



Healthcare Foundations

Introduction

Learning Services

Agenda

- Healthcare Terms
- Identify key events which shaped the current healthcare industry
- Identify two components of Medicare
- Recognize two components of Medicaid
- Identify two common plan models
- Identify two benefits of the Affordable Care Act as it relates to the uninsured population
- Identify two payer challenges of providing care to the aging population
- Identify correct descriptions of HIPAA and PHI

Introduction – Healthcare Terms

Member – The beneficiary who is enrolled with a Payer and receives the healthcare service.

Payer – Typically the health plan who manage the health care service and pay for the services

Provider – The medical practitioner, Hospital, Labs, Tertiary care services etc. that provides Health care Service

Sponsor (Billing Entity) – The entity who pays premium to Payer. Can be Employer Group, Individual family member etc..

Introduction – Healthcare Terms - Contd..



P – Payer

P – Patient

P – Provider

Payer – Insurance Company

Patient – Subscriber, Member, Dependents

Provider – Physicians, Hospital , X-Ray Centre, Blood Bank, etc.,

Key Terminologies & Definitions



Policy : Contract between the **payer** and the subscriber

Cost shifting : Practice of charging more for services provided to paying patients or third-party payers to compensate for lost revenue resulting from services provided free or at a significantly reduced cost to other patients

Premium : Monthly/Quarterly/half yearly/yearly payments which the subscribers make to the Payers

Network : Group of physicians, hospitals, and other medical care providers that a specific health plan has contracted with to deliver medical services to its members

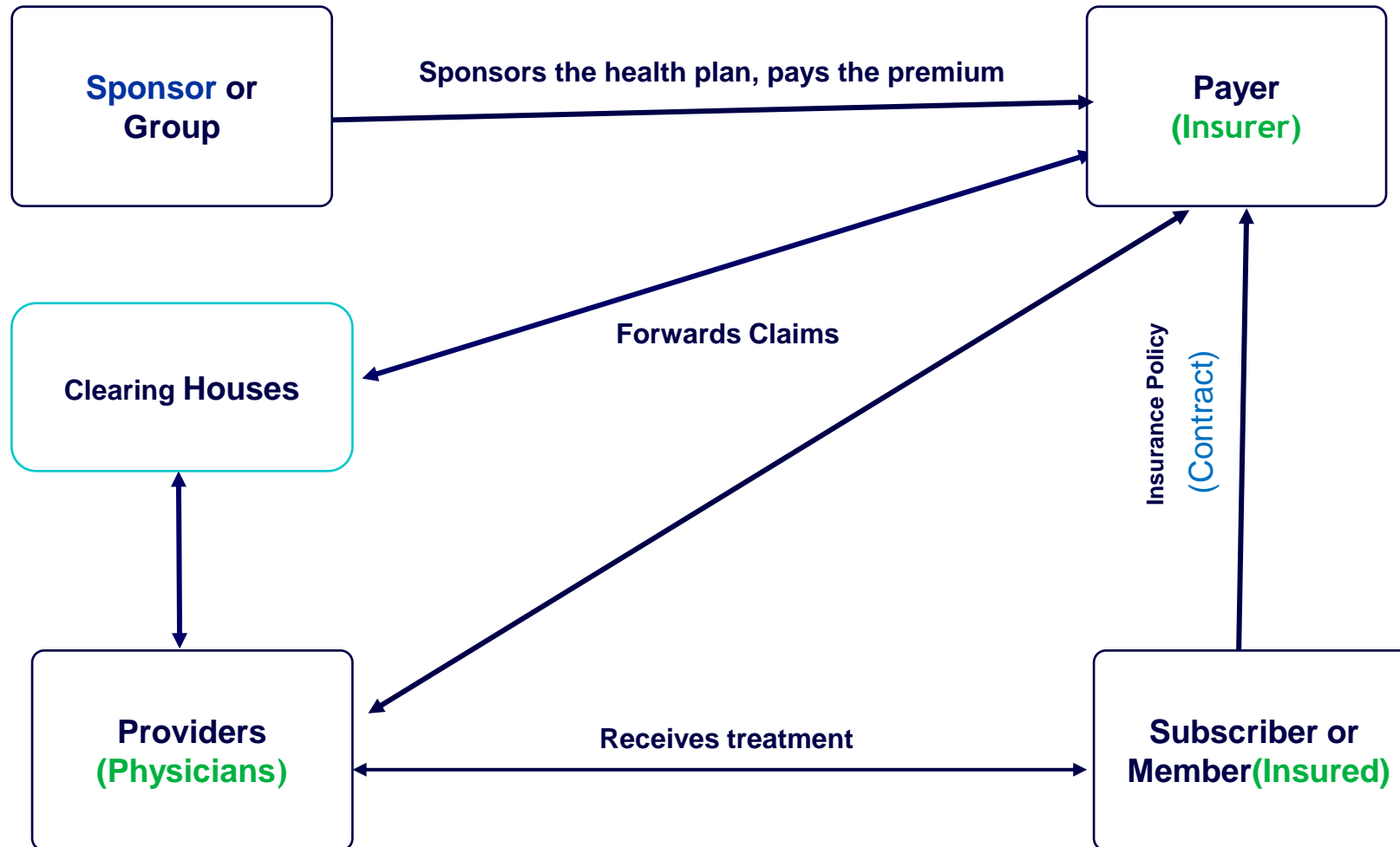
COB – Coordination of benefits : Non duplication of benefits provision.

Benefits : Coverage provided by the insurer as per the policy

Key Terminologies & Definitions - Contd..

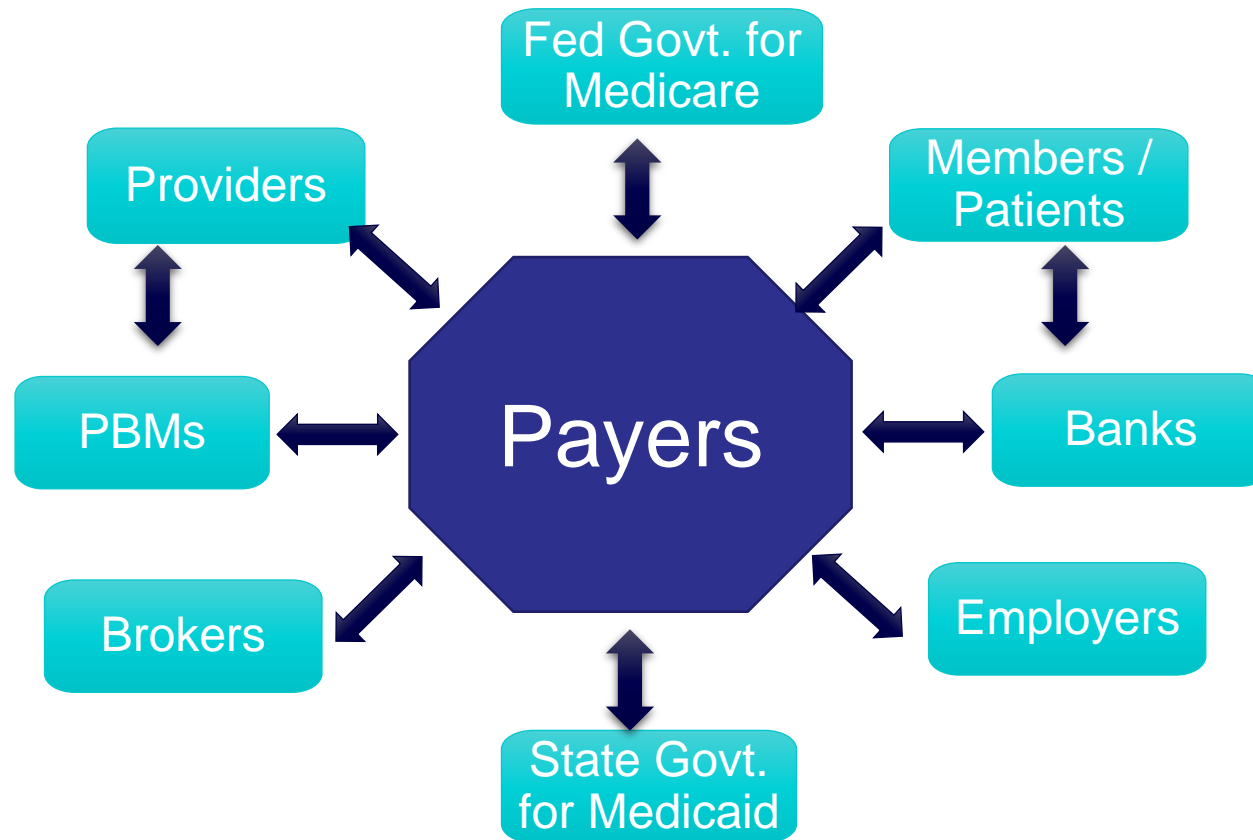


How are the Entities related ?

