

**HRSA**  Office of  
Policy Analysis

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# **Potential Impacts of the Affordable Care Act on Safety Net Providers in 2014**

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## Structure of this Presentation



- A. Impact on providers' typical **patient** populations.
- B. Impact on their health insurance and health care **business environment**.
- C. Impact on providers as **employers**.

*All references to “providers” mean safety net provider organizations (not individuals), unless otherwise specified.*



# A. Potential Impact on Safety Net Providers' **Patient Populations**

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## Many Uninsured Patients Will Become Eligible for Affordable Coverage in 2014

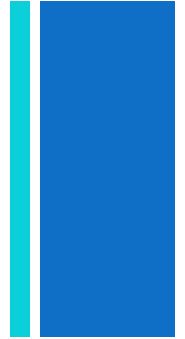


Two new opportunities for health coverage:

1. Medicaid – States will have the opportunity to expand Medicaid coverage to individuals up to 133% FPL.
2. Private insurance purchased through the Health Insurance Marketplace (also known as an Exchange).
  - Some individuals will be eligible for help paying for health insurance in the Marketplace.



## Medicaid Expansion

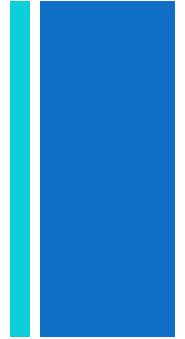


The Medicaid expansion provision of the Affordable Care Act requires states to expand Medicaid to cover all non-elderly residents with incomes up to 133% FPL starting Jan. 1, 2014.

- 133% FPL is \$15,282 for an individual or \$31,322 for a family of 4 in 2013.
- Individuals will no longer need to meet both income and other medical or categorical requirements (e.g., children, disabled, etc.) to be eligible for Medicaid.
- The expansion will enable childless adults (ages 19-64) to get Medicaid.

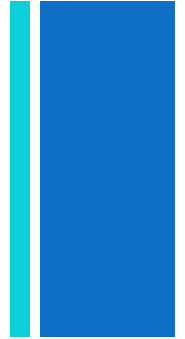


# State Implementation of Medicaid Expansion



- In June 2012, the Supreme Court held that a state may not lose Federal funding for its existing Medicaid program when it does not implement the Medicaid eligibility expansion.
- States that implement the Medicaid expansion will receive 100% federal funding for the cost of the expansion from 2014-2016, and at least 90% after that.
- There is no deadline for States to decide whether to expand, and many States are still deciding.
- Individuals with incomes less than 100% FPL who reside in a state that does not implement Medicaid expansion will not be subject to the Shared Responsibility Payment (i.e., tax penalty for not having insurance).

# + Health Insurance Marketplaces (aka Exchanges)



- By October 1, 2013, every State will have a Marketplace where eligible individuals and small businesses can shop for and purchase private health insurance plans.
- Some Marketplaces will be operated by the Federal government, some by the State, and some via a Federal-State partnership.
- All citizens and lawfully present non-citizens (except the incarcerated) can purchase insurance through the Marketplace.
  - A person cannot be denied due to health status.

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## Help with Paying for Insurance through the Marketplace



- **The Affordable Care Act:**
  - makes premium tax credits available to support the purchase of coverage through a Marketplace for eligible individuals with household income between 100% - 400% FPL;
  - provides assistance with cost-sharing for eligible persons between 100% - 250% FPL;
  - Members of Federally-recognized Indian Tribes have no cost-sharing if income is <300% FPL





# Who's Eligible for Help Paying for Insurance through the Marketplace?



- To be eligible for premium tax credits and cost-sharing reductions for insurance obtained through the Marketplace, a person may not:
  - be eligible for certain government-sponsored programs (e.g., Medicaid, CHIP, Medicare, TRICARE, etc.)
  - be able to get affordable, minimum value coverage at work (defined as coverage for which the employee's contribution for an individual policy is less than 9.5% of income, and which has at least a 60% actuarial value ); or
  - be eligible for any other coverage that qualifies as “minimum essential coverage” under IRC 5000A(f) (other than coverage in the individual market).



