



# ON THE HEALTH RECORD

Health Care Policy Newsletter of the Public Affairs Research Council of Louisiana

June 2010

## CREATING AN OPEN PROCESS TO PREPARE LOUISIANA FOR NATIONAL REFORMS

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Each year state officials make decisions about health and hospital programs to provide essential services to Louisiana's medically indigent, aged and disabled. More than 30 percent of the state budget is spent on health care. These are arguably the most important public policy decisions that will be made at the state level over the next several decades.

PAR is the only independent organization solely focused on providing public policy research for the citizens of Louisiana. We have never accepted state government funds.

PAR's research and analysis provide Louisiana citizens and decision-makers with an independent, reliable and knowledgeable resource to evaluate proposed changes. This newsletter series places a spotlight on some of the facts and figures central to the public debate and explored further with in-depth PAR reports available at [www.la-par.org](http://www.la-par.org).

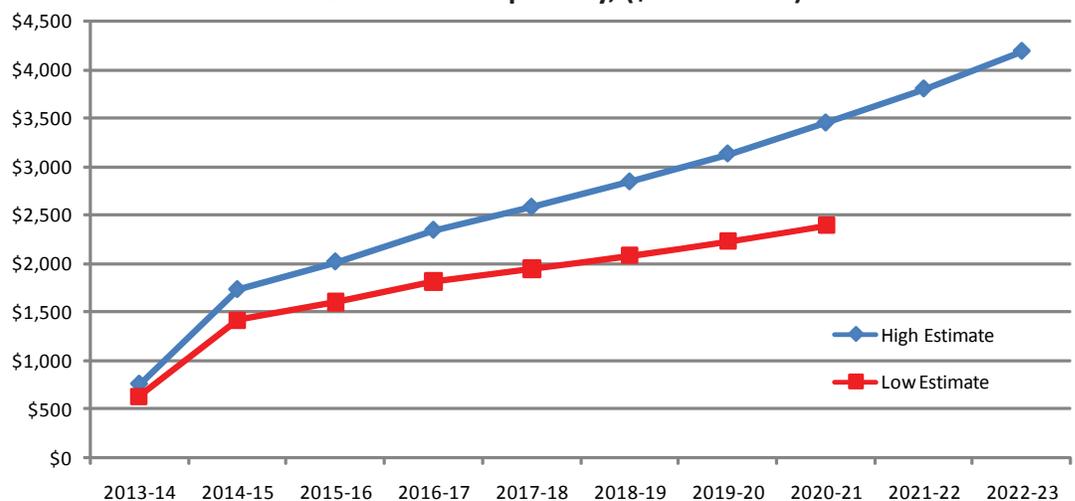
After nearly 100 years and numerous failed attempts, national health care reform was enacted on March 23 with passage of the Patient Protection and Affordable Care Act of 2010. Now the real work begins. Most observers agree that the reform act falls short of meeting its own goals to establish a system that provides high quality, good access and affordable coverage. A sustained and determined long-term effort will be required to correct defects in the current law and incorporate further improvements. Building a health care system that provides good care for the entire nation will always be a work in progress.

In the two months since passage of the health reform act, only a handful of states have produced a detailed implementation plan and a comprehensive impact study with reliable cost projections. A number of states have established special commissions and task forces with broad representation of stakeholders to study

health care reform requirements, estimate impact and make recommendations for implementation. Public meetings will be held in those states to inform the public and receive input from citizens and stakeholders. Louisiana officials so far are engaging in a closed-door, in-house planning process.

Because it is plagued by high levels of uninsured and a low-performing delivery system, Louisiana stands to benefit from the new law – provided it can fashion a broad coalition willing to do what is necessary to achieve success. The state has been a leader nationally in providing Medicaid coverage for low-income children up to 250 percent of the federal poverty level. However, the state has allowed coverage for adults only if their income levels are at or below about 15 percent of poverty or \$3,300 annual income for a family of four. The federal reform act mandates that all states cover low-income adults to at least 133 percent of poverty, or about \$29,000

**Figure 1. Projected total costs to expand Medicaid coverage to adults below 133% of poverty, (\$ in millions)**



SOURCE: Studies prepared for Department of Health and Hospitals by Mercer Consulting, 2009 and 2010.

NOTE: Estimates by state fiscal year. Coverage start date Jan. 1, 2014. Excludes administrative costs.