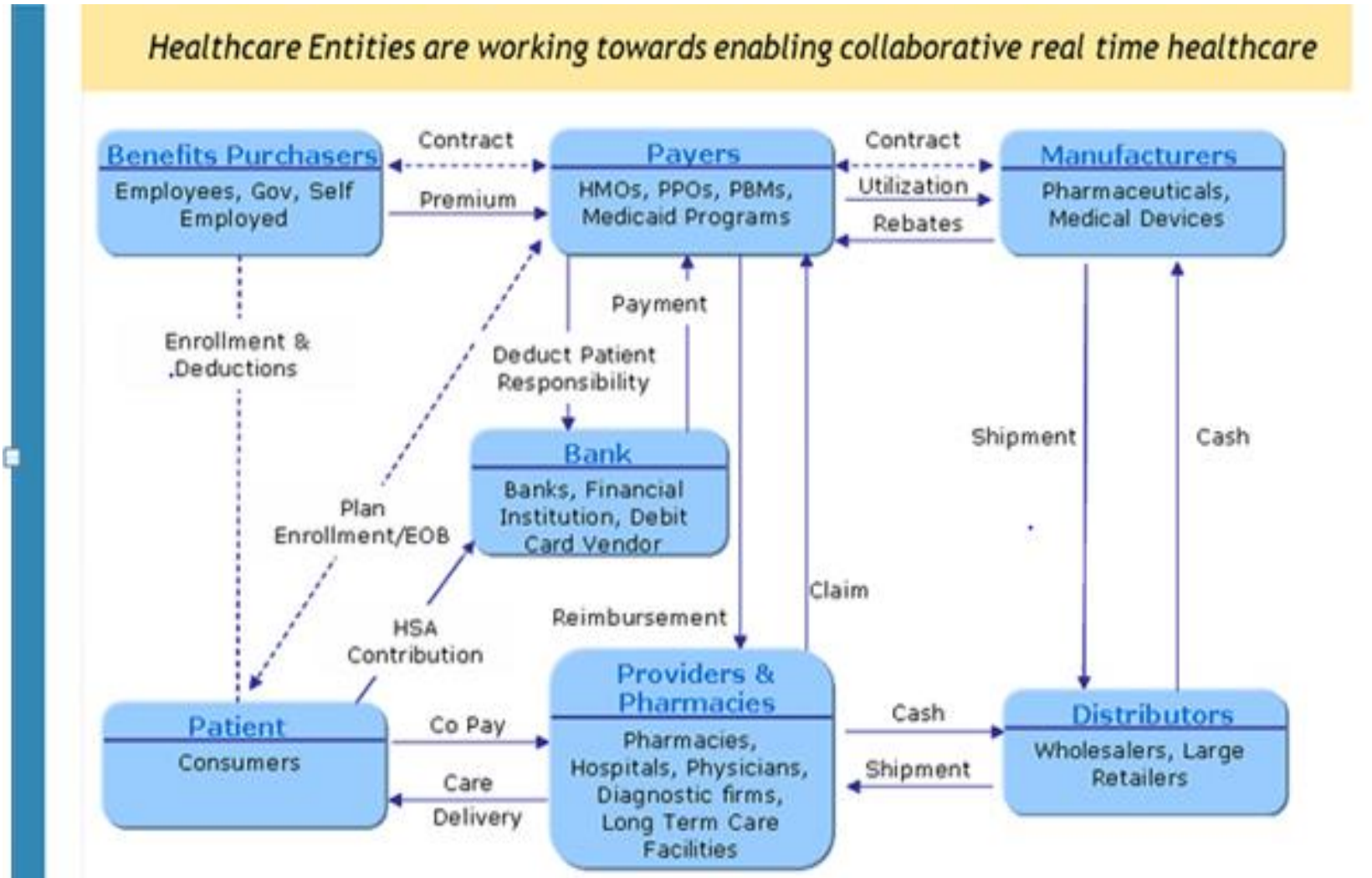


Healthcare Entities - Contd

Health Insurance – provides coverage for the financial expenses due to sickness, illness or accidents and they are issued either on individual or group basis.



Healthcare Ecosystem



Evolution of US Healthcare

Industrialization



Need for Healthcare



1900

Industrialization

Evolution of US Healthcare - Contd

The Great Depression



Healthcare Advances



Evolution of US Healthcare - Contd

Increased Costs



Healthcare Insurance

1920s
Great Depression



1900
Industrialization

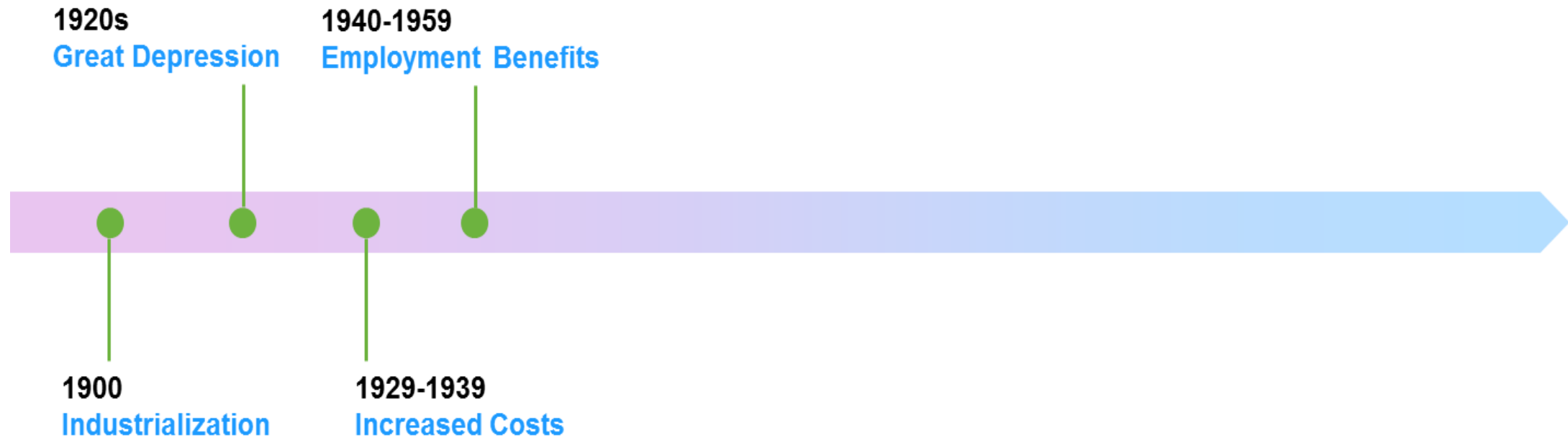
1929-1939
Increased Costs

Evolution of US Healthcare – Contd..

