions, it could not make informed decisions on other aspects of an exchange without additional detailed guidance from the federal government. The governor's decision appears to

have been heavily influenced by the difficulty anticipated in moving needed legislation through the legislature with its very conservative leadership in both the House and Senate. Brewer is expected to continue efforts to craft a deal with the Centers for Medicare and Medicaid Services that would enable Arizona to restore some degree of Medicaid coverage to its childless adult population.

CONNECTICUT: The exchange board made a number of decisions related to Qualified Health Plans (QHPs) last week and will be releasing a QHP solicitation in early December. Carriers will be required to offer one "standard plan" on each of the gold, silver and bronze benefit tiers. The exchange will be releasing the design of the standard plans in early January. Carriers also are allowed to offer one non-standard plan on each of these three benefits tiers. Also, carriers are required to contract with 75 percent of essential community providers in each county and 90 percent of the federally qualified health centers or "look-alike" health centers in the state. The solicitation period is for two years with a two-year "lockout" for carriers that don't participate.

ILLINOIS: The legislature's veto session has concluded its first week, and Medicaid ACA reform is expected to move during the "lame duck" session in the first week of January. Over 70 organizations had signed up to support the legislation, and the list is growing. The proposed legislation would revise the Public Aid Code to eliminate the coverage gap for adults ages 19 through 64 whose income is at or below 133 percent of the federal poverty level (FPL), the level required by the ACA. In addition, under the proposal the state would establish the specific benefit package for these newly eligible adults through rulemaking, which minimally must cover 10 "essential health benefits" including hospitalizations, pharmaceuticals, mental health and substance-use disorder services, preventive and wellness services, chronic disease management and more. The proposal would amend the moratorium on new eligibility categories to take advantage of the favorable federal match rates.

MICHIGAN: Governor Rick Snyder's state-based exchange proposal was extinguished last week when the House Health Policy Committee defeated an attempt to pass the bill to the House floor. Michigan had filed an application with HHS for a federal grant to plan and implement a partnership exchange. With a state-based exchange now off the table, the state remains on the path to a partnership option in 2014 with the federal government in which the state has a limited role.

OREGON: In a budget filed last week, Governor John Kitzhaber estimates that more than 200,000 Oregonians would become eligible for the state's Medicaid program — known as Oregon Health Plan — as a result of the ACA's optional coverage expansion. With almost 30 percent of the uninsured covered through public plans, the costs borne by private employers, families and individuals who buy insurance through the commercial market will be reduced, according to the plan.

Courtesy of Aetna Health Reform Weekly