## Some Patients Will Still Have Challenges Accessing Coverage



Once these new opportunities are in effect, CBO estimates that there will still be up to 30 million uninsured across the U.S in 2022. They will include:

- Persons who do not have an “affordable” insurance option available to them;
- Persons who choose not to have insurance, either because they are exempted (e.g., members of an Indian Tribe, those with religious objections) or they choose to pay the Shared Responsibility Payment;
- Individuals who are not lawfully present



# Who is Eligible for What?



Income level % FPL	Eligible :			
	For Medicaid?	To purchase insurance through Market-places?	For insurance purchased through the Marketplace:	
			Premium Tax Credits	Reduced cost-sharing
0 to 100%	Currently eligible people will generally remain eligible. Individuals with incomes up to 138% FPL will be able to enroll in Medicaid in states that implement Medicaid expansion	Yes	No (Exception: legal immigrants)	
100% - 138%		Yes		
138% - 250%		Yes	Yes*	
250% - 400%	No	Yes	Yes*	No
Above 400%	No	Yes	No	No
Not lawfully present	No (except emergency Medicaid)	No	No	No

This information may not be changed, modified, adapted or altered so as to falsely imply ~~different eligibility~~ unless eligible for other minimum essential coverage as defined in IRC 5000A(f)

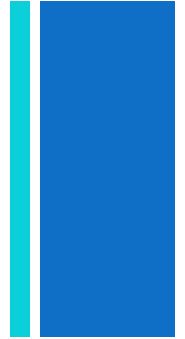
# + Providers May Want to Focus on Educating & Enrolling their Patients in Insurance

To ensure that their eligible patients can appropriately benefit from these new coverage opportunities, safety net providers may want to:

- **Educate** their patients about their new options, how insurance works, the benefits of having insurance, etc., and
- **Assist** patients with **applying for and enrolling** in these programs.



# Educating Patients about New Health Coverage Options



- What the options are: Many individuals who stand to benefit under the 2014 provisions are not aware of their options.
  - A recent study\* found that:
    - Among uninsured Americans who are likely to qualify for help paying for coverage through the Marketplace, only 22% were aware of the financial assistance available.
    - Among those likely to qualify for Medicaid under the expansion, only 17% were aware of this possibility.
- How insurance works: Many newly-eligible individuals would benefit from education on how insurance works (e.g., how cost-sharing works, how provider networks function, and how insurance may benefit them.)

\* Poll by Lake Research Partners, Fall 2012 – available at [www.enrollamerica.org](http://www.enrollamerica.org)  
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# + Assisting Patients in Applying for & Enrolling in the New Options

Eligible patients would likely benefit from help with:

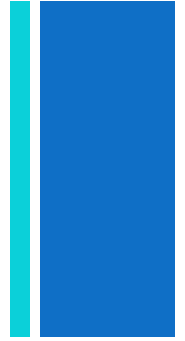
- Accessing the eligibility and enrollment system
  - Individuals can apply online, by phone, by mail, or in-person.
  - Each Marketplace will have assistance programs, including Marketplace Navigators who can help consumers through the enrollment process.
  
- Working their way through the application.
  
- Understanding and evaluating factors they should consider when selecting a plan. For example:
  - Does it cover the Rx I need?
  - Does it include the provider(s) I want to see?



## Summary of Potential Impact on Patient Populations



1. **Some uninsured patients will become eligible for affordable insurance in 2014.**
2. **Not all patients will have access to or will obtain health coverage.**
3. **Providers may want to focus on educating & enrolling their patients in insurance.**



# B. Potential Impact on Safety Net Providers' **Business Environment**

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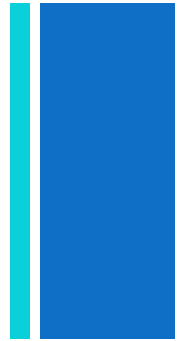


# + Two New Acronyms: QHPs & ECPs

- QHPs: Qualified Health Plans – those private health insurance plans that are approved to be sold through a Marketplace.
- ECPs: Essential Community Providers – A term used in the ACA to denote providers that serve predominately low-income, medically underserved individuals, such as:
  - Health care providers defined in Section 340B of the Public Health Service Act and Section 1927(c)(1)(D)(i)(IV) of the Social Security Act
  - This includes many traditional HRSA providers, including Federally Qualified Health Centers, Ryan White HIV/AIDS providers, critical access hospitals, etc.