Employment Benefits



Third-Party Payers

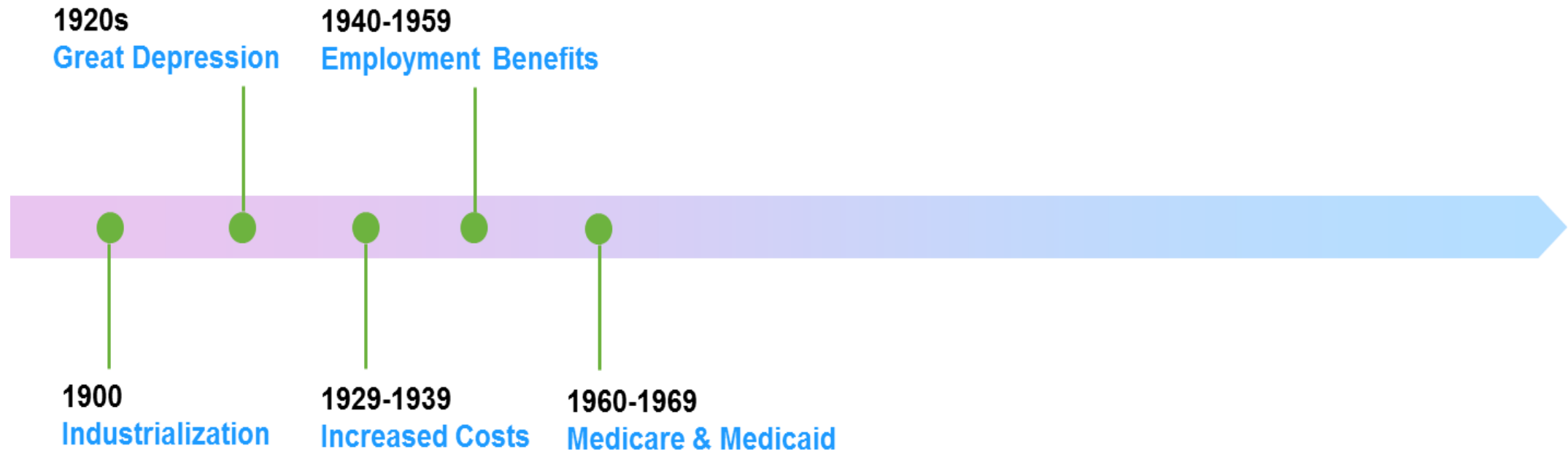


Evolution of US Healthcare - Contd

Medicare & Medicaid



Government Programs

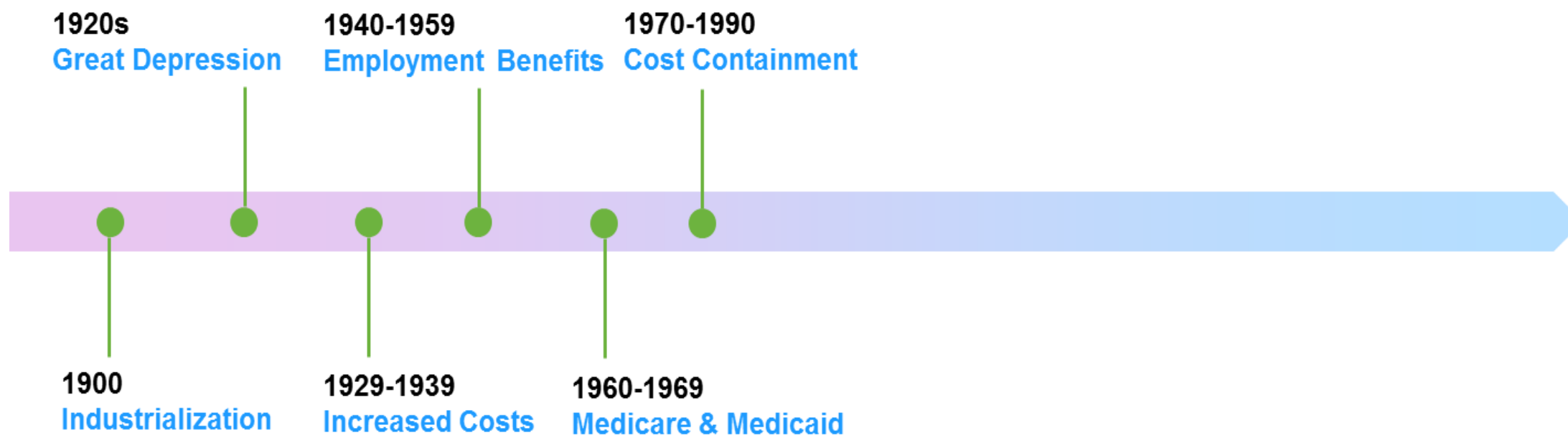


Evolution of US Healthcare - Contd

Cost Containment



Health Maintenance Organizations (HMO)

