



FEDERAL HEALTH CARE REFORM

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) makes a number of changes that impact State expenditures. This brief and other briefs all with “federal health care reform” in their titles are a first attempt to begin to quantify and understand the size of the impacts for some of these changes. This brief is for informational purposes only and no Legislative action is required.

DISCUSSION AND ANALYSIS

Court Challenge to Federal Health Care Reform

On Monday, January 31, 2011, Florida federal district Judge Roger Vinson ruled the federal health care reform bill is unconstitutional. Judge Vinson’s main concern with the bill is the portion requiring all Americans to purchase health insurance by the year 2014 (the “individual mandate”). Because of the mandate’s key role in the federal health care reform bill, the entire bill is void. Although Judge Vinson ruled the bill unconstitutional, he did not elect to stop its implementation.

Changes That May Indirectly Impact State Expenditures

1. **No pre-existing condition exclusion** – Starting September 23, 2010 private insurance plans can no longer deny children for pre-existing conditions. All insurance companies have dropped child-only insurance plans. Through November 2010, the Department of Health has not seen an increase or decrease in enrollment from this provision. The Department of Insurance indicates that: “Effective January 25, 2011, Utah Administrative Code Rule R590-259, restores availability of coverage to most children who would have purchased a child-only plan from an insurance company.” This means that a child who obtains a certificate of insurability from HIP Utah must be offered at least the normal insurance offerings from regulated Utah health insurance plans.
2. **Individual insurance mandate** – Effective January 2014, qualifying parents will need to have health insurance for themselves and all dependents up to age 26 or pay financial penalties to the federal government. This may encourage some of the currently eligible, but not enrolled to apply for CHIP and Medicaid coverage. In FY 2010 Utah Medicaid spent \$200,243,000 on services for individuals aged 19 up to 26.
3. **Business insurance mandate** – Effective January 2014, businesses with 50 or more full-time employees will need to provide health insurance to their employees or pay financial penalties to the federal government. If more businesses provide coverage to Medicaid or CHIP-eligible individuals, then this may reduce demand for CHIP & Medicaid services. If less businesses provide coverage to Medicaid or CHIP-eligible individuals, then this may increase demand for CHIP & Medicaid services. The Department estimates that there are currently about 27,700 individuals with incomes under 133% of the Federal Poverty Level working for companies with more than 50 employees.

Changes That May Indirectly Impact the State

The following briefs written by staff provide additional information on some of the changes from federal health care reform. All of the briefs begin with the title “Federal Health Care Reform” and are listed here below by the second part of their titles:

1. **Medicaid Eligibility Changes** - Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) may cost the State \$50 million General Fund in FY 2014, increasing to \$165 million General Fund in FY 2021 according to estimates by the affected State agencies. The vast majority of the costs will be in the Department of Health for medical services within Medicaid with the remainder in the Department of Workforce Services for costs associated with determining Medicaid eligibility.
2. **Impact on PEHP** - The federal Patient Protection and Affordable Care Act requires health insurance companies to provide a certain level of benefits. The law creates additional requirements for plans that lose grandfathered status. Most health plans (especially small plans) will likely lose their grandfathered status within the next three years. The Analyst estimates, based on information from PEHP, that the federal law will likely increase the cost of health insurance to the state by \$4.1 million in state funds (\$5.1 million all funding sources). If the state's plans lose grandfathered status, the costs would potentially increase by an additional \$6.8 million in state funds (\$8.5 million all funding sources).
3. **Department of Human Services** - Federal health care reform will have a significant impact on the programs operated by the Department of Human Services (DHS) as well as the various populations with which the department is charged. The Department of Human Services provides direct and contractual social services to children, families, and adults including: 1) persons with disabilities, 2) children and families in crisis, 3) youth in the juvenile court system, 4) individuals with mental health or substance abuse issues, 5) vulnerable adults, and the aged. Federal health care reform will impact the department and these populations in four general ways:
 - a. Increased medical coverage for DHS populations.
 - b. Changed financing of services.
 - c. Increased administrative and support costs - both direct and indirect.
 - d. Increased training for those who serve DHS populations
4. **Pharmacy Changes** - Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) made three changes to Medicaid pharmacy. Until further federal clarification becomes available, the cost impact to the State will remain unknown.
5. **Maintenance of Effort Requirements** - Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) extended the maintenance of efforts requirements, originally established by the federal stimulus effective for July 1, 2008, for Medicaid eligibility through December 31, 2013. Additionally, now eligibility for the Children's Health Insurance must also be maintained through September 2019. The only exclusions to the maintenance of efforts requirements might be obtained with federal approval for reductions totaling \$1,776,100 General Fund beginning in FY 2012.
6. **CHIP Changes** - Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) makes seven significant changes that will have impacts on the Children's Health Insurance Program (CHIP) with an estimated savings for the State of \$15.7 million beginning in FY 2016 and decreasing to \$7.1 million in FY 2020. Three of the seven provisions could not be quantified at this time.
7. **Community Health Center Funding** - Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) will provide \$9.5 billion nationwide in new funding for services at community health centers from FY 2011 through FY 2015. If Utah received a share of this funding annually in proportion to its 0.9% share of the U.S. population, this would result in an annual increase of \$17 million to Utah Community Health Centers for primary care health care services. Utah currently (FY 2011) provides \$1,193,200 General Fund annually in grants to public and non-profit entities

for the cost of providing primary health care services to medically underserved populations. Of this amount \$447,300 or 37% in FY 2011 will go to Community Health Centers.

8. **Changes to Medicaid Benefits** - Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) makes nine changes to Medicaid benefits with an estimated annual savings to the State of \$0.1 million General Fund beginning in FY 2012. Three of the nine provisions' fiscal impact cannot be quantified at this time.

Additional Information About Federal Health Care Reform

- www.healthcare.gov
- www.ncsl.org
- www.kff.org