Health Care Reform Coordinating Council

Interim Report Executive Summary

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Executive Summary

Introduction

Maryland's implementation of the Patient Protection and Affordable Care Act (PPACA) offers a once-in-a-generation opportunity to make a profound impact on the health and well-being of every Marylander. If implemented well, we will have the good fortune of overseeing a transformation of our health care system, which will improve the lives of all Marylanders.

Opportunity to effect change comes with the weighty responsibility of doing it well. Thus, immediately following the enactment of PPACA, Maryland Governor Martin O'Malley created the Health Care Reform Coordinating (HCRCC) to ensure that Maryland implements federal health care reform as thoughtfully, collaboratively, and effectively as possible. Charged with the tasks of representing the major government branches and agencies that must execute reform and conducting a transparent and inclusive process to assure the meaningful input of all public and private stakeholders, the HCRCC aims to develop recommendations on the major aspects of reform implementation. Its objective is to chart a course for the state to realize the full potential of the transformative changes in our health care system either required or made possible by the new federal law.

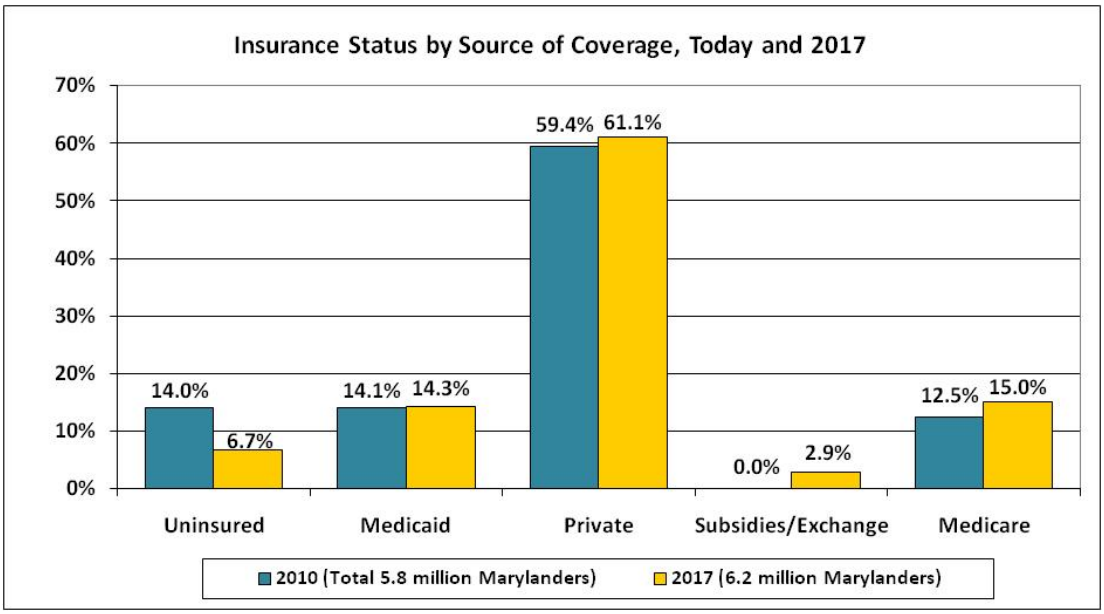
This interim report constitutes the first milestone in the HCRCC's development of a recommended blueprint for the state's implementation of the mandates and opportunities presented by federal health care reform. It sets forth the following: 1) an overview of PPACA and its general implications for reform in Maryland; 2) the role and mission of the HCRCC; 3) the opportunities and challenges presented by reform implementation and the principles by which it must be guided; 4) the state's unique health care landscape and regulatory environment against which implementation decisions must be made; 5) the projected fiscal impact of reform over the next decade; 6) the workgroup process through which the HCRCC will formulate its recommendations on the decisions most critical to our success; and 7) a timeline for planning and key activities. Along with multiple appendices that afford more detail and supporting documentation, this report provides a roadmap for the HCRCC's work over the coming months. It seeks to set the stage for seizing our opportunity—and discharging our obligation—to create a better health care system for ourselves and future generations.