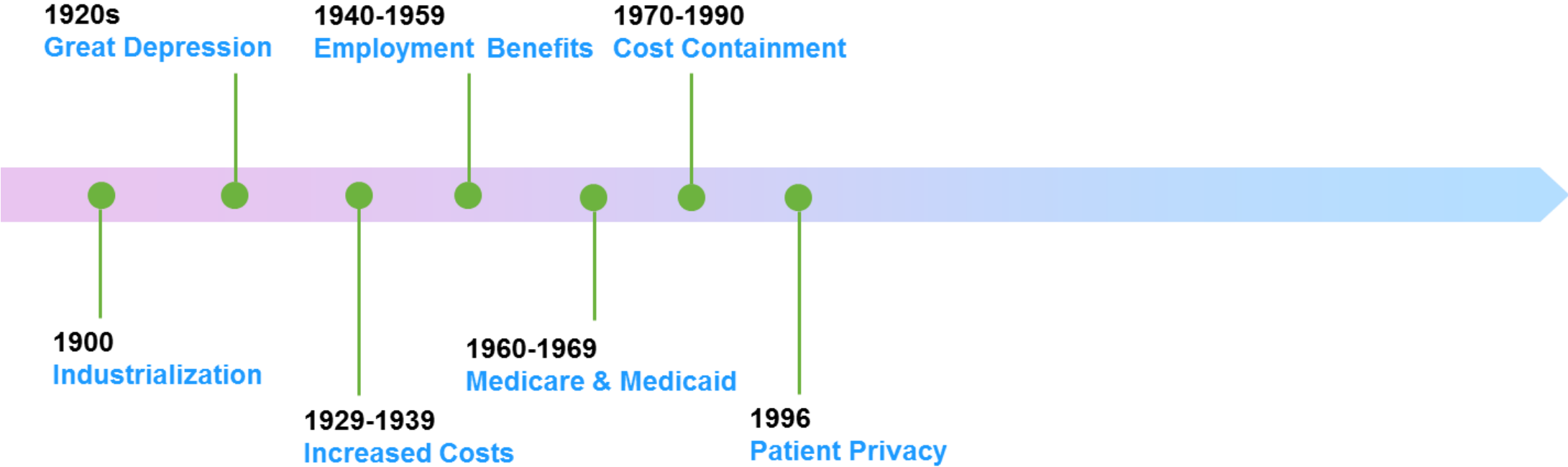


Evolution of US Healthcare - Contd

Patient Privacy & Advocacy



HIPAA & EDI

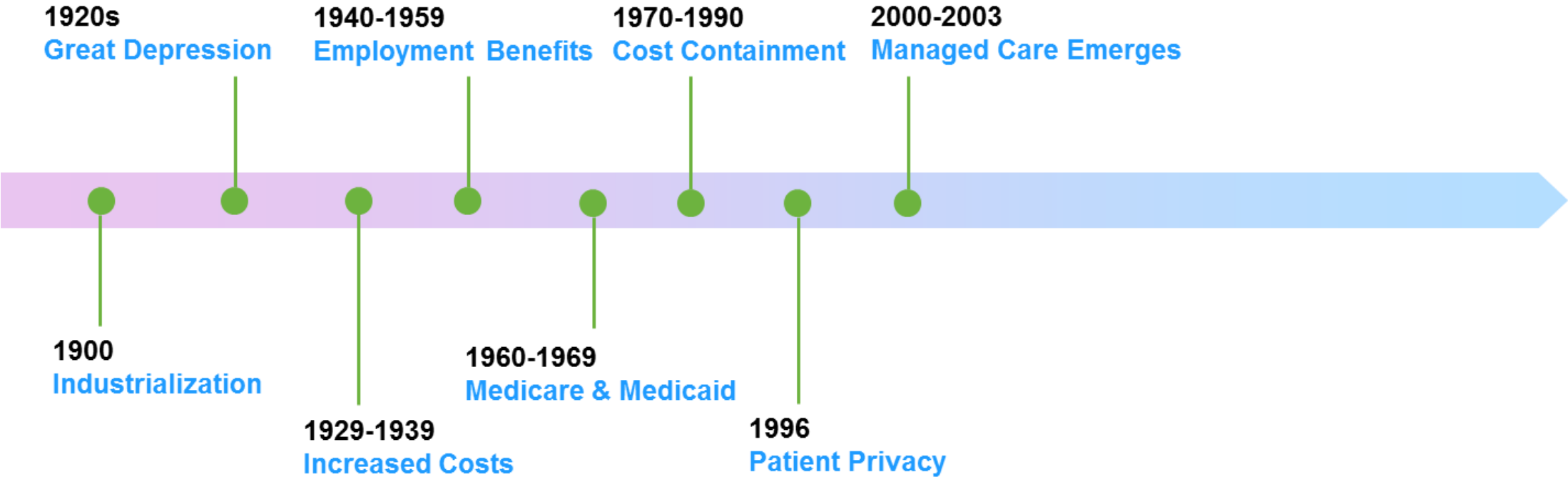


Evolution of US Healthcare - Contd

Managed Care Emerges



Shift to PPOs

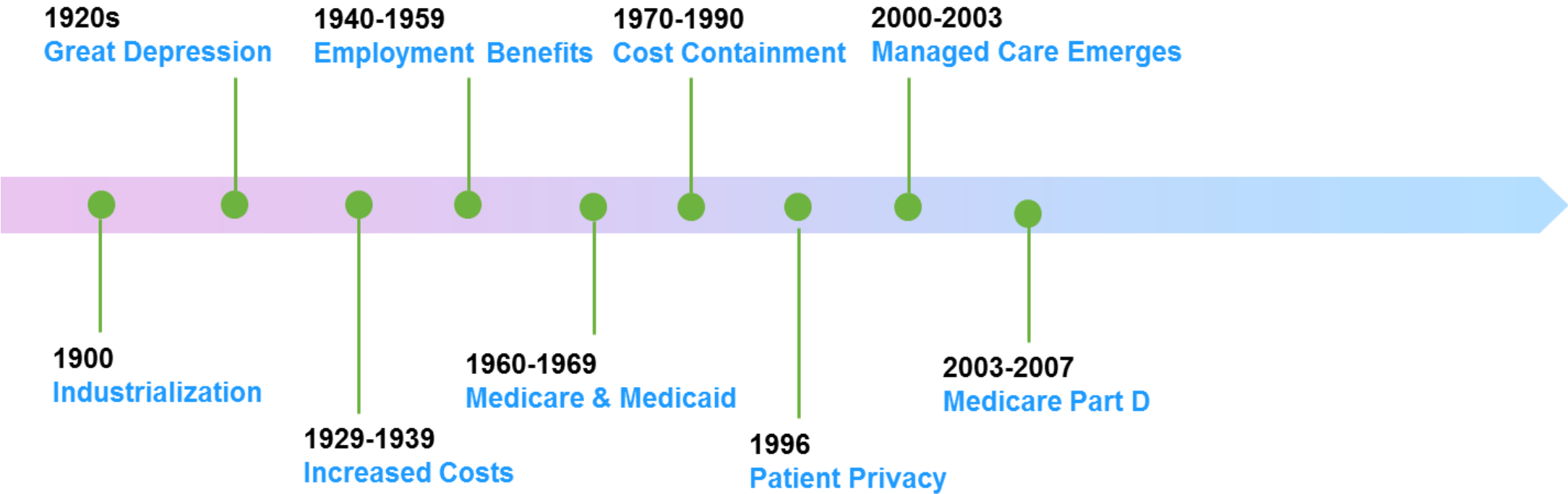


Evolution of US Healthcare - Contd

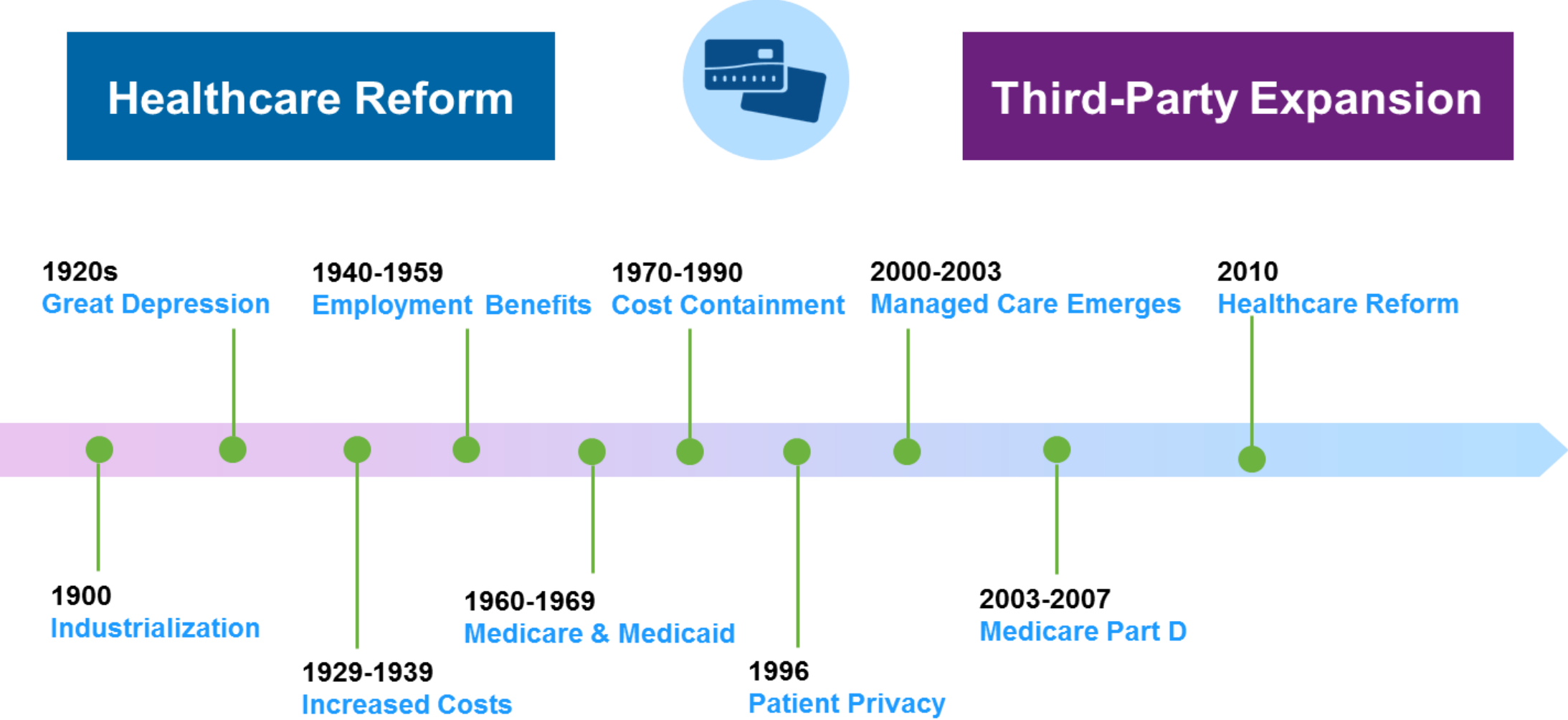
Medicare Part D



Pharmacy Benefits



Evolution of US Healthcare - Contd



Types of Health Insurance

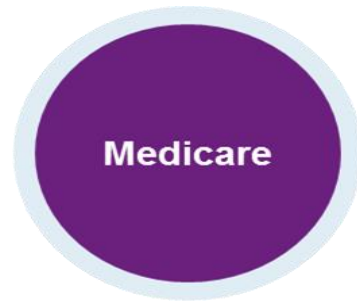
Government Programs

- Medicare
- Medicaid

Commercial Plans

- Typically Employer-Sponsored
- Several Plan Models

Government Programs

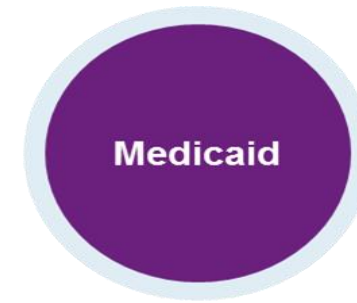


- Federal Program
- Age 65 & Older
- Disabled
- ESRD



Medicare & Medicaid:

- Federally Funded
- Similar Benefits



- State Program
- Income Based

Medicare Funding

Medicare is funded by the following sources:

- General Revenue (Taxes)
- Payroll Taxes
- Premiums paid by Medicare Members
- State Funds
- Tax on Social Security Benefits
- Interest and other sources

Commercial Plans

Characteristics of Commercial Plans



Typically Employer Sponsored



Profit or Non-Profit Contract



**Not Managed or Offered by
Government**



Sold by Brokers and Agents

Commercial Plans – Contd..

Characteristics of Commercial Plans



Typically Employer Sponsored



Profit or Non-Profit Contract



Not Managed or Offered by Government



Sold by Brokers and Agents



What are the common plan models?

Common Plan Models

Health Plan Models offer many options with varying levels of costs and control



Indemnity

HMO

PPO

EPO

POS

CDHP

Indemnity

Indemnity

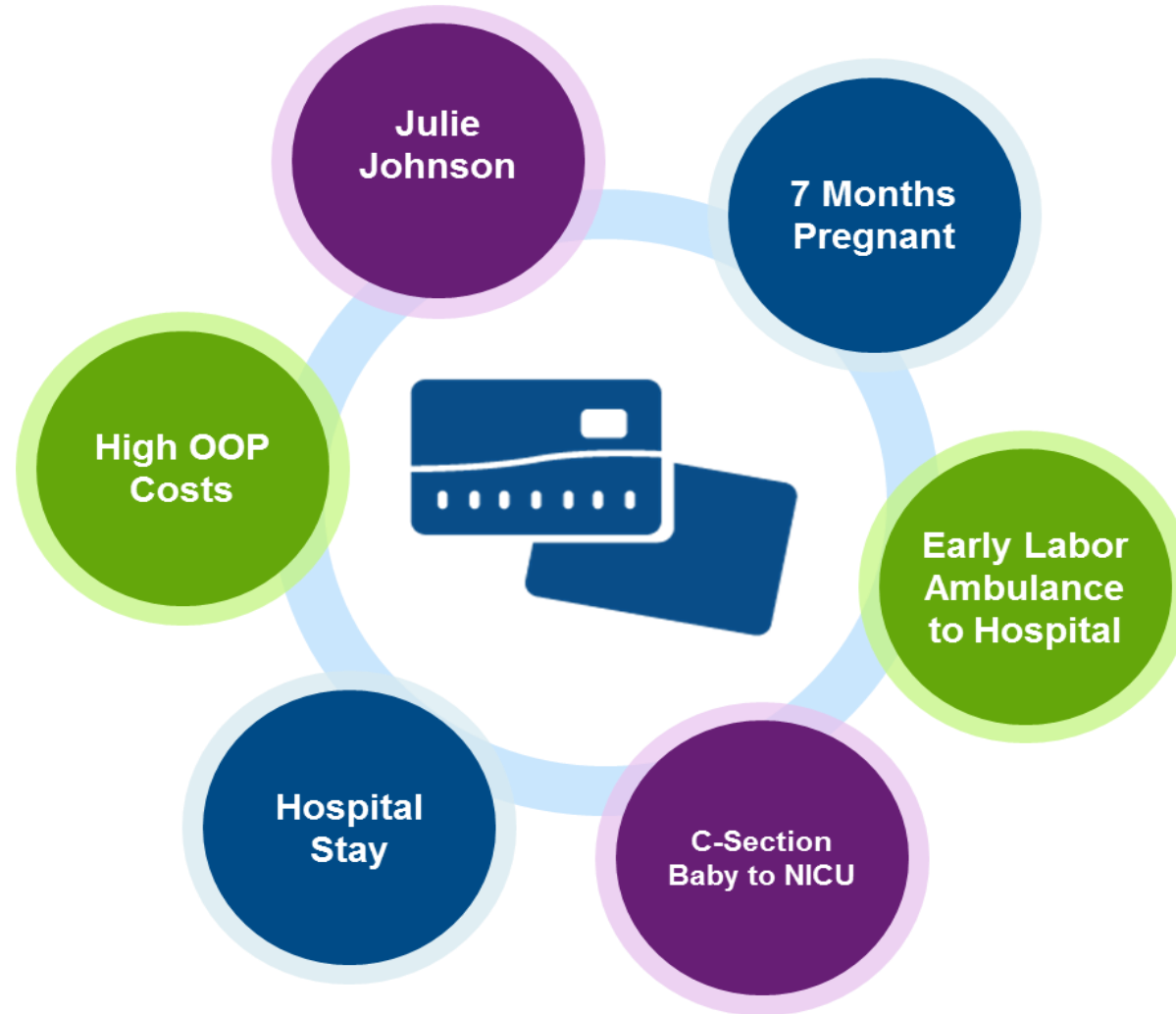
- Traditional Model
- Individual Directs Care
- No PCP
- Provider Paid FFS (Usual and Customary Charge)

