STATE OF THE STATE’S HEALTH CARE

HHRMAC Annual Conference
March 16, 2015
Federal

- Divided Government
- ACA
- Debt Ceiling (2015)
- Sequestration / FY 2015 Budget (12/11/14)
- Immigration
- SGR (3/31/15)
- Medicare and Medicaid
The Mid-Term Election Outcome

<table>
<thead>
<tr>
<th></th>
<th>113\textsuperscript{th} Congress</th>
<th>114\textsuperscript{th} Congress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>House:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D’s</td>
<td>199</td>
<td>188</td>
</tr>
<tr>
<td>R’s</td>
<td>233</td>
<td>247</td>
</tr>
<tr>
<td>**Senate*:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D’s</td>
<td>55</td>
<td>46</td>
</tr>
<tr>
<td>R’s</td>
<td>45</td>
<td>54</td>
</tr>
</tbody>
</table>

* Two independent Senators caucus with the Democrats
California Democrats gained one seat from the 113th for a total composition of 39 Democrats and 14 Republicans.


Key committee memberships:

<table>
<thead>
<tr>
<th>House Ways and Means Committee</th>
<th>House Energy and Commerce Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republicans</td>
<td>Democrats</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>
The ACA and the Election

Do you generally favor or oppose the ACA?

**Favor:** 38.6% (41.3%)*

**Oppose:** 51.1% (49.1%)*


* January 2015
Possible ACA Targets/Amendments

- Repeal of the employer mandate
- Repeal/alteration of the individual mandate
- Repeal IPAB
- Repeal medical device tax
- “Keep your own insurance plan” changes
- Constrain risk corridor payments
- Free up states on Medicaid funding/waivers
Another ACA Supreme Court Case

- King v. Burwell to be heard in early March; decision in June

- Question of whether subsidies should be available to those in states that have Federal exchanges
  - Decision would affect 36 states (not California) that lack their own exchanges, and more than five million people
Motivators

- President Barack Obama
  - Legacy
  - Willingness to deal?
  - Wedge issues
- Senate Majority Leader Mitch McConnell
  - Retain Senate in 2016
  - Moderate Democrats
- House Speaker John Boehner
  - Victory of some kind
  - Ability to forge deal in House
  - Retain majority in 2016
Fiscal Cliffs and Deadlines

- Medicaid PCP Physician Cliff (December 31, 2014)
- FY 2016 Budget by President Deadline (February 9, 2015)
- Medicare SGR and Extenders Cliff (April 1) [pay-fors]
- Congressional FY 2016 Budget Resolution (April) [Reconciliation]
- Debt Limit Extension (June?)
- S-CHIP Funding and Reauthorization (September 30)
  - Opportunity to extend Medicaid payment for primary care
  - Medicaid per capita caps
Competing National Issues

- Immigration Reform
- Tax Reform
- Energy – Keystone Pipeline
- Global Economy
- Foreign Affairs
- Entitlements
- National Debt
- Others
CALIFORNIA

- Sen. Barbara Boxer’s retirement creates first open California Senate seat in 24 years
- California Attorney General Kamala Harris is in
- Other potential Democratic candidates

CONGRESS

- Red/blue states
- Redistricting influence
- Power and Special Interest Influence
- 2015-2016 Budget / Medi-Cal Reform
- Water / Drought
- Legislation
- 2016 Ballot Initiatives
- CHA-SEIU-UHW Agreement
- ACA Implementation
State Election Results

- Governor Jerry Brown was re-elected to a historic fourth term by 18 percentage points.
- **Proposition 1** – *Water Bond* – passed with 67% of the vote and was approved in 46 of California’s 58 counties.
- **Proposition 2** – *Budget Stabilization Account* – passed in 57 counties with 69% of the vote.
- **Proposition 45** – *Healthcare Insurance Rate Changes* – failed 59% – 41%.
- **Proposition 46** – *Doctor Drug Testing, Medical Negligence* – was defeated in all 58 counties, 68% – 32%.
Democrats control of both houses of the Legislature

Democrats lost super majority status when the GOP gained four seats in the Assembly and two in the Senate

Senator Kevin de Leon is the Pro-Tem, and Senator Bob Huff is the Republican Leader

Assembly Member Toni Atkins is Speaker of the Assembly

Assembly Member Kristin Olsen is the Republican Leader of the Assembly
SEIU-UHW

- Executive Compensation in NFP Hospitals and Health Systems
- Pricing Caps (125% of cost) on Individual Patient’s Hospital Services and Items, and Revenue Caps (125% of cost) on Annual Revenues by payer
Extends current law

Locks in protections for hospitals and the state (24% net benefit)

Prohibits Legislature from changing protections

CONSIDERATIONS
Implementing Reform Will Create Financial Challenges for Hospitals

Hospitals face more than $22 billion in Medicare payment reductions over the next ten years, creating massive financial burdens on top of historical payment shortfalls.

