California’s Home Health Care Industry and the Affordable Care Act: What You Need to Know

September 25-October 2, 2012

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Overview

Agenda

1. Compliance: The Affordable Care Act

2. Business Model Adaptation
“A good compromise, a good piece of legislation, is like a good sentence; or a good piece of music. Everybody can recognize it. They say, 'Huh. It works. It makes sense.'”

- Barack Obama
The Patient Protection and Affordable Care Act

• The Fundamentals
  – Individual Mandate
  – Insurance Industry Regulation
  – Marketplaces for Insurance
  – Medicaid Expansion
Individual Mandate

“The Affordable Care Act’s requirement that certain individuals pay a financial penalty for not obtaining health insurance may reasonably be characterized as a tax. Because the Constitution permits such a tax, it is not our role to forbid it, or to pass upon its wisdom or fairness.” – Chief Justice John Roberts
Individual Mandate

Beginning January 1, 2014, all U.S. residents are required to maintain minimum essential coverage unless the individual falls into one of the following exceptions:

- individuals with a religious conscience exemption;
- incarcerated individuals;
- undocumented aliens;
- individuals who cannot afford coverage (i.e. required contribution exceeds 8% of household income);
- individuals with a coverage gap of less than 3 months;
- individuals in a hardship situation (as defined by the Secretary of Dept. of Health & Human Services (HHS));
- individuals with income below the tax filing threshold; and
- members of Indian tribes.

Source: PPACA §§1501
Individual Mandate

Tax Penalty:

The Greater Of:

1. Flat individual rate of $95 in 2014, $325 in 2015; $695 in 2016 with cap of 300% per household.

2. Percentage of household’s taxable income in excess of the tax filing threshold. 1% in 2014, 2% in 2015, 2.5 % in 2016.

3. Both amounts are capped at an amount equal to the national average premium for bronze level coverage.

4. Amounts are pro-rated to the months uninsured with a 3 month grace period.
Individual Mandate

**Reporting Requirements for Employers:**

Employers that sponsor essential health benefit coverage must submit:

1. Name, address, and employer id number of employer maintaining the group health plan.
2. Portion of the premium required to be paid by the employer.
3. If the plan is a qualified plan offered through an Exchange, any other information required for administration of the tax credit for small businesses.

Source: PPACA 1502.
Sally is a Homecare provider and has been working in various hospice care assignments for “Good Hands Homecare” for 10 years. Good Hands provides health insurance, but employees must contribute a percentage of the premiums. She is 61 years old and suffered a mild heart attack a few years ago. Although she is generally healthy today, after the event, she could no longer afford her share of the increased premiums to her health insurance and is instead paying out of pocket while waiting for medicare to kick in. Does Sally have to do anything under the ACA today? What about on January 1, 2014? What obligations does Good Hands have?
Individual Mandate

Hypothetical 2

Jessica is an independent contractor and professional hospice provider who contracts with various referral agencies and directly with homes and trustees for the care of clients in their homes. She is 31 years old and still lives with her parents when not working “live-in” assignments. She does not have health insurance. Does Jessica have to do anything under the ACA today? What about on January 1, 2014?
Insurance Regulation

- Summary of Benefits
- Consumer Assistance Programs
- Right to Appeal Coverage Determination
- Free Preventive Care
- Denials for Pre-Existing Conditions
- Doctor Selection
- Cancellation Limitations
- Broader Coverage for Young Adults
- Scrutiny of Premium Increases
- Administrative limitations (80/20)
- Elimination of Limits on Coverage
Marketplace for Insurance

Affordable Insurance Exchanges

- Guaranteed Availability
- Transparency and Standards
- Subsidies for those between 133% and 400% of the poverty level.

http://healthreform.kff.org/SubsidyCalculator.aspx
Marketplace for Insurance

Coverage Levels in the Exchange

Four Coverage levels will have to be offered under the PPACA. They are designated as Bronze, Silver, Gold, and Platinum. The difference is based on the “actuarial value” of the plan. (the percentage the insurance company covers vs. the Patient). While not strictly accurate, here is an example of the plans that will qualify for each designation.

- **Bronze:** 60 percent.
- **Silver:** 70 percent.
- **Gold:** 80 percent.
- **Platinum:** 90 percent.

All plans, whether bronze, silver, gold or platinum, will cover essential health benefits in those percentages unless 100% coverage is mandated (such as for certain preventive care procedures).
AB 1453 and SB 951 – Essential Coverage

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services, including behavioral health treatment
- Prescription drugs
- Rehabilitative and Habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care
Small Employers

Federal Tax Credit: Fewer than 25 employees and provide Health Coverage? 35% tax credit to offset the cost of insurance and 50% credit in 2014.

AB 1083: Small Employers are Defined as 50 or less employees, buying insurance for employees through the Exchange.
Marketplace for Insurance

3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the Small Business Health Care Tax Credit by following these three simple steps:

1. Determine the total number of your employees (not counting owners or family members):
   - Full-time employees: ____________________________
     (enter the number of employees who work at least 40 hours per week)
   - +
   - Full-time equivalent of part-time employees:
     (Calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)
     = total employees
   - If the total number of employees is fewer than 25 GO TO STEP 2

2. Calculate the average annual wages of employees (not counting owners or family members):
   - Take the total annual wages paid to employees: ____________________________
     +
   - Divide it by the number of employees from STEP 1: ____________________________
     (total wages ÷ number of employees)
     = average wages
   - If the result is less than $50,000, AND

3. You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then you may be able to claim the Small Business Health Care Tax Credit.