Member has:

- More control
- High cost



Indemnity Example



Health Maintenance Organization (HMO)



HMO

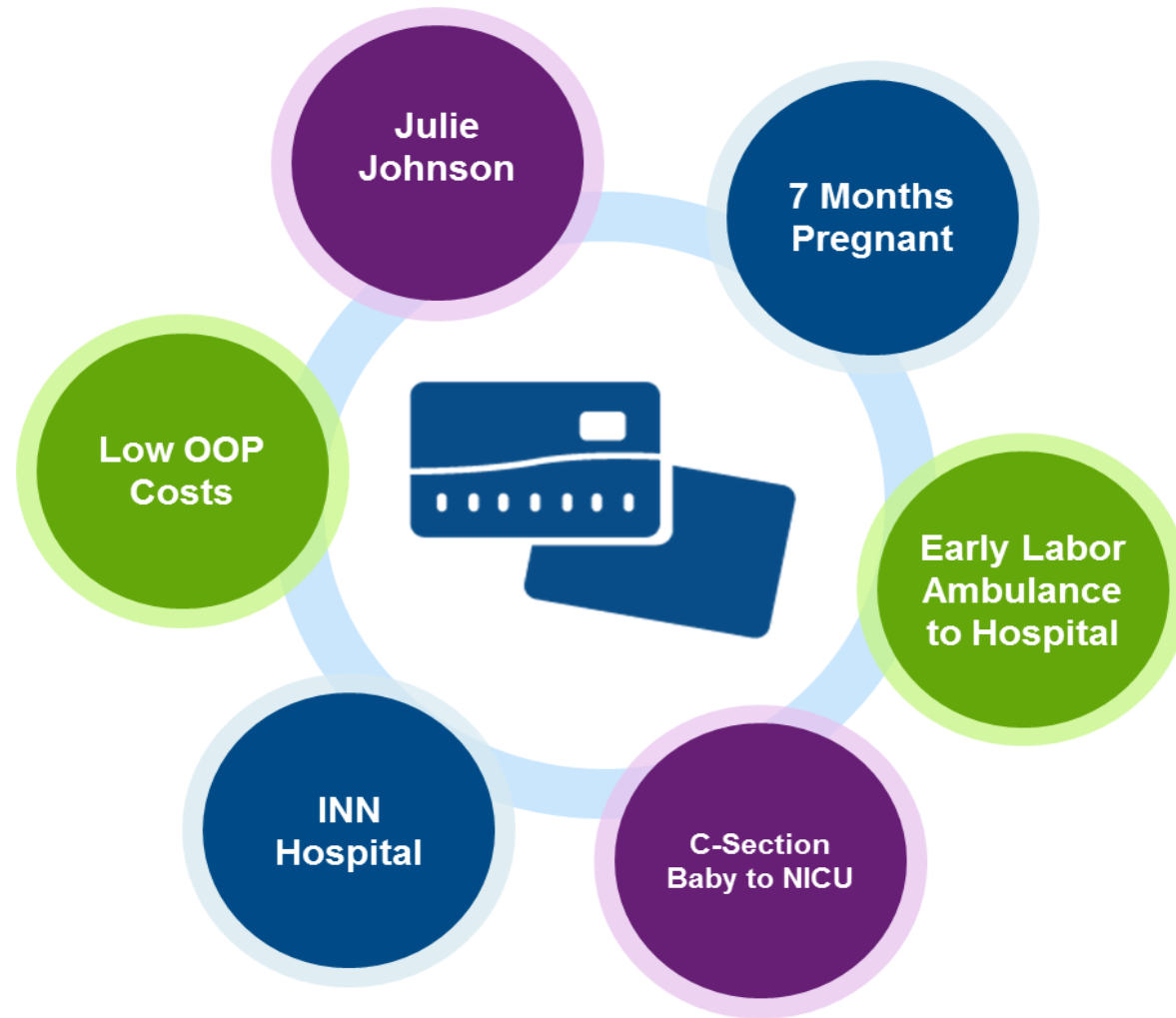
- Managed Care Model
- PCP Directs Care
- Provider Capitated

Member has:

- Less Control
- Lower OOP Costs



HMO Example



Preferred Provider Organization (PPO)



PPO

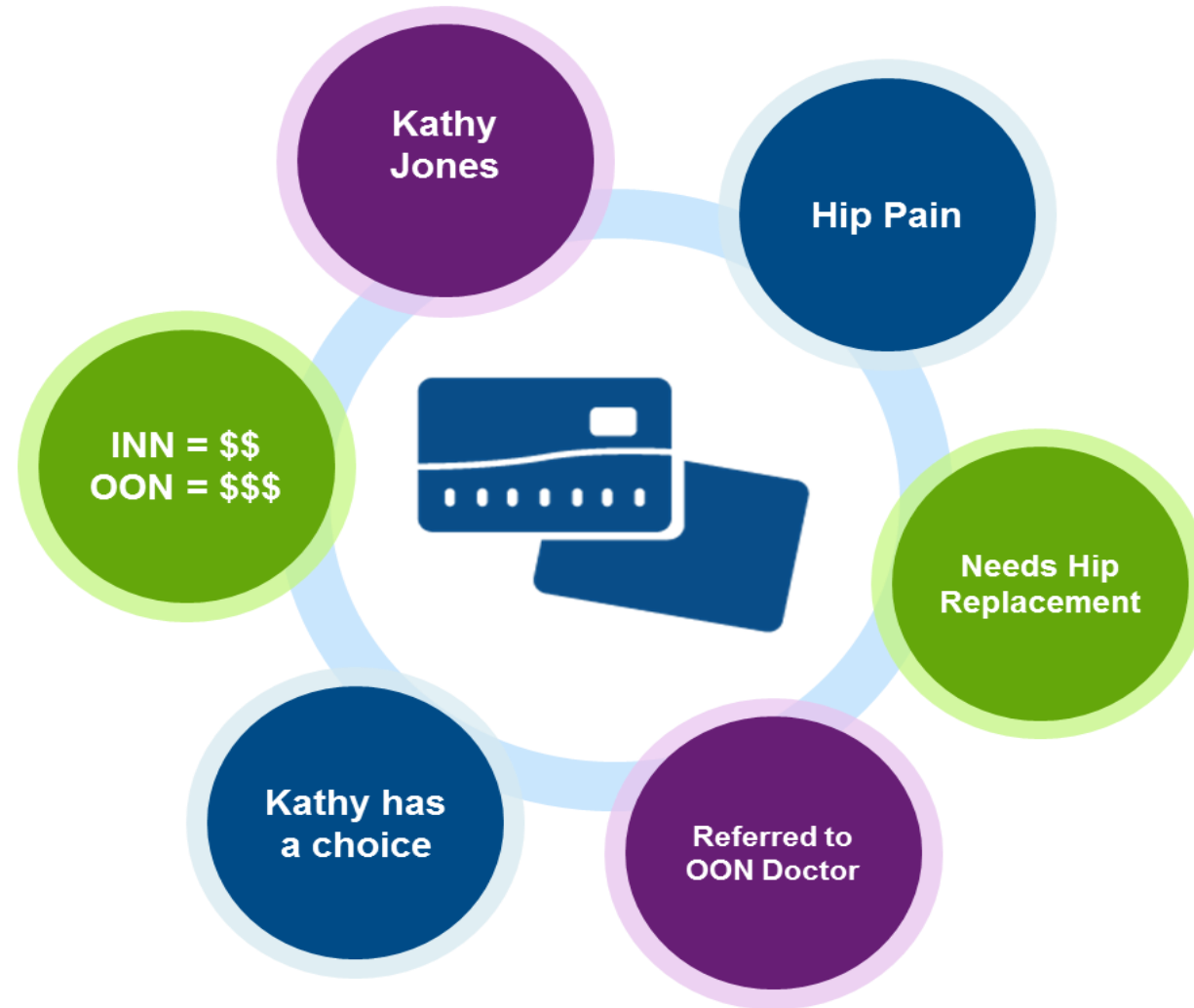
- Common Model
- INN and OON Benefits
- Provider Paid FFS (Discounted Compensation)

Member has:

- Moderate Control
- Low INN OOP



PPO Example



Exclusive Provider Organization (EPO)



EPO

- Mix of HMO and PPO
- Smaller network
- Provider Paid FFS

Member has:

