Healthcare, Inc.

Steve Lindstrom: OLLI Fall Course 2023

Class 2:

- **History**
- **Terms**
- **Regulations**

NEJM Article: 1980 Key Takeaways

- New term: Medical Industrial Complex
- New for-profit enterprises emerge
- House calls - ER
- ESRD in 1972
  - 40 patients/MM to 200patients/MM
  - Home – for profit
- High profits – new entrants
- Capital infusion
- Capitalist system key.

NEJM Article: 1980 Key Takeaways

- Consumer not purchase
- Decisions depend on the doc
- Private companies – benefit research
- Increase use = profit=regulation
- Ethical considerations
- For-profit “Cream skimming”
- High-margin procedures vs. lower-margin professional services
- Undue influence by for-profit companies
- Focus:
  - on profitability vs. need
  - increased revenue vs. control of overall cost

NEJM Article: 1980 Key Takeaways

"How best to ensure that the medical-industrial complex serves the interests of patients first and of its stockholders second will have to be the responsibility of the medical profession and an informed public."

Current Status of Medical-Industrial Complex

- Nothing has changed – predictions true

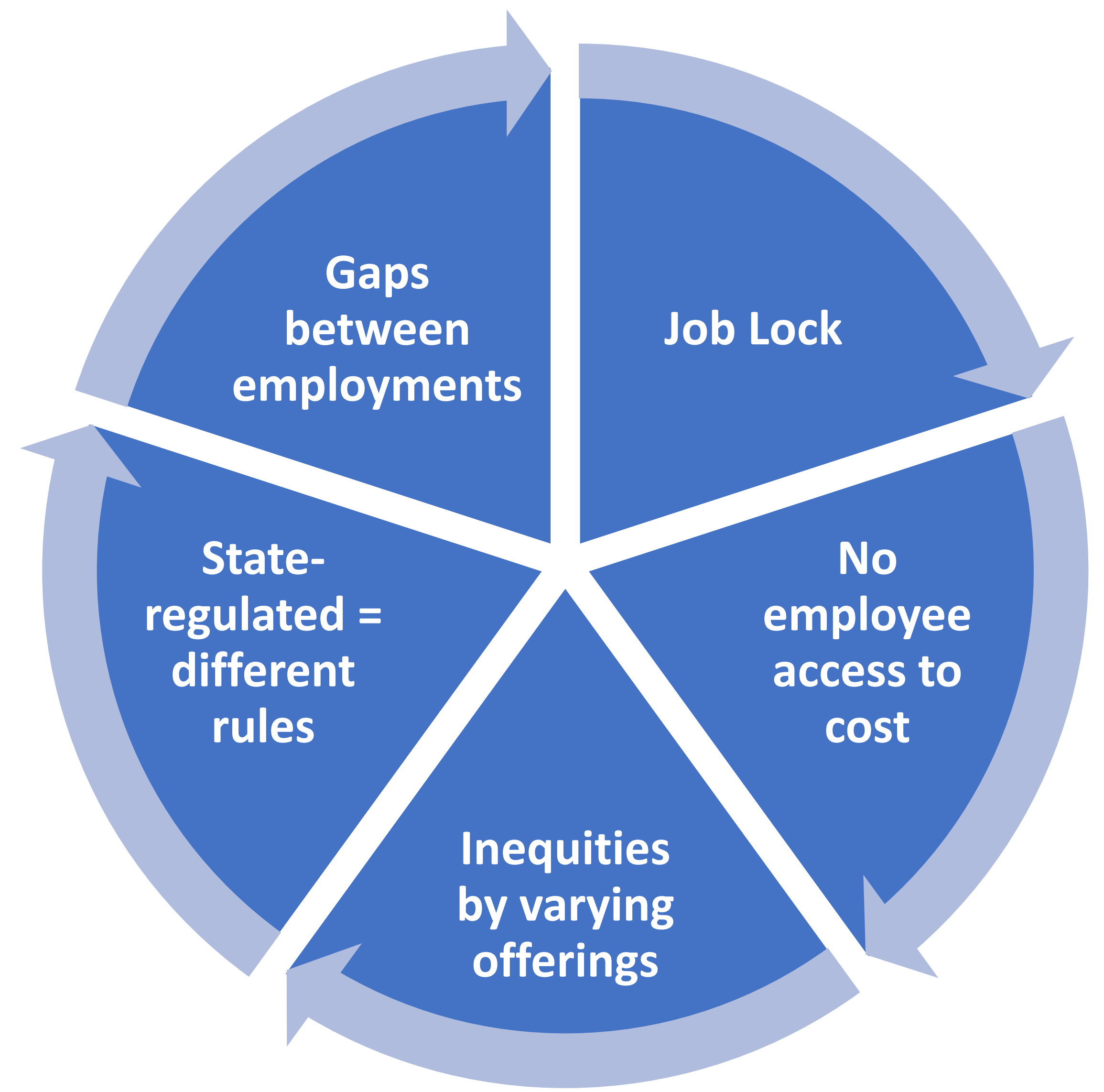
- Continuing challenges profit/patients' - system design

