Affordable Care Act … What’s Ahead?

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With the Supreme Court's decision in 2012, it appears that the Patient Protection and Affordable Care Act (PPACA) will move ahead. As we near the magic year of 2014, let's take a brief look at what's happened and what's in progress.

Of course, we know that folks 26 and under can now stay on their parents' health insurance, even if they are not students, do not live with their parents, are married, and/or are not dependents for tax purposes.

The “doughnut hole” is closing; it's now at a 50 percent discount rate. Rebates now go out to beneficiaries of private insurance firms if the medical loss ratio falls below 80-85 percent. Cost-sharing for a number of preventive services has been eliminated. Terms like “bundling,” “value-based purchasing,” “accountable care organizations,” “medical homes,” and “health insurance marketplaces” are now part of the health care lexicon. These, and much more, have been accomplished or are actively in process.

The year 2014 is magical because it is the year that the bulk of PPACA gets implemented. The plan for 2014 is to expand Medicaid to cover all those whose income is below 133 percent of the federal poverty level, except that the Supreme Court ruled that each state can make the determination about whether or not to participate, a difference from the original law. State and regional marketplaces will become available. All individuals will be mandated to carry health insurance, whether through their employer or Medicaid/Medicare or privately through Exchanges. If they do not, they have to pay a penalty of $95 in the first year, rising to nearly $700. Pre-existing conditions, for the most part, will no longer be a reason for exclusion from health insurance; there will be no annual limits on dollar coverage; and all insurers will have to provide a comprehensive set of “essential health benefits.”
Easier said than done. Only a few states have marketplaces in place at this point, and a number of states have already opted to have their marketplace run by the federal government instead. States are debating the advisability of participating in the Medicaid expansion, which will cover most of the currently uninsured, even though the expansion will initially be funded at 100 percent by the federal government (dropping to 90 percent in future years). Finally, in the law, non-payment of mandatory penalties by individuals is not enforceable.

Much like our economy, there is great uncertainty about the PPACA’s implementation success. While state governments, insurers and providers are proceeding as if it all will come to pass, it is a bit of a gamble. What if Medicaid expansion occurs in some states and not others? What if the marketplaces are not ready in time or don’t work as desired? What if people don’t get insurance and don’t pay the penalties either? What if employers decide that paying penalties is cheaper than providing insurance? Will insurers (who’ve already made concessions) and providers be left holding the bag if there is significant non-participation? What if the federal health care budget in general is negatively affected based on Medicare/Medicaid cuts resulting from the scrutiny that will surely come soon?

While some may rejoice and others bemoan “Obamacare,” some form of the PPACA will undoubtedly come to pass. Whether it is the solution or makes things worse is still up in the air. These near-term challenges will require a form of visionary leadership and a lightness of feet that is rare these days, but is desperately needed.

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