- Less Control
- No OON Benefits



Point of Service (POS)



- Two Benefit Levels
- Open Access Plan
- Provider Paid FFS or Cap

Member has:

- Moderate Control
- OON and INN Benefits

POS Plan Example

If member sees PCP:

- HMO criteria used

If member sees OON provider

- Indemnity guidelines/OON benefit used

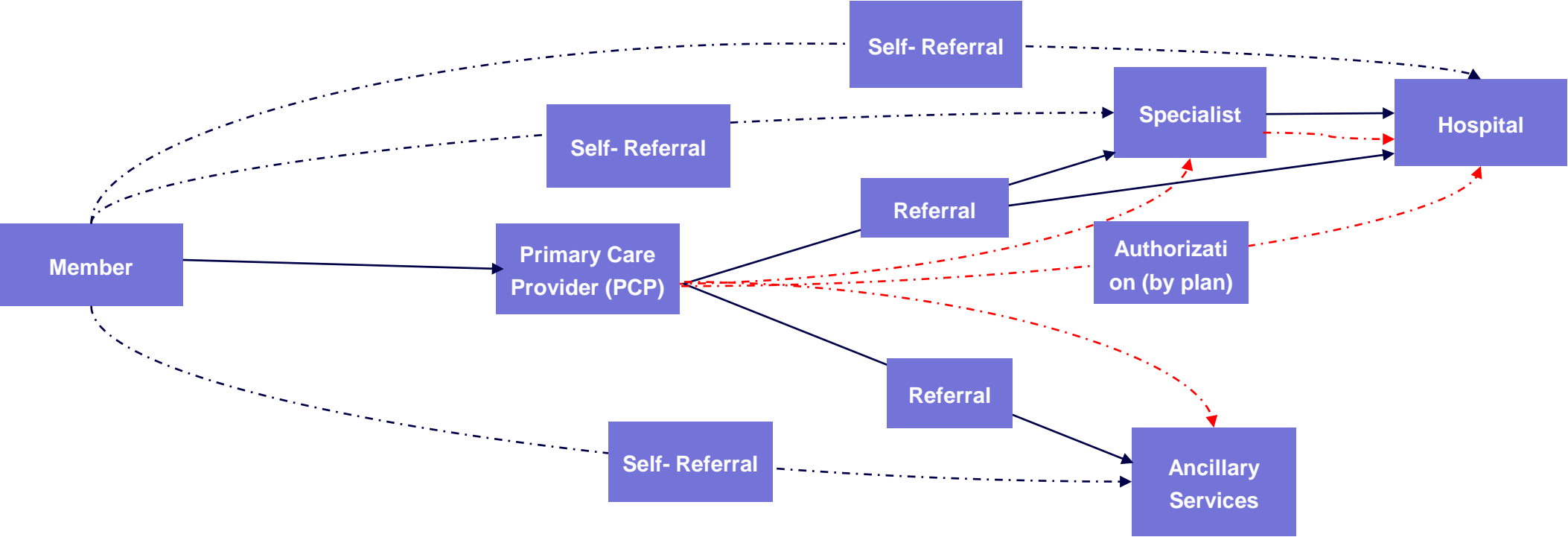
Members make own decisions:

- Need greater understanding of financial consequences

Comparison of Managed Care Entities

Constraint	Indemnity	HMO	PPO	POS
PCP	Not Required	Required	Not Required	Required
Deductible	Required	Not Required	In-network : Not Required Out-of-network: Required	Same as PPO
Out of Network Coverage	Available	Not Available	Available	Available
Referral for Specialist Visit	Not Required	Required	Not Required	Required
Cost (1-5) 5 is max	5	1	4	3
Freedom (1-5) 5 is max	5	1	4	3

Typical Managed Care Scenario



Consumer-Driven Health Plan (CDHP)

CDHP

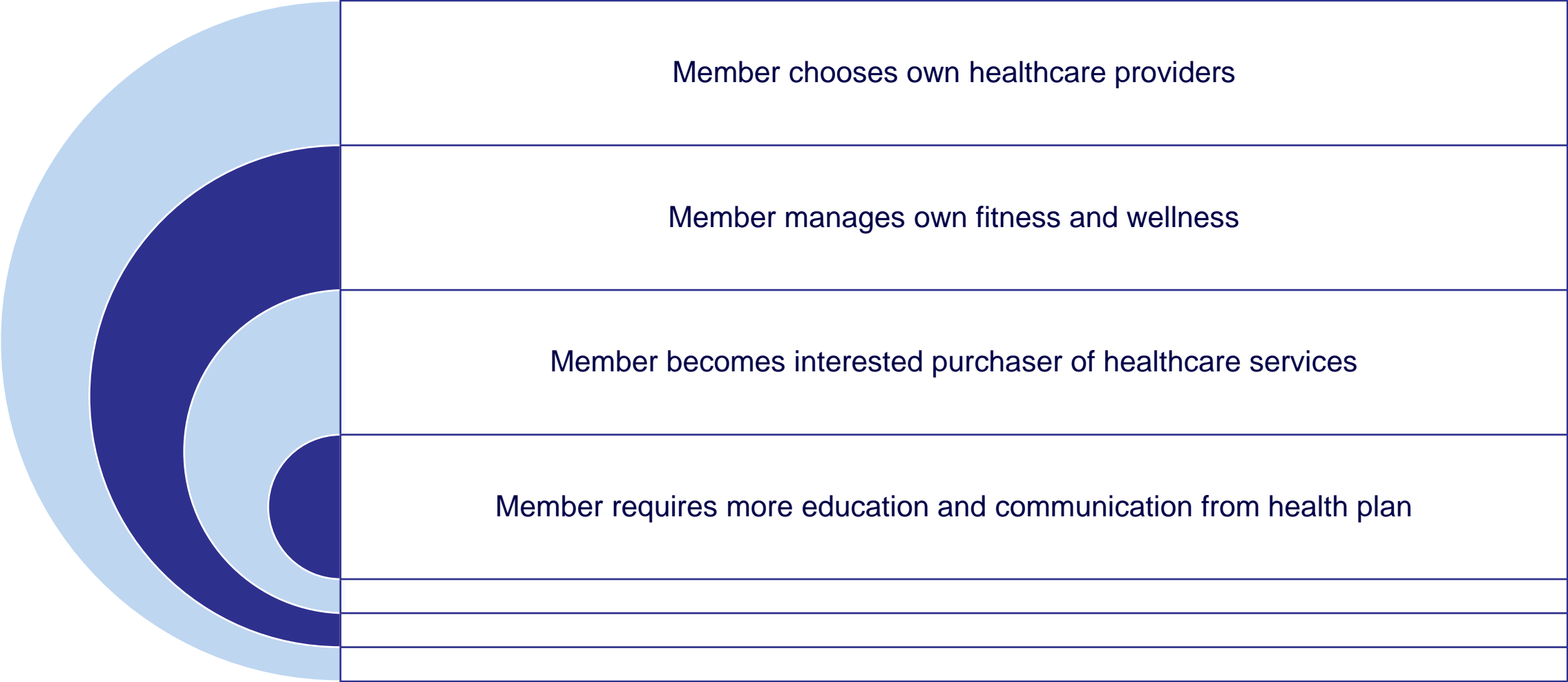
- Low Premium
- High Deductible Plan
- Provider Paid FFS

Member has...

- High Control
- High OOP



CDHP Example



CDHP Related Accounts

Health Reimbursement Account (HRA)

Employer
Funded

- Employer contributions
- Employees have financial cushion
- Employers can roll over remaining funds

Medical Savings Account (MSA)

Employer/
Employee
Funded

- Employer/Employee contributions
- Small Business/Self Employed
- Funds automatically roll over

HRA Example 1

Steven Sails, Employee of Moss Inc.

- Moss, Inc. offers HDHP
- \$2500.00 deductible – 90% coinsurance
- Preventive care – 100%
- Employer contributes \$1000 into HRA for each employee

Annual physical

- \$300.00 cost
- Covered at 100%

HRA Example 2

Steven had accident – broken arm

- Hospital ER
- Cost for ER visit/treatment: \$3000

Summary of payment:

- Deductible \$2500.00
- Remaining \$500.00 – 90% coinsurance

Steven's responsibility:

- $\$2500.00 + \$50.00 = \$2550.00$

Employer-funded HRA pays:

- \$1000.00

Steven's OOP: \$1550.00

Pre-tax Medical Expense Account

Flexible Savings Account (FSA)

