

HPIO REMARKS

Major Themes

- Ohio's vision for health care reform – nine guiding principles, Ohio Solution
- What is Ohio actually doing in terms of exchange planning?
- What are the true impacts of the ACA in Ohio?

Before I begin, I would like to lay out the common vision of our administration for the future of health care in Ohio...

A vision built on nine guiding principles – geared toward transforming Ohio into a model of health and economic vitality.

That is something we can all agree is worth pursuing;

- Transparent – Information about price and quality
- Value – Pay only for what works to improve and maintain health
- Primary Care – Transform system to one that keeps people healthy
- Chronic Disease – Focus on Prevention and coordinate care to improve quality of life and help reduce chronic care costs
- Long-term Care – seniors live with dignity in setting they prefer
- Innovation – Innovate to improve health and economic vitality showing the nation why Ohio is a great place to live and work
- Evidence-based care – to improve quality of care and lower costs
- Market-based – reset rules of health care competition to incentivize keeping people healthy

- Personal Responsibility – reward good choices to stay healthy and expect those that don't make good choices be responsible for the cost of their decisions

It is through the lens of these principles that we are evaluating the Federal Health Care law and its impact on Ohio.

And when you start talking about the law, you must keep in mind that it is very broad and includes several large components...

Almost as if it is several different laws rolled into one.

- Individual and Employer Mandates and Penalties
 - o Individuals required to purchase insurance or pay a penalty
 - o Employers required to pay a penalty based on type of coverage offered and level of subsidy their employees qualify for

- New taxes on job creators –
- medical devices,
- health insurance,
- pharmaceuticals
- and increases the Medicare tax paid on earnings and even subjects unearned income to tax in certain cases
- More Ohioans will be eligible for Medicaid
- And Ohioans with incomes up to 400% of poverty (or more than \$92,000 per year for a family of four) will be eligible for government subsidies to purchase health insurance
- Market Reforms that increase cost of insurance for consumers and job creators
- And Exchanges

On the issue of an exchange, let me be clear regarding what Ohio is doing...

- Yes, like many other states we are evaluating all of our options in order to do what is best for Ohio consumers and job creators
- We conducted a study of the Federal Health Care law on Ohio's insurance market prior to full implementation of the law and how that law, if fully implemented, will impact that market and Ohio consumers

- Let me first start by telling you a little bit about Ohio's health insurance market today:
 - o Relatively competitive – impact in Ohio different than other states – can't just do comparisons and get valid information.
 - ✓ 37% individual market covered by market leader 54% nationwide
 - ✓ 36% small group market – 52%
 - ✓ 42% large group market – 58%
 - ✓ Strong regional carriers

- We then Gathered information for the infrastructure of IT component of Exchange with a comprehensive review conducted by KPMG

- And we Continue to review and comment on guidance from the Federal Government

Reports:

Milliman Report -

- Shifting enrollment numbers (Medicaid, Exchange, Employer Sponsored Insurance):
 1. 1 million more Ohioans will shift to Medicaid at a cost of \$250 million in 2014 to Ohio taxpayers and increasing to \$600 million in 2019 (numbers from OHT)

2. Another 524,000 individuals could shift into the government-subsidized exchange
 3. 660,000 fewer Ohioans will get their health insurance coverage from their employer
- Premium impact:
 1. Increases in individual market [55-85%]
 2. Increases in small group market [5-15% with some increases as high as 150%]

KPMG Report: which concluded that either exchange will be expensive to set up and operate – especially a state-based exchange

- Cost to set up - Federal - \$20 million/State - \$63 million
- Annual Non-IT operating costs for the exchange are projected to be between \$19 and \$34 million per year.
- Annual IT costs (for Ohio) are projected to be \$1.6 million for the federally run exchange and as high as \$9 million for the state established exchange.

Federal Grants:

Because of our continued work as well as the lack of clarity from the Washington regulators, Ohio – the previous administration – applied for and received 1 exchange planning grant.

