



# IOWA HEALTH SYSTEM

## HEALTH CARE REFORM

### What it *could* mean to Iowans and Iowa Health System

1. **Health Insurance Reforms:** Proposals include:

- an end to discrimination against people with pre-existing conditions
- limits on premium discrimination based on gender and age
- limits on rescinding coverage when pre-existing conditions are not listed on health insurance application
- access to free preventive care services under health insurance plans

**Possible Effects:** Would result in more patients entitled to a wider scope of insurance coverage for the services they receive in health care facilities.

IHS supports proposed health insurance reform and is supportive of patients having insurance for wellness and for when they are at their sickest.

2. **Creation of a Health Insurance Exchange (with the potential of a “public option” plan within the exchange):**

The exchange would give individuals and small businesses a forum in which to compare health insurance plans and premiums and the ability to purchase health insurance at the best price.

**Possible Effects:** The exchange has the potential to create meaningful competition in the private insurance industry and could bring down the price of health insurance premiums.

This competition would allow providers to have meaningful negotiations with insurance companies regarding private pay reimbursement rates. However, unless incentives or penalties exist to push private insurers into the exchange and unless changes are made to state insurance law to allow out-of-state competitors into the local markets, it is unlikely the exchange would create a competitive private market environment.

The existence of a “public option” plan within the exchange, which would offer a plan with minimum standard health benefits, would provide competition to the private insurance market in Iowa. IHS is concerned such a “public plan” would have reimbursement rates equal to or lower than Medicare rates and perpetuate the current disadvantage that Iowa providers have with Medicare reimbursement rates. Further, there is concern that reimbursement rates for a “public option” will set the rates in the private insurance market lower than current rates.

3. **Individual and Employer Mandates:**

The individual mandate requires each person to have health insurance, either privately purchased or subsidized by the government. There would be a hardship exemption and assistance for small businesses that provide health insurance to their employees. The employer mandate requires employers with more than 50 workers to offer employee health insurance coverage or pay a fee under the exchange.

**Possible Effects:** IHS supports a requirement that individuals have health insurance. Additionally, large Iowa employers already have a history of offering health insurance to their employees. Both mandates would result in more insured individuals with their care covered at health care facilities.



# IOWA HEALTH SYSTEM

## 4. **Reform to the Provider Reimbursement and Delivery Systems:**

### • **Reimbursement:**

A number of proposals have been brought forth that will cut provider payments, such as market basket updates to hospitals, productivity adjustments and home health rebasing and reductions. However, some changes, such as Sustainable Growth Rate reforms to physician payment could be positive, such as a .5 percent increase rather than a 20 percent decrease that is scheduled. On the negative, this is only a one-year solution.

### • **Delivery System:**

Proposals are intended to reshape the way providers deliver care, from a system of fragmented services to a system in which care is coordinated. The system will reward quality outcomes and efficiency rather than quantity of services. Accountable Care Organizations and medical home models align the financial incentives of hospitals, primary care physicians, specialists and post-acute providers. Smooth operation of such coordinated care models is dependent on functional use of the electronic health record. Such reorganization is intended to be more efficient in avoiding duplicate, unneeded services and to result in a healthier patient population.

**Possible Effects:** IHS will closely monitor shifts in reimbursement trends and we have already been working on a different delivery model that will be rewarded under a modified government payment structure.

Rewarding quality and efficiency in paying health care providers could help Iowa providers achieve equity with others states in Medicare payment rates. Iowa providers are already among the top in the country in the quality of care they give to patients and their efficiency in spending Medicare dollars. This is a playing field upon which Iowa providers can compete and win. Reshaping the delivery system in this manner would likely result in even better outcomes for Iowa patients. Patients will receive more preventive services and will have better resources to determine the necessity for and effectiveness of specialty services.

However, such dramatic change cannot occur overnight or even in a couple of years. Health care providers will need to invest capital to build the infrastructure necessary to deliver care in this coordinated model.

## 5. **Miscellaneous Provisions:**

### • **Physician Specialty Hospitals:**

A proposal is included in the Senate version of the health reform bill that prohibits new physician-owned specialty hospitals and limit the future growth of already existing specialty hospitals.

**Possible Effects:** Such legislation would benefit community hospitals such as those in Sioux City that struggle to compete with physician-owned hospitals.

IHS supports this legislation. It is beneficial to Iowa patients because it ensures that only qualified entities are operating as hospitals and it helps keep down health care costs.



## IOWA HEALTH SYSTEM

- **Graduate Medical Education Provisions:**

Proposals include allowing hospitals to organize in "foundation models" to finance residency slots, allow for other flexibility in reimbursement of residency programs, and allows for redistribution of unused primary care residency slots to rural areas.

**Possible Effects:** These provisions would save our affiliate hospitals money currently lost on residency programs due to Center for Medicare and Medicaid Services (CMS) rules of reimbursement. The provisions would strengthen the primary care physician workforce in Iowa.

- **Geographic Disparity studies:**

Proposals, introduced by Iowa's members of Congress, require the Institute of Medicine (IOM) to study the reimbursement disparity between state's whose health providers deliver high quality/low cost care to those state's whose providers deliver low quality/high cost care. Recommendations will be made to Congress by the IOM on how to rectify this disparity, with the idea being that the providers who provide high quality care should be reimbursed the highest. IOM recommendations will be implemented in 2014.

**Possible Effects:** This provision starts down the path of having Iowa's Medicare reimbursement rates on a more equal footing with the reimbursement rates of providers in other states. Higher Medicare reimbursement rates would help address healthcare workforce issues in Iowa and is good for Iowa's economy.