Overview of Federal Health Care Reform

Federal health care reform both requires and creates potential for states to undertake fundamental changes to virtually every aspect of their health care systems. Through coverage expansions, changes in how insurance is obtained, and subsidies for individuals and employers, reform places access to health care, for the first time, within reach of everyone. The new law changes what it means to have insurance; people will actually be able to count on it when they become sick. It promotes affordability by encouraging personal and employer responsibility to ensure that everyone has insurance to help spread risk. It strengthens Medicare, makes investments in prevention and public health, and addresses racial and ethnic disparities. It establishes the means and incentives to improve many other features of health care—payment methods, long-term care, the safety net, quality and cost containment, mental health parity and access to behavioral health

care, and workforce development. In short, the expanse of PPACA's reach offers states a historic chance to make far-reaching and profound improvements in their health care delivery systems and the health status of their populations.

When PPACA is fully implemented, Maryland's uninsured rate is estimated to be cut in half. Many of the currently uninsured will get coverage in the exchange with the help of new premium subsidies. Others will receive coverage through Medicaid Expansion. Many others will age into Medicare as an increasing number of baby boomers hit age 65. Finally, many people are projected to return to employer-sponsored insurance from the ranks of the uninsured (and from the Medicaid program, which swelled during the recession), as strong job growth continues through 2017. A comparison between the current distribution of Maryland's population and the distribution after the full ramp-up of health care reform is found in the figure below.



Role and Mission of the HCRCC and the Opportunities and Challenges of Reform Implementation

In leading Maryland's implementation of federal health care reform, the HCRCC will embrace the full possibility of what it can mean for the state. The HCRCC will promote creative examination of how the federal law can best be harnessed both to preserve and enhance what has served us well, and to redesign and rebuild what has not. Of course, significant reform of any system, and particularly one as complex and multi-faceted as health care, is not easy. Meaningful reform will likely mean that both individuals and institutions will be called upon to make changes that may initially be complicated and challenging. As such, while seeking to reap the full benefits of reform, the HCRCC will carefully consider all perspectives on the pace, nature, and scope of change that should characterize Maryland's implementation. In addition, the HCRCC will give substantial weight to the potential costs and savings to be realized. Fiscal impact, although just one among many factors to consider in making choices among various

options, must figure prominently in the HCRCC's exercise of its obligations to the state and its residents.

Accordingly, in developing its recommendations, the HCRCC will be guided by several core principles and objectives. Of overarching importance will be actually making everyone healthier; transformation of health care means little if it does not ultimately improve health status and equity. The HCRCC will also seek a consumer-centric approach to both coverage and care, and will use the tools of reform to improve quality and contain costs. It will promote expanded access to affordable coverage without erosion by risk selection, and will prepare an expanded workforce to meet new demands.

Finally, the HCRCC has worked hard to establish—and will continue to refine—a process that solicits and incorporates the expertise and input of all its private and public sector partners, as well as effectively communicates its progress and the implications of reform to the public. In sum, while its task of bringing together and balancing the wide range of perspectives at stake will be difficult, the HCRCC will work with all stakeholders to enable Maryland to lead the nation in tapping the full potential of health care reform.