- Ohio has NEVER returned any exchange planning grant money contrary to some reports.
- Ohio did return a Consumer Assistance Grant – not an exchange planning grant - for primarily 2 reasons:
 - o The lack of sustainable federal funding, the expected duplication of existing services and the negative impact of evolving date requirements on ongoing system upgrades made the implementation of the grant unfeasible.
 - o And – The objectives of the grant are primarily being achieved through ODI's already robust consumers services and collaboration with community partners.
 - o NOTE: Funding for this program was recently eliminated by the Federal Government forcing states to eliminate programs using these grants.

You should not underestimate – and we don't – the importance of clear guidance from the Federal regulators to this process.

- Final rules regarding exchanges, essential health benefits, Medicaid eligibility and rules from the IRS regarding tax credits are still pending
- In fact, just yesterday, we received word that the deadlines to apply for Level One and Level Two exchange grants will be extended past June of this year to the end of 2014, according to a notice that will be published in the Federal Register. HHS expects the new deadlines will be Aug. 1, 2012; Nov. 1, 2012; Feb. 1, 2013; May 1, 2013; Aug. 1, 2013; Nov. 1, 2013; Feb. 3, 2014; May 1, 2014; Aug. 1, 2014; and Nov. 3, 2014
- This Lack of clarity and constantly changing rules of the game so to speak makes decision making extremely difficult

While many states are awaiting the U.S. Supreme Court's potential decision on the constitutionality of the law, it really is just one piece of the puzzle in our evaluating process.

- Certainly if the law is found unconstitutional that has consequences and there will be consequences if the law is upheld
- Regardless, we are concerned about the significant uncertainty we face at this time

As Ohio continues through the evaluation process, no decision has been made yet regarding future requests for exchange funding.

- Because the federal government continues to move deadlines, (including deadlines pertaining to grant funding), it seems premature to make a decision at this time

One of the major issues we are currently weighing is whether Ohio truly has control over an exchange if it is state based as opposed to federally based.

- The idea that states will have complete control is unclear at best
- Exchanges, no matter who they are run by, must submit to federal rules and laws
- Premiums will increase no matter who runs the exchange because premiums are linked to market changes tightly controlled by federal regulation – not the exchanges
- And States must apply for changes in their exchanges; design of their exchanges, certification... even enrollment forms. All must be approved by the federal government
- Ultimately – we will be operating in a very different environment than today.

- Instead of insurance, including health insurance, being regulated at the state level – health insurance will be regulated by the federal government.

To help clear up the facts about where Ohio currently stands in terms of exchange planning compared to other states let me say this.

- According to a recent Kaiser Health News story, only 14 states plus the District of Columbia have made legislative progress toward creating an exchange
- Many states are working through the process but are finding it extremely difficult to get legislative authority including states such as (Michigan, Minnesota, New Hampshire, New York, and Oregon)
- Some states have said they are waiting on the Supreme Court to rule on the law's constitutionality such as (Georgia, Nebraska, Virginia, and Wyoming)
- Other states have already or are planning to give back their grant money such as (Idaho, Kansas, Oklahoma, and Wisconsin)
- And still others have refused to set up an exchange altogether (Florida and Louisiana)
 - o Texas Gov. Rick Perry's spokesperson recently said "there are no plans to implement an exchange."

In the end, like every decision this administration has made and makes – this decision will be based on all the facts and doing what is best for Ohio.

Ultimately, it is premature to make final decisions until we have additional and specific guidance from the Federal Government.

But we will continue to look for an Ohio solution one that;

- Gives choice to Ohio Consumers
- Allows a Competitive Marketplace to work without government interference
- Provides options so that small business owners can continue to offer health insurance to their employees
- Is transparent and accountable – both on the insurance side and the health care delivery side so that consumers can be better informed about the health care they choose and the type of insurance they purchase for that health care.

It is still a fact – that the cost of health insurance is directly impacted by the cost of health care and we must bend that cost curve in order to make health insurance more affordable.

That's why we will continue to focus on health transformation:

- Transform our health care delivery system to one that focuses on keeping people healthy not just treating them once they get sick.
- Implement payment reform – to start paying for medical procedures based on value and quality.
- Expand the use of patient centered medical home so that all patients, including those on Medicaid, have coordinated care in a way that leads to healthier Ohioans.

Thank you for the opportunity to be with you today.