- Progress in high payment procedures
- Less progress in low payment chronic disease
- Normal economics - worse
- Consumer demand: more is better
- Government involvement =enormous complexity

History Employer Based Health Insurance

- Prior to WWII: Luxury and not affordable
- WWII wage controls implemented
- Fringe benefits were allowed
- 1943 - Company provided health insurance not taxed
- Health Insurance attracts talent
- Labor Unions caught on
- By ‘60s = Norm
- Medicare and Medicaid in 1965.

Unintended Consequences



Important things to know

How payments are structured

How regulations affect the industry and healthcare

History of laws to address issues

Current Procedural Terminology (CPT)

Payments to Physicians

- Key part of claim submission
- Work done
- Set by AMA starting in '60s
- Initially focused on procedures vs. cognitive skills
- Led to under coding of cognitive services
- Disparities in reimbursement =procedures paid at higher rate

Coding International Classification of Diseases (ICD)

- System of coding to track and communicate
  - Injuries
  - Symptoms
  - Diseases
- Used in a variety of settings
- Current version 11
- Variety of additional uses
- Support billing and reimbursement
- Health care quality and safety
- Health services research

CPT & ICD

- Payors require payment
- Tie the diagnosis to the work
- Match for quality check.

Diagnosis Related Group (DRG)

- System for classifying patients into groups based on their:
  - Diagnoses
  - Procedures
  - Age
  - Other relevant factors
- Developed by researchers in 1960’s
- Implemented in 1983 for DRG payment systems
- Hospitals paid a fixed amount for a bundle of services.

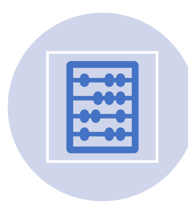
Diagnosis Related Group (DRG)

- Comparative across geographies and systems
- Encouraging efficiency
- Standard classification
- Decision support on resource allocation
- Quality improvements.

Important Laws and Regulations

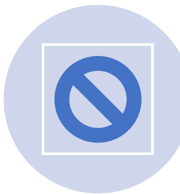
Reaction to marketplace

Vague at the start



Details to follow

Case Law



Significant intended and unintended consequences

Added to complexity

New business opportunities

Medicare

Became law on July 30, 1965 to address lack of access for seniors Individuals with disabilities.