Foundation for Reform: Maryland's Health Care and Regulatory Environment

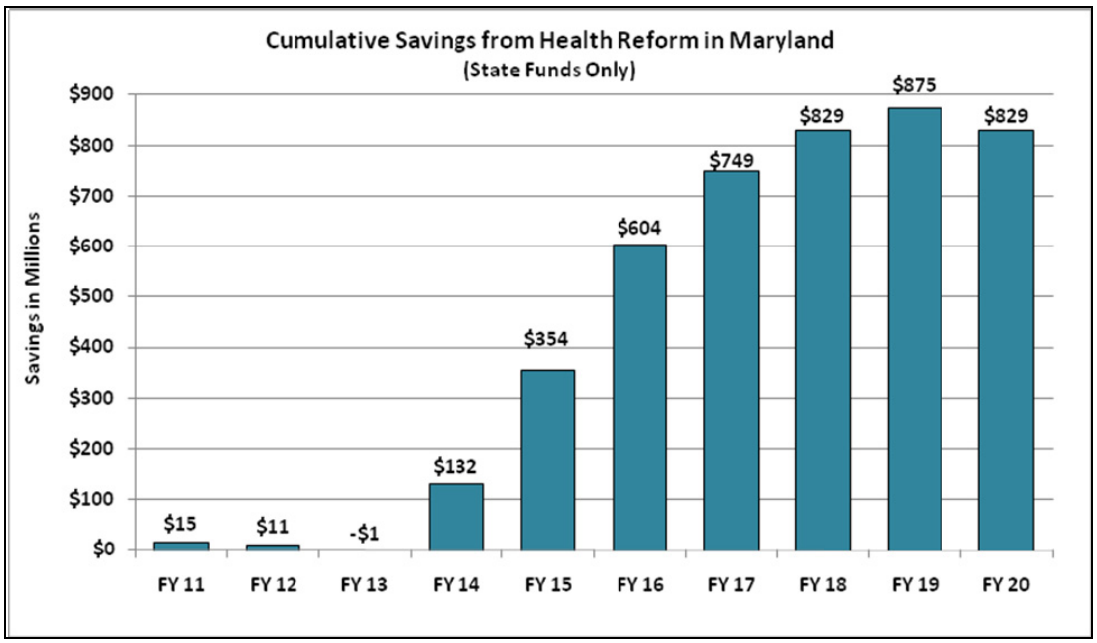
With a large share of decisions left to the states, Maryland policymakers have the flexibility and obligation to consider the state's health care and regulatory environment when evaluating choices about how to implement reform in a way that best serves Marylanders. Efforts will necessarily build on the state's long history of financing and delivery system innovations and coverage expansion. For example, in recent years, Maryland has extended coverage to over 200,000 people by expanding Medicaid eligibility for low-income adults, helping small employers offer coverage, creating a high-risk pool for individuals barred from insurance for health reasons, and making commercial insurance more accessible for young adults. In some areas, federal health care reform presents a logical extension of these and other initiatives, while in other cases, federal mandates may require rethinking existing efforts. In addition, characteristics of the state's unique hospital rate-setting system, small group and non-group insurance markets, safety net programs, and public health system must inform and provide context for decisions about how best to advance reform.

Fiscal Impact of Reform

Federal health care reform and states' implementation of its mandates will have an enormous fiscal impact on health care costs and savings in both the public and private sectors. These fiscal implications must be front and center as the state begins to make critical decisions about how to proceed with reform. Yet, current and future projections about relative costs and savings will necessarily be fluid. They may be affected by implementation choices and by how various components of the delivery system—from the insurance markets to providers and consumers—respond to reforms as they evolve. The goal of the HCRCC's financial model is to be a dynamic tool capable of facilitating projections that can be adapted and updated as data become available, conditions and factors change over time, and decisions are made by policymakers, providers, employers, and consumers.

These variables notwithstanding, health care reform will generate substantial savings to Maryland over the next ten years. The current estimate of the state's projected savings between fiscal years (FYs) 2011 and 2020 is $829 million, the midpoint of a projected range from $622 million -$1.036 billion in savings. Underlying this estimate are multiple components. Some elements, like administrative and infrastructure expenses for the enrollment process into the exchange and the Medicaid Expansion, will increase the state's costs. Other components, like more federal assistance for children's health insurance and increased revenue from premium assessments on insurance products, will result in substantial savings and new revenues.