**Table 1. Projected Medicaid enrollment of adults below 133% of poverty**

	2013-14 (6 mos)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Enrollment rate</b>	80%	85%	90%	95%	95%	95%	95%	95%	95%	95%
<b>Parents/Caretakers</b>	190,752	207,740	225,460	243,934	250,033	256,284	262,691	269,258	275,990	282,890
<b>Childless Adults</b>	68,790	74,917	81,306	87,969	90,168	92,423	94,733	97,101	99,529	102,017
<b>Total enrolled</b>	259,542	282,657	306,766	331,903	340,201	348,707	357,424	366,360	375,520	384,908

SOURCE: Study prepared for DHH by Mercer Consulting, September 2009 and February-April 2010

annual income for a family of four. According to the Kaiser Commission on Medicaid and the Uninsured, this mandate will reduce the number of uninsured adults in the target population in Louisiana by 50 percent to 75 percent, depending on how aggressive the state enrollment efforts are.

**Early Cost Estimates**

Although no report or study has been publicly released by the state Department of Health and Hospitals (DHH), PAR has received some documents in response to a public records request that outline different impact scenarios. Mercer Consulting, a national firm contracting with DHH, has produced a report that projects high-cost and low-cost scenarios (see Fig. 1), which assume very aggressive Medicaid enrollment of the uninsured population starting Jan. 1, 2014, and achieve 95 percent coverage (332,000 enrolled) after only three and a half years (see Table 1). By year eight (state fiscal year 2020-21), enrollment is estimated to reach approximately 366,000 at a total cost of \$3.5 billion and a state cost of \$345 million. The state share of Medicaid spending for the federally mandated expansion population will gradually rise to 10 percent by 2020-21 and will remain at that level. Aggregate total costs over the first 10 years are estimated at \$26.8 billion with the state share totaling \$1.8 billion.

DHH has produced additional estimates that range far beyond calculating the cost of Medicaid

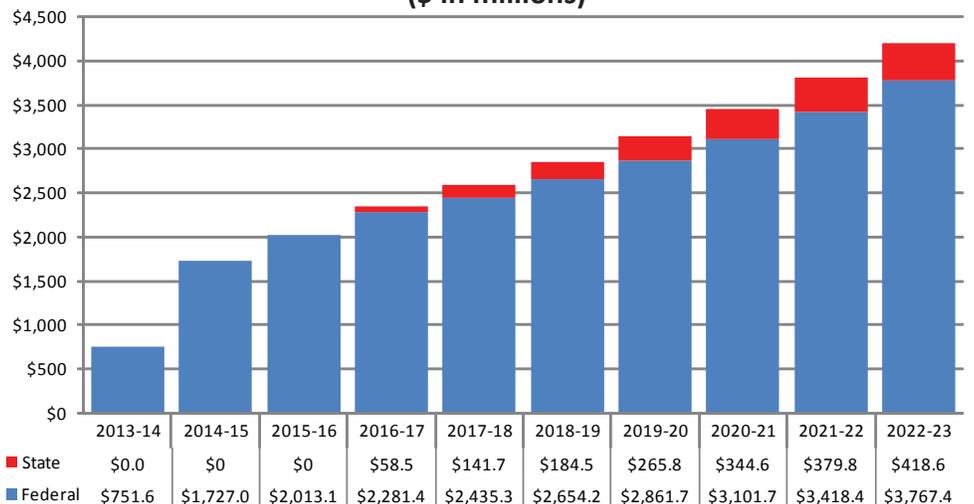
enrollment and attempt to project costs for the impact of activities not required by the federal reform act, such as increasing rates to hospitals and enhancing funding for community mental health centers. The DHH estimates also account for the unlikely possibility that more than 230,000 low-income persons with job-related insurance will drop coverage and enroll in Medicaid. Should all of these projections prove to be valid, total aggregate cost could range as high as \$49.7 billion over 10 years (2014 through 2023) and state costs would be \$7.2 billion.

DHH is correct to investigate a wide range of possible impacts, but this should be only the first step in the state’s process of planning for federal health care reforms. A detailed appraisal of DHH’s assumptions and projections should be undertaken by an independent

body with benefit of input from the health care community and the public. Several states that oppose federal health care reform and are seeking to delay it or derail it through litigation have produced inflated cost projections to help make their case. Regardless of the final outcome with respect to the costs and benefits of the reforms, the process of planning and implementation will need the credibility that only an open process can bring.

Table 1 indicates that a total of more than 384,000 uninsured parents, caretakers and childless adults below 133 percent of the federal poverty level are projected to be enrolled in Medicaid by 2023. This alone represents a significant reduction in the number of uninsured in Louisiana, which ranges from 600,000 to 800,000, depending

**Figure 2. Federal and state share of Medicaid expansion, high estimate (\$ in millions)**



SOURCE: Studies prepared for DHH by Mercer Consulting, 2009 and 2010.