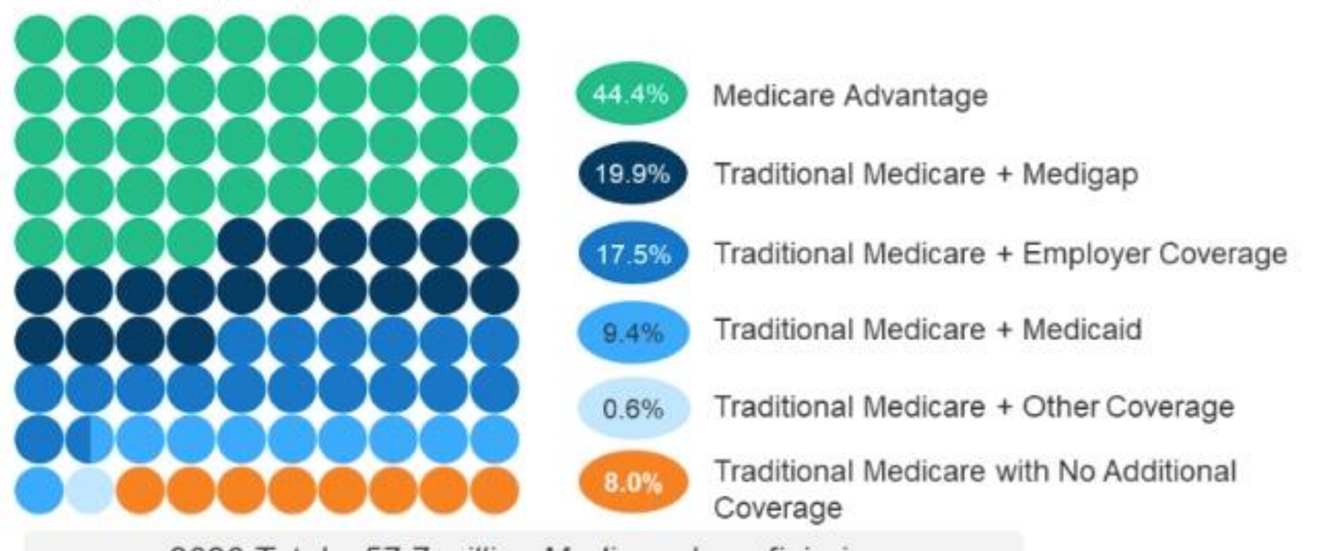
Currently:

- 57 million people over 65
- 8 million younger people with disabilities.

Medicare

Figure 1

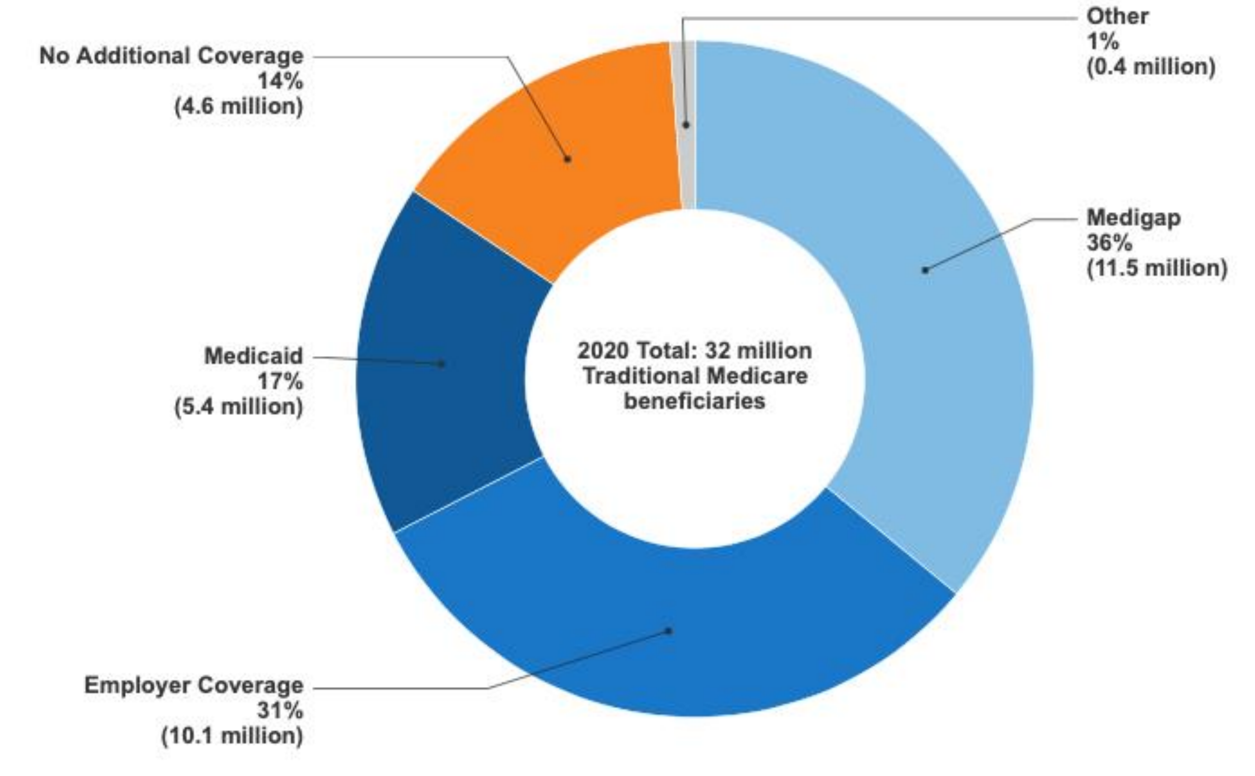
In 2020, More Than 9 In 10 Medicare Beneficiaries Either Had Traditional Medicare With Some Other Type of Coverage (48%) Or Were Enrolled In Medicare Advantage (44%)