## ECP Database



- On March 26, CMS/CCIIO posted a “non-exhaustive list” of ECPs to assist health insurance plan issuers in locating ECPs.
  - <http://cciio.cms.gov/programs/exchanges/qhp.html>
- Questions about the database may be directed to [essentialcommunityproviders@cms.hhs.gov](mailto:essentialcommunityproviders@cms.hhs.gov).

## + Increased Competition for Insured Patients

- When previously-uninsured patients become insured, they will become more attractive to other providers.
- Primary care providers may also face increased competition for current Medicaid patients:
  - Medicaid payments rates for primary care increased significantly (to Medicare levels) for 2013 & 2014, making these patients more attractive to other providers.
  - These increases apply to all Medicaid patients, not just those who gain Medicaid in 2014.

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## Ensuring that Newly Insured Patients Can Stay with their Current Providers

- Newly-insured patients may join plans that have a specific provider network
- To ensure that patients have the option to stay with their current provider:
  - Providers must participate in the networks of the health insurance plans their patients will enroll in (both QHPs & Medicaid managed care plans.)
  - Patients should understand that their new insurance may have a specific provider network.

## + Insurers are NOT Required to Contract with all Safety Net Providers

- Neither QHPs nor Medicaid managed care plans are required to include all safety net providers in their networks.
- The ACA and implementing regulations require QHPs to include “a sufficient number and geographic distribution of essential community providers, where available, to ensure reasonable and timely access to a broad range of ECPs.”



## How the ECP Rules are Being Implemented in 2014



- CMS has released guidance on how it will determine if a QHP has a sufficient amount of ECPs in its network for 2014:
  - QHPs that demonstrate at least **20 percent** participation of ECPs in the plan's service area **with at least one ECP in each ECP category in each county** and offer contracts to all available Indian providers will meet the **safe harbor**.
  - The guidance also provides a **minimum expectation** where an issuer demonstrates **at least 10 percent** participation of ECPs in the plan's service area, and provides a narrative justification.

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## How the ECP Rules are Being Implemented in 2014, *continued*

- If a QHP does not meet the safe harbor or minimum expectation, it must include a narrative justification describing:
  - why the QHP was not able to meet either standard, and
  - how the QHP's provider network(s) will provide an adequate level of service for low-income and medically underserved enrollees consistent with the regulatory standard.

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## The Time to Reach Out to Health Plans is NOW



- QHPs to be offered for 2014 will be asked to finalize their networks within the next several months.
- So providers may want to reach out to health plans **now** if they want to get into their networks for 2014.



## + Payment Rules for FQHCs under Marketplace Plans

- QHPs are required to pay FQHCs their Medicaid PPS rate – but only if they do not contract with the FQHC (in other words, if they don't include the FQHC in their network.)
- If a QHP and FQHC decide to contract, then the 2 entities may agree on a different rate.



## Patients Should Be Aware of How Provider Networks Function



Patients should be aware that:

- not all plans provide coverage for all providers,
- if they want to stay with their current provider they must select a plan that includes that provider in its network.

Providers who assist patients with selecting & enrolling in insurance plans will need to follow procedures to avoid conflict of interest.

- These procedures are expected to be published soon.

# + Changes in how Health Care is Paid for & Delivered (aka “Payment and Delivery Reform”)

- Health insurers throughout the country – both public and private – are seeking to change the way that health care is paid for and delivered.
- The goals are to :
  - shift from paying for volume to paying for outcomes, and
  - improve care coordination,
  - thereby reducing costs and improving quality.
- Most of these changes are voluntary & small-scale, but they are spreading rapidly.

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## Examples of Payment & Delivery Reforms



- These efforts are taking many forms, such as:
  - Medicaid moving additional populations into managed care (e.g., elderly, disabled, homeless)
  - Primary care medical homes
  - Accountable Care Organizations
  - Bundled payments
  - Global payments

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## Heightened Focus on Program Integrity (aka Fraud and Abuse)

- CMS, States, and private insurers are becoming increasingly active in identifying improper payments.
- It continues to be critically important that providers ensure they are in full compliance with all requirements.

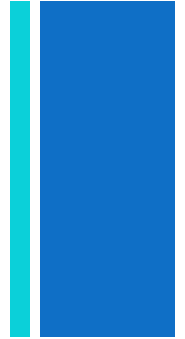
## + Reductions in Funding to Hospitals that Treat Underserved Patients

- Medicaid and Medicare provide additional funding to “Disproportionate Share Hospitals” (DSH) which serve a significantly disproportionate number of underserved patients.
  - HRSA providers that may receive DSH funding include: Critical Access Hospitals, Sole Community Hospitals, Rural PPS hospitals, and teaching hospitals that receive BHPR funding.
- Starting in 2014, this funding will be reduced, as the number of uninsured is expected to decline.
- It is not yet clear exactly how these decreases will affect individual States and hospitals; however, providers should be aware that they are coming.