- Hospital Medicare Losses
- Medicare Reductions ACA, Cliff & Other

Expected Medicare Shortfall Over the Next 10 Years

- 2009: $3.6 Billion
- 2010: $10 billion
- 2011: $20 billion
- 2012: $0

More Cuts
The U.S. is an anomaly in health and social spending patterns.
Health Care Spending per Capita by Source of Funding, 2011 Adjusted for Differences in Cost of Living

Dollars ($US)

- **Out-of-pocket spending**
- **Private spending**
- **Public spending**

<table>
<thead>
<tr>
<th>Country</th>
<th>Out-of-pocket</th>
<th>Private</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>987</td>
<td>4,066</td>
<td>3,454</td>
</tr>
<tr>
<td>SWIZ</td>
<td>1,455</td>
<td>3,661</td>
<td>5,643</td>
</tr>
<tr>
<td>CAN</td>
<td>666</td>
<td>3,183</td>
<td>4,522</td>
</tr>
<tr>
<td>DEN*</td>
<td>75</td>
<td>3,827</td>
<td>4,495</td>
</tr>
<tr>
<td>GER</td>
<td>593</td>
<td>3,436</td>
<td>4,495</td>
</tr>
<tr>
<td>FR</td>
<td>307</td>
<td>3,161</td>
<td>4,118</td>
</tr>
<tr>
<td>SWE</td>
<td>635</td>
<td>3,204</td>
<td>3,925</td>
</tr>
<tr>
<td>AUS*</td>
<td>733</td>
<td>2,578</td>
<td>3,405</td>
</tr>
<tr>
<td>UK</td>
<td>338</td>
<td>2,821</td>
<td>3,213</td>
</tr>
<tr>
<td>JPN*</td>
<td>464</td>
<td>2,638</td>
<td>3,182</td>
</tr>
<tr>
<td>NZ</td>
<td>348</td>
<td>2,631</td>
<td></td>
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</tbody>
</table>

* 2010.

Source: OECD Health Data 2013.
Health Care Reform

Covered California

Individuals

Groups

Qualified Health Plans (QHPs)

Exchange Benefits
(Covered California Products)

QHPs

Provider\(^1\) Networks

Provider\(^2\) Networks

Health Plans

Market Products

1 – Identical
2 – Varies

Catastrophic (< 26)
Bronze 60%
Silver 70%
Gold 80%
Platinum 90%

Market Products
Time Bombs

- Narrow Networks
  - Access
  - Cost
  - Backlash
  - Responses

- Out-of-Pocket Costs and Taxes
  - Financial Impacts
  - Backlash
  - Political Divide
  - Responses

- 2017
California State 2015-16 General Fund

Expenditures = $113 Billion

- K-12 Education ($47 billion) 41.6%
- Higher Education ($14 billion) 12.4%
- Health ($24 billion) 21.3%
- Human Services ($8 billion) 6.9%
- Natural Resources ($3 billion) 2.3%
- Other ($7 billion) 6.5%
- Corrections and Rehabilitation ($10 billion) 9.0%
California’s budget for 2015-16 = $113 billion

Total funds for 2015-16 = $165 billion

Good news: The General Fund tax revenues will be above projections by $3 to $4 billion

- Most of these higher revenues will go to schools and community colleges under the Prop 98 funding guarantee.
- Almost all the rest will go to the state’s rainy day fund or to repaying money borrowed during the economic downturn.

The budget proposes $21 billion from the General Fund for health programs – up 5% from last year due mostly to growth in Medi-Cal.