The savings grow over time and peak in FY 2019. The cumulative savings level declines in FY 2020, when Maryland is projected to spend $46 million more in that year as a result of health care reform than the state would have spent in that year in the absence of health care reform. For this reason, the state must focus on bending the cost curve early in order to improve the outlook at the end of the decade. The cumulative savings, by year, are shown in the figure below.



This favorable forecast, however, must not be permitted to weaken the state's commitment to reduce the overall cost of health care. First, net savings begin to decline toward the end of the decade, as PPACA shifts a greater share of the financial responsibility for Medicaid Expansion to the states. Second, our health care system will soon be unsustainable, regardless of these savings, unless we succeed in improving quality while reining in the runaway growth in costs. Thus, in addition to realizing the projected savings, the state must reaffirm and strengthen its commitment to immediately begin serious and sustained efforts to bend the cost curve and align incentives toward quality, safety, and efficiency. We must expand and leverage initiatives such as increasing access to primary care through patient-centered medical homes, building a health information technology infrastructure, and reducing hospital acquired infections. Everyone—consumers, employers, providers, insurers, and taxpayers—has a stake in promoting quality and access while improving efficiencies and incentives to reduce costs.

Workgroups, Critical Decisions, and the Process for the Development of Recommendations

The importance of implementing health care reform as effectively as possible invites the temptation to tackle everything immediately; yet, the enormity of reform requires the opposite. To be effective, states must set priorities and pursue implementation in appropriate stages. Thus, the HCRCC, as well as the many public and private sector leaders and institutions involved in this effort, must focus initially on the major aspects of reform that are critical to laying the foundation for Maryland's long-term success.

The HCRCC has established workgroups open to public participation to allow for comprehensive work on these most important issues because it is imperative to get them right from the start. Addressing the full scope and complexity of these fundamental aspects of reform, the workgroups will provide a structured forum for meaningful dialogue on specific implementation issues with a diverse group of stakeholders. In addition, because the effort necessary to complete reform will go well beyond the timeframe and scope of the HCRCC's mandate, it will need to consider long-term strategies for coordinating and providing leadership for this ongoing work.

Through focused research, analysis, and evaluation of options, the workgroups will provide a summary of different perspectives on the core issues and will seek to identify and establish common areas of agreement to offer suggestions to the HCRCC. The HCRCC will then have the benefit of this comprehensive analysis and input when it formulates its recommendations to the Governor. Many decisions ultimately will require consideration and action by the Maryland General Assembly. The workgroups, therefore, will constitute the beginning of a deliberative process to craft Maryland's approach to the major issues of reform implementation.

The HCRCC has identified the following six areas that require a workgroup's focus because of their central importance to reform and the need to meet implementation timeframes. These areas of focus involve complex issues with transformative potential that are best explored and vetted through the workgroup process. They go beyond any reform initiatives already underway, and they also affect other cross-cutting implementation issues that will require input and collaboration among different agencies and branches of government.

1. **Health Insurance Exchange and Insurance Markets**

   Maryland has never before attempted to create a state-based health insurance exchange. This workgroup must undertake a comprehensive conceptual analysis of how such an exchange should be developed in order to advance our goal of expanding access and affordability and to function in concert with the state's existing insurance markets. Many of the issues related to the health insurance exchange are fundamentally linked to how these insurance markets currently operate, and they also raise questions as to whether the structure and function of our markets should be altered in any way.

2. **Entry to Coverage**

   Achieving the goal of reducing the number of Maryland's uninsured ultimately depends on whether individuals actually enroll in health coverage options available. Of fundamental importance, therefore, is facilitating simple and seamless entry to coverage and transition

between types of coverage. This workgroup will address design, technology, and human resources needed to establish and maintain a system that accomplishes these objectives. The group will also need to partner with other agencies with respect to funding and technology procurement.