2020 Total = 57.7 million Medicare beneficiaries

NOTE: Estimates do not sum to 100% due to rounding. Total excludes beneficiaries with Part A only or Part B only for most of the year (n=4.8 million) or Medicare as a Secondary Payer (n=1.5 million).
SOURCE: KFF analysis of CMS Medicare Current Beneficiary Survey, 2020 Survey File.

Medicare Choices Made



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SOURCE: KFF analysis of CMS Medicare Current Beneficiary Survey, 2020 Survey File • PNG

KFF

Part A: Hospital Insurance

What does it cover?

- Inpatient Room and Board
- Ancillary inpatient services
- Hospice care
- Skilled Nursing Facility (SNF)
- Blood.

- No payment for beneficiaries
- Auto Enrolled at age 65.

Part B: Medical Insurance

- Doctor services & preventive care:
  - Doctor in hospital
  - Urgent care or emergency room treatment
  - Checkups and routine doctor visits
  - Preventive care and testing
- Premiums are required:
  - Social Security deduct $164.90 2023
  - Adjusted annually
  - Higher-income individuals may have higher premiums
  - State assistance programs
- Deductibles and Co-Insurance apply to some services $226- 2023
- Doesn’t cover everything.

Medigap Coverage

- Must have Parts A & B
- Medigap fills in for:
  - Deductibles
  - Copays
  - Coinsurance
  - Out of-pocket costs
- Standard plans A-N
- Ease of comparison
- Active market.

Part C: Medicare Advantage

- Covers all services in Original Medicare
- Most have expanded coverage
- Part D offered
- Annual bidding process
- Fills in gaps = lower cost/year
- Premium based on geographic areas
- Additional Coverages:
  - Dental
  - Vision
  - OTC
  - Fitness Programs
  - Wellness Programs
- Dual Special Needs Plans - Medi- Medi

Part C: Medicare Advantage *Financing*

- Medicare established a benchmark rate based on a formula for providing care in a county
- Each county has its own rate
- Rates compare the historical cost of Medicare FFS vs. the estimated cost of private Medicare Advantage plans
- Rating methodologies changed over the years
- More complexity.

Star Ratings for Medicare Advantage Plans

- Quality rating plan
- Better informed choices
- Rated from 1-5 Stars
- Quality Metrics:
  - Clinical outcomes
  - Patient experience
  - Access to care
  - Customer service

- Incentives for Plans
  - Bonus payments based upon ratings
  - Higher ratings, higher bonus if 4 or 5 Stars
- Incentives drive behavior.

Part D: Prescription Drug Benefit

- 1990s Prescription cost rise -Seniors affected
- 2003 Bush signs Medicare Modernization Act Est. Part D
- 2006 Part D begins: Enrolling in private Part D or Medicare Advantage
- Premiums are established
- Deductibles, Co-Pays, and Donut hole coverage
- Catastrophic Coverage.