Employee
Funded

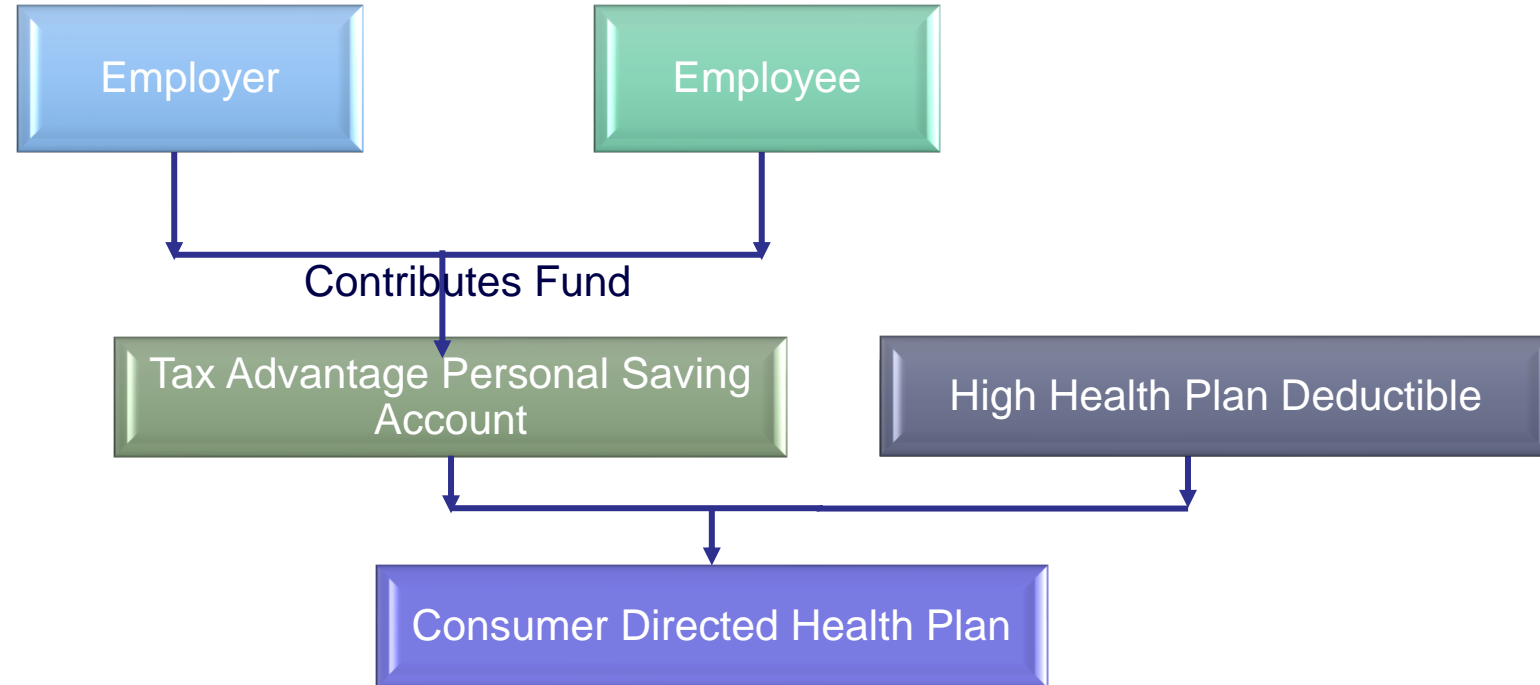
- Employee contributions
- Tax-free, similar to 401k plan
- Funds expire annually (use or lose it!)

Health Savings Account (HSA)

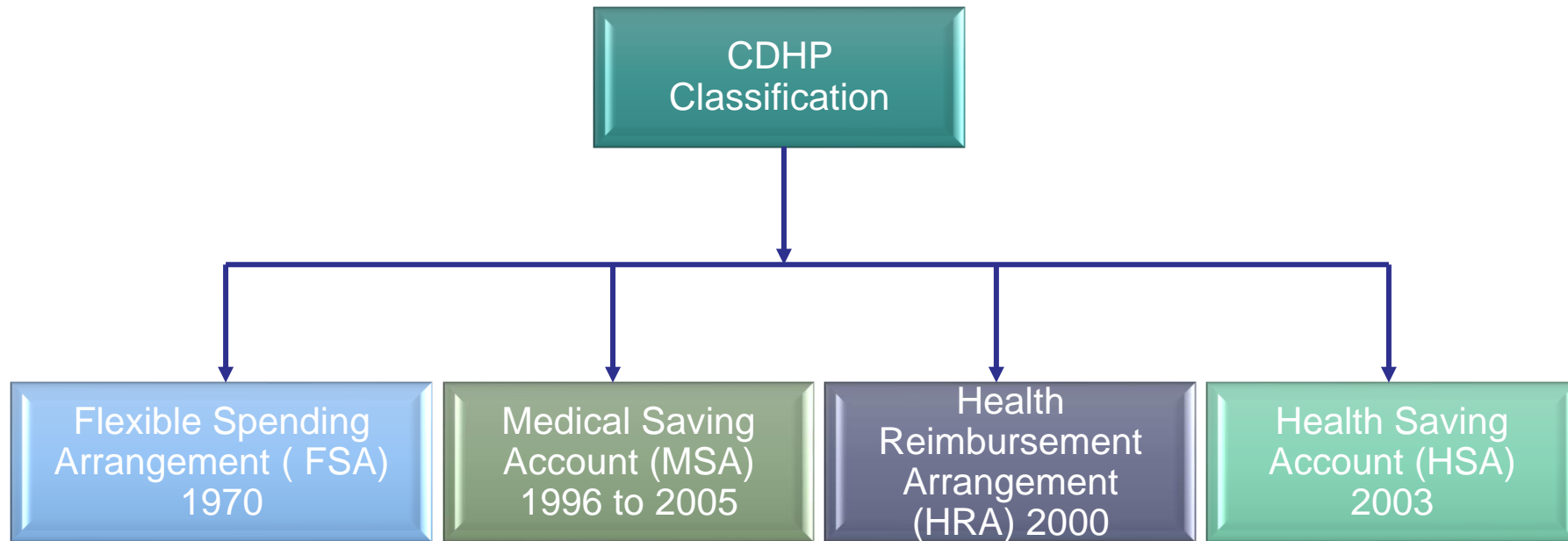
Employee
Funded

- Employee contributions
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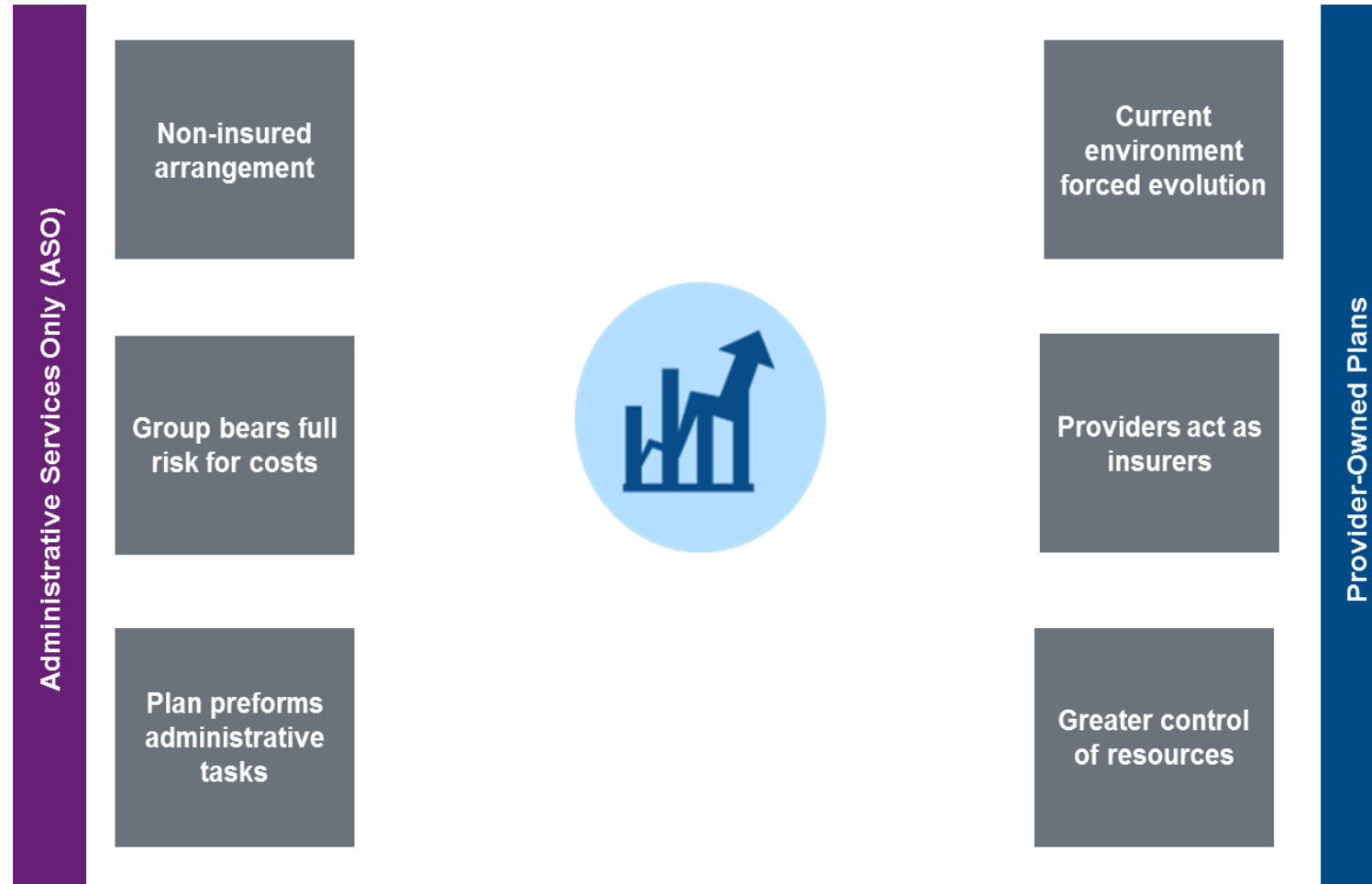
Formation of CDHP