3. Outreach and Education

Both the passage of PPACA and state implementation of its mandates have and will continue to create uncertainties on the part of all stakeholders about the future of health care. In addition, much of the success of health care reform will depend on how individuals and organizations respond to and utilize the new health care delivery system. Thus, engaging the public in health care reform implementation is essential. A critical component of the HCRCC's role must be to provide information about how reform may affect different individuals and stakeholders, and how they may participate in the implementation process.

4. Public Health, Safety Net, and Special Populations

When reform is fully implemented, more individuals will have health insurance. However, some segments of the population will remain uninsured or have some health care needs not covered by insurance. These shifts in coverage status and other changes will affect the traditional role and functions of safety net programs and the public health infrastructure. The HCRCC must engage in proactive planning to shape the future of the health care safety net and services for special populations in the wake of these changes.

5. Health Care Workforce

While more individuals will have health insurance when reform is fully implemented, their coverage will only be meaningful if they have access to health care providers able to meet their needs. PPACA creates new funding opportunities to support efforts to expand the health care workforce, and the HCRCC will fully consider how to leverage these opportunities and develop other strategies to prepare the workforce for the future. This workgroup will also partner closely with the Governor's Workforce Investment Board to identify areas best addressed through collaboration with its existing programs and initiatives.

6. Health Care Delivery System

The success of health care reform, at its most fundamental core, will depend on whether (and if so, how) the health care delivery system is transformed. It will be judged ultimately on the extent to (and the ways in) which health care delivery is altered to improve health and control costs. Maximizing the likelihood of this fundamental transformation will require focus on the key drivers of health care costs. Health care reform offers tools to achieve this goal, providing opportunities for pilots, demonstration projects, and other mechanisms to test and evaluate delivery system changes designed to improve quality and rein in costs. Maryland has already initiated several such efforts with the creation of the Maryland Health Quality and Cost Council, the effort to renew the Medicare waiver, and the ongoing development of health information technology. This delivery system workgroup will need to coordinate and work in concert with these existing efforts, identifying new opportunities and maintaining the HCRCC's focus on delivery system changes that result in improved health and reduced costs.

A number of issues integral to implementation, like long-term care reform and the promotion of health information technology, are currently being addressed by other efforts. Rather than duplicate these activities, the HCRCC intends to leverage its efforts and ensure coordination with reform. Other implementation objectives cut across all aspects of reform. These cross-cutting issues, which must be addressed in the context of each workgroup's efforts, include: considering the potential cost and savings of all options; preserving and strengthening employer-sponsored insurance; identifying sufficient data and planning resources to support efforts; developing strategies to reduce racial and ethnic disparities; integrating behavioral health and services for individuals with disabilities; creating systems to ensure accountability and compliance; considering the balance of state and local needs for infrastructure, technology, and human resources; and setting priorities and providing input with respect to grants and demonstration projects.

In some areas, the states' implementation efforts are largely dependent on federal guidance that is not yet available. A prominent example is benefit design, which must await federal regulations before it can be addressed effectively. In other areas, such as mental health parity, the HCRCC may be able to draw upon current efforts to identify consensus with which to inform and guide federal rule-making.

Timeline for Planning and Key Implementation Activities

The major elements of PPACA, including the exchanges, Medicaid Expansion, and premium credits, become effective in 2014. Meeting this deadline for most aspects of reform will require planning well before 2014, and planning efforts must begin immediately. Thus, successful implementation will require Maryland to focus on both the elements calling for immediate attention and the longer-term, transformative opportunities presented by reform.

Conclusion

The task of implementing health care reform is formidable and the stakes are high. Riding on the success of this task are the sustainability of our health care system and the well-being of all Marylanders. Yet, with the help and positive collaboration of all who care about the results (public and private sector leaders, providers, carriers, employers, producers, and consumers), we can make this happen. We can do more with less, improve quality while reducing costs, and expand access while maintaining affordability. We can finally achieve our long-awaited goal of ensuring that all Marylanders have access to the care that they need. We can realize the full promise of reform: a healthier Maryland.