Part D: Issues and Challenges

- Complexity of Plans and Coverage
- Still costly for some drugs
- Formularies
- Market Dynamics
- Fraud and Abuse.

Medicaid

Joint State and Federal Program for Low-income Individuals and Families

- Started in 1965 and was significantly amended with ACA 2010
- Means-tested program
  - Income
  - Family size
  - Other criteria
- Eligibility and Coverage - Varies by state.

Medicaid Coverage

States Set Rules

- Children
- Pregnant Women
- Parents and Caretaker Relatives
- Individuals with Disabilities
- Long-Term Care
- Medically Needy.

Medicaid Financing

- Federal and State Funding
- State Flexibility
- Provider Payments
- Medicaid Managed Care.

HMO Act of 1973

- Federal grants for development and expansion
- Remove certain state restrictions on federally qualified HMOs.
- Employers with 25 or more employees required to offer

HMO Act of 1973

HMO defined:

- Provides, or arranges for the provision of:
  - Basic health services
  - To a defined population
  - On a prepaid basis
- Assumes financial risk
- Integration of healthcare
- Promotion of preventive care.

HMO Act of 1973

HMOs in operation growth:

- 1975: 183
- 1983: 297
- Advantages over traditional fee-for-service plans:
  - Lower premiums
  - More comprehensive coverage
  - A focus on preventive care
- Appealed to employers - help to control healthcare costs.

HIPPA

Health Insurance Portability and Accountability Act-1996

- Concerns about continuity of coverage- gaps
- Enhance security and privacy of health information-EHR
- Requirements:
  - People with preexisting conditions have continued coverage
  - Small group insurance plans (2-50) must cover maternity
  - Standardization of EMR and patient records
    - Privacy rules
    - Security rules
    - Transactions code sets
    - National Provider Identifier.

HIPPA
Issues

- Complexity and compliance burden
- Data breaches
- Technological advancements in full interoperability
- Balance patient privacy and access to records
- Enforcement and penalties.

EMTALA

Emergency Medical Treatment and Liability Act

Provide screening exams and stabilizing treatment for any patient that comes to the ER regardless of ability to pay:

- No insurance card
- Response to turning away patients
- Increased cost to community hospitals
- Triage regardless of ability to pay if have life life-threatening condition and stabilize enough to be able to discharge
- Lots of uninsured losses – someone must pay, shifting to those who pay
- ER triage to outpatient care ASAP
- ER becomes the point of care for uninsured
    - Arrive sicker– longer and more acute stays
    - Difficulty discharging.

Stark Law Physician Self-Referral Act (1989)

- Prohibits physicians from making referrals to entities in which they have a financial interest
- Focus on fraud and abuse
- "Legitimate business interest" is allowed
- Requires disclosure to the patient
- Civil penalties and fines
- All physicians who participate in Medicare
- Audits, investigations, whistleblower awards.

Stark Law Physician Self-Referral Act (1989)

Criticized:

- Complex and difficult to understand
- Discourage some legitimate business arrangements
- Increase costs
- Not well enforced
- Not reflective of current industry conditions.

Affordable Care Act (ACA)

“Obamacare” (2010)

- Introduced a wide range of provisions:
  - Expanding access to healthcare
  - Improving the quality of care
  - Controlling healthcare costs
- Key Provisions:
  - Individual Mandate
  - Health Insurance Marketplace
  - Medicaid Expansion
  - Defining Essential Health Benefits
  - Preventative Care and Wellness
  - Coverage for Young Adults
  - Protection for Pre-Existing Conditions
  - Medical Loss Ratio.

Affordable Care Act (ACA)

"Obamacare" (2010)

Essential Health Benefits (EHB)

1. Ambulatory Patient Services
2. Emergency Services
3. Hospitalization
4. Maternity and Newborn Care
5. Mental Health and Substance Abuse
6. Prescription Drugs
7. Rehabilitative
8. Laboratory Services
9. Preventive and Wellness Services and Chronic Disease Management
10. Pediatric Services.