NOTE: Estimates by state fiscal year. Coverage start date Jan. 1, 2014. Federal share 100% until 2016-17.

on the source of the estimate. For the population above 133 percent of the poverty level, tax credits, subsidies and coverage mandates are expected to contribute to a further reduction in the number of uninsured among middle-income groups.

Figure 1 shows projected total costs for two scenarios ranging from \$2.4 billion by 2021 at full phase-in to \$4.2 billion by 2023 in the 10th year of implementation.

Figure 2 illustrates that federal funds will pay all costs for newly eligible enrollees for the first three years and then will be reduced gradually to 90 percent by 2021 and thereafter. The resulting 10 percent state match will yield a state cost of \$345 million for 2021, considerably lower than the normal Medicaid state match of 30 percent, which would have cost Louisiana three times as much and would exceed a billion dollars.

### Planning for Implementation

Numerous issues need to be resolved in order to implement health care reform. All would benefit from an open process for planning and decision-making. Here are a few examples:

- Estimates for the cost of expanding Medicaid coverage to everyone with income below 133 percent of the federal poverty level are wide-ranging in each state, including Louisiana: number of persons not currently covered, how many would enroll, the estimated cost of medical care for each person, etc.
- LSU charity hospitals are likely to be adversely affected by health care reform, because they stand to lose substantial numbers of uninsured clients who currently use the system. As those clients become insured, either by public or

## Key Coverage Provisions of the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148)

### 2010

- States must maintain Medicaid/Children's Health Insurance Program (CHIP) eligibility levels and enrollment procedures in effect on March 23, 2010 (until 2014 for adults and 2019 for children).
- States can continue to expand eligibility or simplify enrollment in Medicaid and CHIP.
- Small employers receive tax credits to purchase employee health care coverage.
- States can provide CHIP to children eligible for coverage under a state employee health care plan.
- By July 1, 2010, a temporary, high-risk pool must be established by states or the federal government for qualified uninsured persons with pre-existing conditions (in place until 2014).
- Medicare will pay a higher portion of seniors' prescription drug expenses, eliminating the "doughnut hole" by 2020.
- After Sept. 23, 2010 (as a new health plan year begins):
  - Young adults can remain on their parents' health plan until age 26.
  - Children with insurance can no longer be denied coverage for pre-existing conditions.
  - Insurance plans can no longer impose lifetime caps or restrictive annual limits on coverage, and cannot rescind coverage when a person becomes sick.
  - New plans must provide free preventive services to all enrollees.

### 2011-2013

- By March 23, 2011, states will receive federal grants to establish exchanges where consumers can purchase coverage.
- Medicaid physician fees will be increased, at federal cost, to Medicare levels for primary care services (through 2014).
- Medicare beneficiaries will receive annual exams and other preventive services at no cost.

### 2014-15

- Most people will be required to purchase coverage or pay a tax penalty.
- New federal Medicaid floor of 133 percent of the Federal Poverty Level (FPL) for adults and children. Medicaid coverage for children will be maintained. CHIP funding continued through September 2015. Children then can use exchange plans.
- Enhanced federal financial assistance begins for states covering newly-eligible adults.
- Individuals (including lawfully residing immigrants) and small businesses can purchase affordable coverage through state-based exchanges; low-to-moderate income families receive premium tax credits and cost-sharing subsidies.
- Children up to age 26 who "age out" of foster care are eligible to continue receiving Medicaid.
- Insurance companies must cover care of pre-existing conditions for adults and children, can no longer set annual or lifetime coverage limits, and cannot deny coverage or charge higher premiums based on health status.
- Exchanges must be financially self-sustaining by end of 2014.

Source: adapted from "Key Health Care Reform Dates," Georgetown University Health Policy Institute

private plans, they are likely to seek care outside the charity system, which would lose substantial revenue and could lead to closure of some facilities. Public understanding and support will be required to reorganize the system to address the twin challenges of implementing health care reform while ensuring that medical education functions are protected and even improved.

- Insurance exchanges will provide an easier way to purchase private health insurance plans and will likely reduce the cost of coverage to individuals. Employees of small businesses that do not provide coverage may utilize these exchanges. Ensuring that exchanges are properly implemented to provide accurate and understandable information about costs and benefits for each plan will be a challenge, one that will be made easier when an open discussion takes place and legislators, state officials, providers, the media and the average citizen can share their perspectives within an organized framework.

### **PAR Recommendation**

To create an open process that helps avoid misunderstanding and disagreement, PAR recommends that the governor and Legislature immediately establish by legislative joint resolution or executive order a permanent commission or task force to plan for and oversee the implementation of health care

reform in Louisiana. Membership of the commission should be composed of state agency heads, legislative leaders and representatives of key health care providers and advocacy groups affected by reform. Issue-oriented work groups could be used to expand expertise available to the board without creating unnecessarily large membership (and potential paralysis) on the decision-making body.