Find out more information at IRS.gov
Large Employers

• 50 or more employees
• Employer Shared Responsibility for achieving the individual mandate
• Automatic Enrollment Requirement for employers with 200 or more full-time employees
• Vouchers program (cut by Appropriations)
Percentage of All Firms Offering Health Benefits, 1999-2012

Average Worker and Employer Premium Contributions For Covered Workers at Higher- and Lower-Wage Firms, 2012

• Estimate for many workers are lower-wage is statistically different from estimate for many workers are higher-wage, within coverage type (p<.05).
• Note: Firms with many lower-wage workers are ones where 35% or more of employees earn $24,000 or less. Firms with many higher-wage workers are ones where 35% or more of employees earn $55,000 or more. Wage cutoffs are the inflation adjusted 25th and 75th percentile of national wages according to the National Compensation Survey: Occupational Earnings in the United States, 2010. 1% of covered workers are in firms which are both high income and low income, excluding these firms does not change the estimates or significance testing.


2009 © California Association for Health Services at Home (CAHSAH)
Grandfathered Plans

Plans existing before March 23, 2010 will not be subject to all requirements.

- No-Deductible Preventative Services
- New Appeals Process
- Doctor Choice
- “essential benefits” requirement

Plus, for individual plans (not provided through employment)

- Annual dollar limits on benefits
- Pre-existing condition exclusions
Hypothetical 3

It is now January 12, 2014. Let’s go back to Good Hands Caregivers, Inc. Good Hands is a Homecare agency that at any given time has between 40 and 60 caregivers employed in active assignments and a roster of another 30 or so caregivers that are not working for Good Hands at any given time. Some caregivers work more than 30 hours per week, some work less.

Could Good Hands Caregivers, Inc. ever be considered a “Large Employer?” If Not, should they have health insurance anyway?

If Good Hands is a large employer and has 35 full time employees, What penalties could Good hands Caregivers be facing if they don’t provide health insurance to their employees?

Good Hands offers health benefits, but Sally cannot afford to pay the premium and gets insurance on an exchange. What happens?
Marketplace for Insurance

Will the Employer Pay A Penalty?
beginning in 2014

Are you a large employer?
at least 50 full-time equivalent workers
• including full-time [30+ hours per week] and part-time workers [prorated]
• excluding seasonal workers [up to 120 days per year]

Yes

Are any of your full-time employees in an exchange plan and receiving a premium credit?

Yes

Do you have more than 30 full-time employees?

Yes

Do you provide health insurance?

Yes

Pay Monthly Penalty, lesser of:

\[
\frac{1}{12} \times 2,000 \times (\text{Number of full-time employees} - 30)
\]

No

No penalty

No

Pay Monthly Penalty

\[
\frac{1}{12} \times 3,000 \times \text{(Number of full-time employees who receive credits for exchange coverage)}
\]

Yes

No

Pay Monthly Penalty

\[
\frac{1}{12} \times 2,000 \times \text{(Number of full-time employees) - 30)}
\]

Source: Congressional Research Service
CA Low Income Health Program (LIHP)

- Optional program for local Medi-Cal branches to adopt.
- Available to Adults 19-64 not otherwise eligible for Medi-Cal, the CHIP program, pregnant, illegal aliens, and with income and residency requirement.
- Medicaid Coverage Expansion: Medicaid/Medical now available to anyone below 133% of the federal poverty level judged by local county income standards.
- Health Care Coverage Initiative: HCCI – 133-200% of poverty level will also be provided coverage.
- Will differ from county to county.
Appeals

• Two Step Appeal process that is BRAND NEW

• Why is this important?
**New Initiatives**

“ERRP” – Early Retiree Reinsurance Program.

“CLASS” – Community Living Assistance Services and Supports

Maternal, Infant, and Early Childhood home visiting program.
Business Model Adaptation

• The Accountable Care Organization
  – Pharmacist
  – Home Care
  – Long Term Care
  – Public Health Agencies
    – Hospice Care
    – Hospitals
    – Specialists
    – More…
Business Model Adaptation

The problem with Chronic Care Management & Hospital Readmissions

Figure 1. 30-day readmission rates following surgical hospitalizations for acute and chronic conditions, by expected payer and age group, 2008

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Acute conditions</th>
<th>Chronic conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (across categories below)</td>
<td>12.5%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Pediatric (ages 1–17)</td>
<td>6.3%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Private</td>
<td>6.3%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>16.2%</td>
<td></td>
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<tr>
<td>Adult (ages 18–64)</td>
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<td></td>
</tr>
<tr>
<td>Private (18–44)</td>
<td>6.1%</td>
<td>7.6%</td>
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<tr>
<td>Private (45–64)</td>
<td>8.4%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Medicaid (18–44)</td>
<td>11.8%</td>
<td>16.3%</td>
</tr>
<tr>
<td>Medicaid (45–64)</td>
<td>16.3%</td>
<td>18.3%</td>
</tr>
<tr>
<td>Elderly (age 65+)</td>
<td></td>
<td>17.0%</td>
</tr>
</tbody>
</table>


Figure 2. 30-day readmission rates following non-surgical hospitalizations for acute and chronic conditions, by expected payer and age group, 2008

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<tr>
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<th>Chronic conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (across categories below)</td>
<td>18.0%</td>
<td>22.7%</td>
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<tr>
<td>Pediatric (ages 1–17)</td>
<td>8.6%</td>
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<td>19.2%</td>
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<td>Elderly (age 65+)</td>
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<td>19.3%</td>
</tr>
<tr>
<td>Medicare</td>
<td>22.5%</td>
<td></td>
</tr>
</tbody>
</table>

Business Model Adaptation

• The Home-Based Solution/Independence at Home Program
Business Model Adaptation

• Medicare Shared Savings Program – fee-for-service model plus percentage of savings to Medicare.

• Payment ties to Quality over Quantity: is this a realistic approach?
Questions?

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