Affordable Care Act (ACA)

"Obamacare" (2010)

- Coverage Expansion:
  - Result: 2023 7% or 23 million people of all ages no health insurance
- Costs and Premiums
  - Still high rates, high deductibles and copays
    - Deductibles:
      - Bronze $7,481
      - Silver $4,890
      - Gold $1,650
      - Platinum $45
  - Average monthly premium – most plans are bronze and silver
    - $469 40 yr. old individual
    - $937 couple age 40
    - $1,214 couple age 40 one child
    - $1,491 couple age 40 2 children.

Affordable Care Act (ACA)

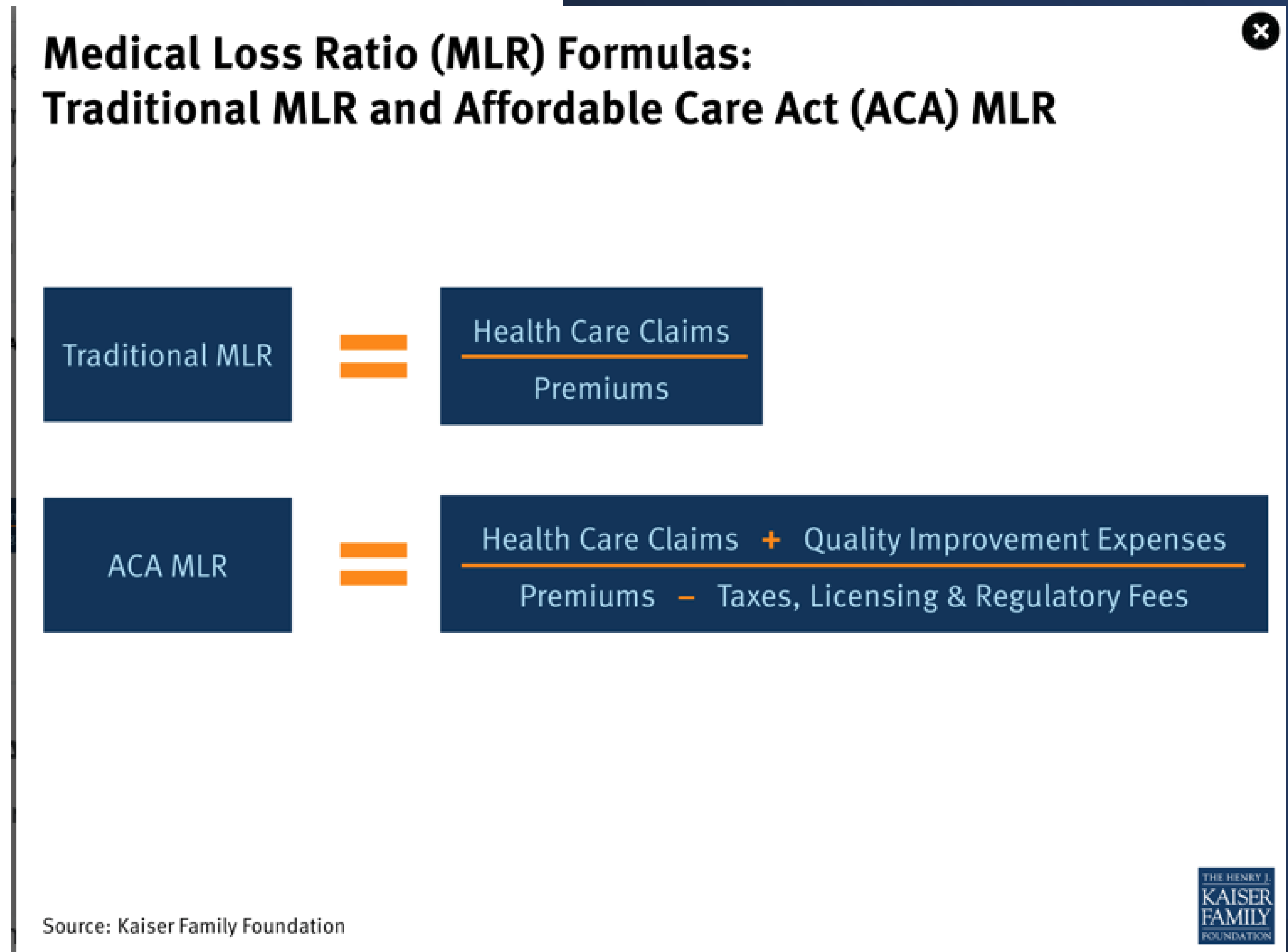
ISSUES

- Market Stability – limited competition in some counties/states
- Legal Challenges
- Mandate Repeal
- Sustainability
- Political Division.

MLR Regulations

Medical Loss Ratio under ACA and Medicare

- All health insurers:
  - Minimum Standard = 85% Large groups, 80% small groups
  - Over rebates
  - Under keep $.



No Surprise Act of 2020
Effective 1/2022

Designed to protect patients from unexpected medical bills that can occur when they receive healthcare services, often in emergency situations.

Key Provisions

- Balance Billing
- Emergency Services
- Non-Emergency Services at in-network facilities
- Required Cost Estimates
- Independent Dispute Resolution
- Advance Notice of Network Status

Issues

- Complex dispute resolution process
- Impact negotiation of rates
- Complexity of situations that it applies to
- Implementation challenges, new systems and processes
- Conflict with current state laws

Prevention Services

Medicare Leads the Way

- **Medicare Catastrophic Coverage Act of 1980**
  - Flu shots
  - Pneumococcal vaccines
  - Pap smears
  - Mammograms
- **Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA)**
  - Colorectal cancer screening
  - Diabetes screening
  - Hypertension screening
  - Obesity counseling
  - Smoking cessation counseling
  - Annual Wellness Visit
- **Affordable Care Act (ACA) of 2010**
  - Aneurysm screening
  - Bone density screening
  - Cardiovascular disease risk assessment
  - Glaucoma screening
  - Hepatitis B and C screening