The commission would be directed to gather data related to health care reform at the federal and state levels, develop or propose strategic and operational plans for implementation, and receive public input and provide information concerning all aspects of reform. It would also:

- Review all available estimates of implementation costs and make recommendations to the governor and Legislature concerning the most efficient and cost-effective ways to implement the provisions of national health care reform.
- Meet on a regular and frequent basis to conduct business in a manner fully in accordance with the open meetings law.
- Invite input from the public, as well as provide extensive information to the public, about all aspects of health care reform and the activities of the commission.
- Establish an independent Web site to facilitate dissemination of information and receipt of public comment.

At its initial meeting, the commission should adopt a work plan with an aggressive timeline to provide plans and recommendations to the governor and Legislature concerning all aspects of health care reform. Subject to changing conditions, the state timeline should ensure that Louisiana will be prepared to execute on schedule all requirements called for by the federal law. The commission would work closely with state agencies, including DHH, the Department of Insurance, the LSU Health Sciences Centers and the Health Care Services Division, all of which would provide staff assistance when needed by the commission.

The past year has demonstrated that the entire nation has an overwhelming interest in health care and how it will be changed. No useful purpose is served by planning for reform out of public view. The best way to set the record straight for a worried citizenry is to provide access to facts and ample opportunity for public input.

### **Ongoing PAR Research**

PAR will closely monitor the state's development of cost projections and implementation plans as Louisiana adapts its health care system to the new federal laws and regulations. Ongoing research will provide independently collected and verified information and analysis to contribute to the public debate about the best approaches to health care reform with an eye toward equity, efficiency, quality and long-term sustainability.

For more information on health care reform options for Louisiana, access these PAR reports and commentaries at [www.la-par.org](http://www.la-par.org):

- Working Toward a Cost-Effective Approach to Medicaid Long-Term Care for the Elderly, April 2010
- Public Mental Health Care in Louisiana, December 2009
- Assessing the Louisiana Health First Plan, December 2008
- Realigning Charity Health Care and Medical Education in Louisiana, May 2007
- Action Steps for Access to Care, June 2006

# PAR Presents

Senior Health Care Policy Analyst David W. Hood frequently contributes to the public debate about health care reform options in Louisiana by delivering presentations and participating in various task force and advisory activities. The underlying research and analysis that form the basis of PAR research reports are a valuable resource to help guide policy-makers and interested citizens as proposals are considered. The following list represents a sampling of his recent and upcoming presentations and speaking engagements:

- |                |  |
|----------------|--|
| Oct. 14, 2009  | Tulane Medical School Faculty “Grand Rounds.” Presented information on national health reform and its impact on Louisiana health delivery system, medical education and public hospital system.  |
| Oct. 23, 2009  | Louisiana Health Care Commission. Participated in panel discussion on impact of national health care reform on Louisiana.  |
| March 23, 2010 | Louisiana Department of Insurance 2010 Annual Conference. Served as moderator for panel discussion of LSU-Our Lady of the Lake Regional Medical Center partnership to establish OLOL as a replacement for the Earl K. Long Regional Medical Center in Baton Rouge. |
| April 8, 2010  | Southern University Law Center, Justice Revis O. Ortique Symposium: “Addressing Louisiana’s Health Care Crisis.” Delivered presentation on the impact of national reform on cost and affordability of health care in Louisiana.                                    |
| May 7, 2010    | Louisiana Health Care Commission. Presented report on legislation introduced in 2010 Regular Session of the Legislature related to health care reform and budgetary issues.  |
| June 2, 2010   | Meet with delegation from Robert Wood Johnson Foundation. Present overview of Louisiana health care system to include comparisons to other states, achievements and challenges.  |
| June 24, 2010  | ODK Alumni (honor society) Conference. Participate in panel discussion on the current and future role of the LSU hospital system for health care delivery and medical education.   |
| July 13, 2010  | AARP Coalition for Change – meeting on long-term care topics. Present overview of problem areas and recommendations outlined in April 2010 PAR report urging reform of Medicaid programs for the elderly.  |
| July 15, 2010  | Baton Rouge General Regional Medical Center, Grand Rounds for Tulane MD/MPH residents. Serve as member of panel discussion and deliver presentation on impact of national health care reform on Louisiana.   |



*The Public Affairs Research Council (PAR) is a private, nonprofit, non-partisan public policy research organization focused on pointing the way toward a more efficient, effective, transparent and accountable Louisiana government. PAR was founded in 1950 and is a 501(c)(3) tax-exempt organization supported by foundation and corporate grants and individual donations. PAR has never accepted state government funds.*

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