No proposal to increase rates to providers.
Future

- Clinical Technology
  - Diagnostic
  - Therapeutic
  - Monitoring, Prevention
- Information Technology
  - EHR
  - HIE
  - Pricing
- Mobile and eHealth
Future

- Value / Transformation
  - Stages
- Employer and Consumer Connection/Engagement
- Cutting Edge Innovation and Convenience
- Individual Self-Interest
  - Mutual Self-Interest
Population Health
Coordinated Care
Global Payments
Future Hospitals, Physicians and Payers

- Capitation
- Global Payments
- Bundled Payments
- FFS
Index of employment in major health care services
January 2000–August 2013
Seasonally adjusted

- Ambulatory health care services
- Hospitals
- Nursing and residential care

Continued job growth outside of the acute care setting
Forecasted New Jobs in California by 2021

Most growth due to aging workforce and aging population

Source: Frogner, Spetz, & Parente, 2014
## California’s Aging Health Care Workforce
### Distribution by Age Group and Occupation

<table>
<thead>
<tr>
<th>Position</th>
<th>25-35</th>
<th>36-45</th>
<th>46-55</th>
<th>56-65</th>
<th>Over 65</th>
<th>Reported headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respiratory Therapist</td>
<td>25.9</td>
<td>33.3</td>
<td>25.8</td>
<td>13.4</td>
<td>1.6</td>
<td>2,875</td>
</tr>
<tr>
<td>Physical Therapist</td>
<td>24.1</td>
<td>34.4</td>
<td>23.0</td>
<td>14.0</td>
<td>4.5</td>
<td>1,899</td>
</tr>
<tr>
<td>CVIR Tech</td>
<td>29.2</td>
<td>27.9</td>
<td>21.5</td>
<td>18.5</td>
<td>3.0</td>
<td>233</td>
</tr>
<tr>
<td>Pharmacist</td>
<td>23.4</td>
<td>32.2</td>
<td>26.7</td>
<td>14.4</td>
<td>3.3</td>
<td>3,358</td>
</tr>
<tr>
<td>CT Tech</td>
<td>18.3</td>
<td>36.2</td>
<td>29.2</td>
<td>14.7</td>
<td>1.6</td>
<td>627</td>
</tr>
<tr>
<td>Ultrasound Tech</td>
<td>23.7</td>
<td>30.6</td>
<td>32.1</td>
<td>12.3</td>
<td>1.2</td>
<td>1,080</td>
</tr>
<tr>
<td>Rad Tech</td>
<td>22.9</td>
<td>31.4</td>
<td>28.9</td>
<td>13.4</td>
<td>3.4</td>
<td>2,331</td>
</tr>
<tr>
<td>MRI Tech</td>
<td>10.8</td>
<td>31.5</td>
<td>42.0</td>
<td>14.1</td>
<td>1.6</td>
<td>305</td>
</tr>
<tr>
<td>Coder</td>
<td>9.0</td>
<td>24.0</td>
<td>36.4</td>
<td>24.4</td>
<td>6.2</td>
<td>915</td>
</tr>
<tr>
<td>CLS</td>
<td>10.1</td>
<td>18.0</td>
<td>31.0</td>
<td>30.5</td>
<td>10.4</td>
<td>2,941</td>
</tr>
</tbody>
</table>

40% of the Clinical Lab Scientist workforce is age 56 or older*
30% of Coder workforce is age 56 or older*
For most positions: 55% - 60% is age 45 or under*

*Based on 4th Quarter 2012 data, approximately 171 hospitals responding
Workforce Planning of the Past

Yesterday’s workforce planning was all about supply and demand.
A New Vision
21st Century Health Workforce Planning and Development

Population Health

Use of Technology

Health Care Delivery Teams
California Hospitals
Top workforce concerns in the next five years

% of Hospitals Responding as "Concerned" to "Very Concerned" regarding issues that may impact health workforce shortages

- Diversity/Linguistic Capabilities
- Population Growth
- Aging Population
- Budget Cuts to Health Professions Education
- Aging Workforce
- Health Care Reform

The chart shows the percentage of hospitals indicating concern over various workforce issues in the next five years.
Understand your hospital/health system’s business strategy

- Where is your organization going and how does that impact the human resources function/workforce development

- Serve as a key member of the executive team

- Provide leadership on change management

- Facilitate team-based work at all levels
The Role of Human Resources

- Keep current on labor and employment legislative and regulatory activity
  - Support CHA advocacy efforts through letters, emails, committee participation (CHA News and ourhealthcalifornia.org)
  - Legislation/regulations often require a multi-disciplinary team to properly implement; ensure there is a lead
  - Ensure labor and employment law compliance efforts are in place
Creating the Future

- Think Long Term
- Plan Short Term
- Act Now
Thank you

Duane Dauner
President/CEO