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## + Summary of Potential Impact on Business Environment

- Newly-insured patients may enroll in plans that have specific provider networks.
  - Providers may want to participate in the health plans their patients will enroll in (both QHPs & Medicaid managed care plans.)
- Changes in how health care is paid for & delivered
- Heightened focus on program integrity (aka fraud and abuse)
- Lower DSH funding for hospitals that treat a disproportionate share of underserved patients.



# C. Potential Impact on Safety Net Providers **as Employers**

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## + Safety Net Providers May See a Relatively Smaller Decrease in Number of Uninsured

- While safety net providers should expect a decrease in the percentage of their patients who are uninsured, this decrease is likely to be smaller than for other provider types.
- An evaluation of the impact of Massachusetts' health reform\* (implemented in 2006) on FQHCs found that:
  - In the first year, the total number of uninsured persons in the State fell by about 50% -- but the number of uninsured seen at health centers fell by only about 25%.
  - Before reform, Massachusetts health centers served 22% of the State's uninsured population; one year later, they served 36%.

\* Source: "How Is the Primary Care Safety Net Faring in Massachusetts? Community Health Centers in the Midst of Health Reform" available from Kaiser Commission on Medicaid and the

Uninsured

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## + Potential Increase in Demand from Newly-Insured Patients

- History suggests that individuals who gain health insurance for the first time may increase the amount of health care services they consume.
- These increases may be particularly noticeable in:
  - Primary care, and
  - Low-income and/or underserved communities.
- Providers in these communities should assess their staffing needs and strategies in preparation for 2014.

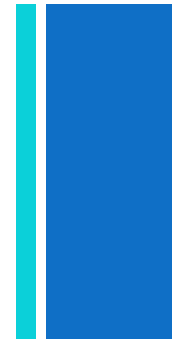
# + New Options & Responsibilities for providing Health Insurance for Staff



- Beginning October 1, 2013, small employers with 100 or fewer full-time equivalent (FTE) employees may shop for and purchase insurance through a Small Business Health Options Program (SHOP) marketplace.
  - States may limit eligibility to employers with 50 or fewer employees for 2014 and 2015 only.
  - Small employers with 25 or fewer FTEs who pay average annual wages below \$50,000 and who purchase insurance through the SHOP may be eligible for a small business tax credit for 2 consecutive years.
- Larger employers (over 50 FTEs) will have to pay assessments if they do not provide their employees with affordable insurance that meets minimum value requirements.

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## Summary of Potential Impact on Providers as Employers



1. Compared to other provider types, safety net providers may see a relatively smaller decrease in how many uninsured persons they serve.
2. Demand for services may increase, particularly for primary care and among underserved populations.
3. Providers should assess their staffing needs & strategies.
4. There will be new options & responsibilities for providing health insurance for staff.

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## Conclusion

To prepare for 2014, safety net providers may want to:

- **NOW: Work with potential QHPs and Medicaid managed care plans to explore joining their provider networks.**
- **Educate patients about their new insurance options and how they operate.**
- **Educate patients about programs available to assist them into the new Marketplace (Navigators, etc.)**
- **Make sure patients who are newly eligible for coverage understand that their plan may use a provider network.**
- **Assist patients in getting enrolled in the appropriate option/ programs.**
- **Expect an increase in demand for primary care.**
- **Assess their staffing needs & strategies.**



## For Further Information



[www.healthcare.gov](http://www.healthcare.gov): Contains up-to-date information on topics such as: Preparing for Marketplaces; Health Insurance Basics; and Timeline for ACA implementation. Also contains videos explaining key features of the law

<http://cciio.cms.gov/resources/factsheets/>: Contains fact sheets & FAQs focused on private insurance issues, such as Marketplaces, Health Market Reforms, and Consumer Support and Information.

[www.medicaid.gov](http://www.medicaid.gov): Contains general information on Medicaid, as well as information on the Medicaid expansion., including eligibility, benefits, and program administration.