  - HIV screening
  - Sexually transmitted infection screening.

Prevention Services

Medicare Leads the Way

PERFORMANCE

2019 study by the Kaiser Family Foundation

- Preventive services saved $20.7 billion
- Avoided 162,000 hospitalizations and 1.6 million emergency room visits

2018 study JAMA Internal Medicine - Annual Wellness Visit

- Saved $537 /person/ year 1
- Increase in number of s who received preventive services.

2017 study by the CDC

- Beneficiaries who received preventive services were less likely to die from:
  - Heart disease
  - Stroke
  - Cancer.

Historical Required Changes in Coverage

- Maternity is covered as any other healthcare service
  - State by state until 1996 HIPPA
- Mental Health given equal treatment to all other services
  - Mental Health Parity and Addiction Equity Act (MHPAEA) of 2008
- DO/Chiropractors/Optometrists/Advanced Nurse Practitioners services covered
  - Health Professionals Educational Assistance Act (HPEAA) 1976
  - Medicare and Medicaid cover fully.

Historical Required Changes in Coverage

Telemedicine services slow growth and then…

- Started in 1950's – telephone consults
- 60's – 70's - rural areas Primary Care have office visit with Urban Specialists
- 80's- 90's - Internet and improvement of technology
- 1999 – Medicare starts limited coverage and payments
- 2000's – many start-ups with investment capital
- 2020 - Pandemic, era of Zoom
- 3/19-3/20 154% increase = 1/3 of all office visits now
- Medicare pays $31 for 11-20 min.

Summary

- Started with the concerns 43 years ago
- Medical Industrial Complex now 18.4% of GDP
- Reviewed key contributors to its growth:
  - Employer-Based Coverage
  - Explosion of new coverages, laws and regulations
  - Attempt to put some controls on cost and improve outcomes
  - Economic principles that work in other parts of economy don't work here
- No end in sight today.

NEXT CLASS:

Deep dive into the components of the healthcare system.

THANK YOU.

What role(s) do physicians have in bringing costs under control and increased quality?

Value