Formation of CDHP



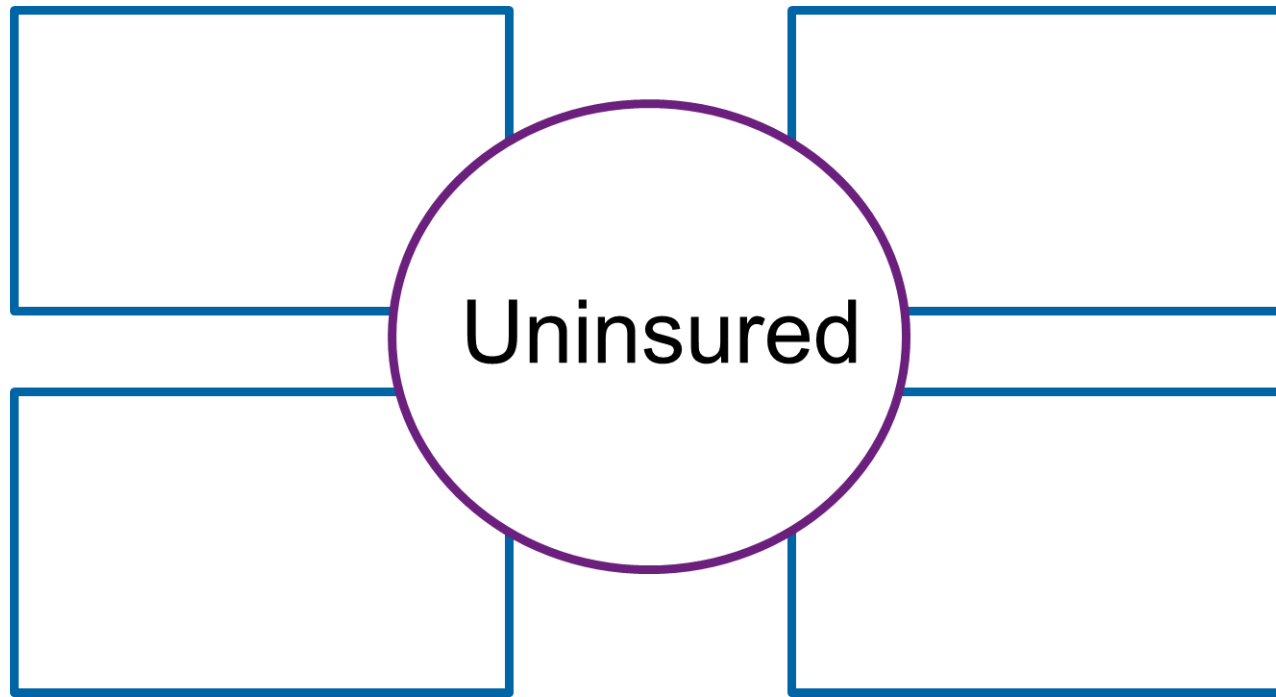
Trending...ASO and Provider-Owned Plans



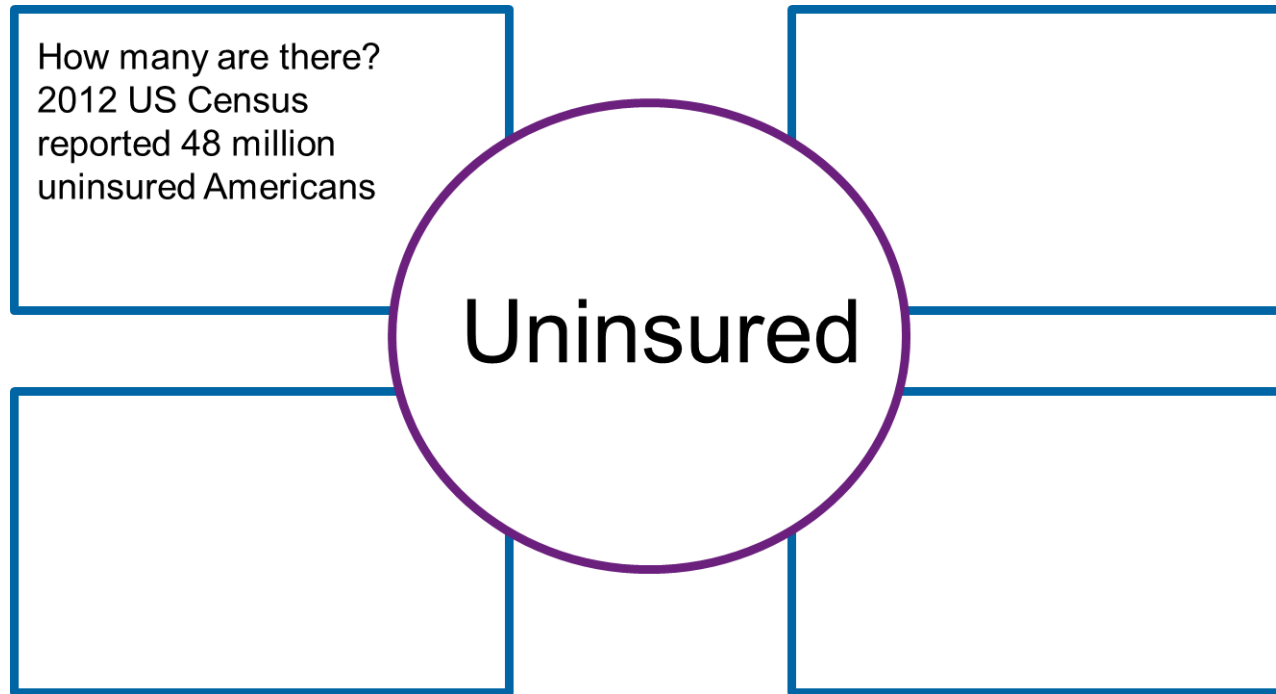
Current Trends



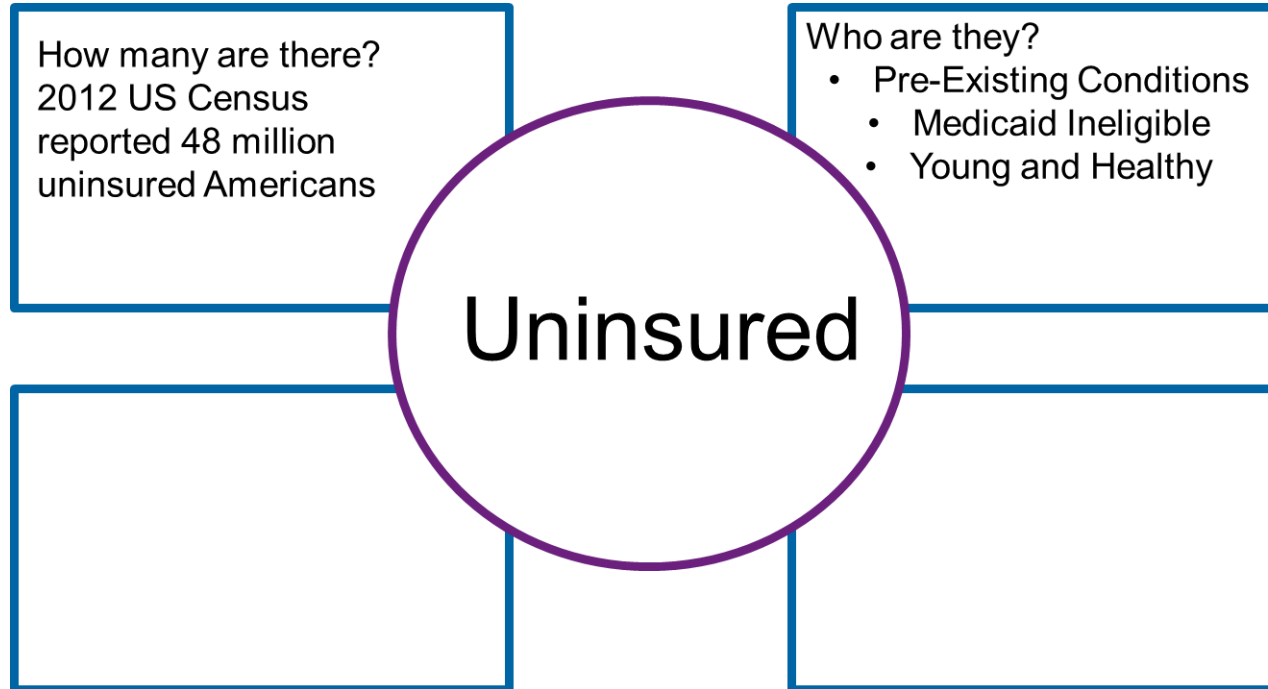
Uninsured



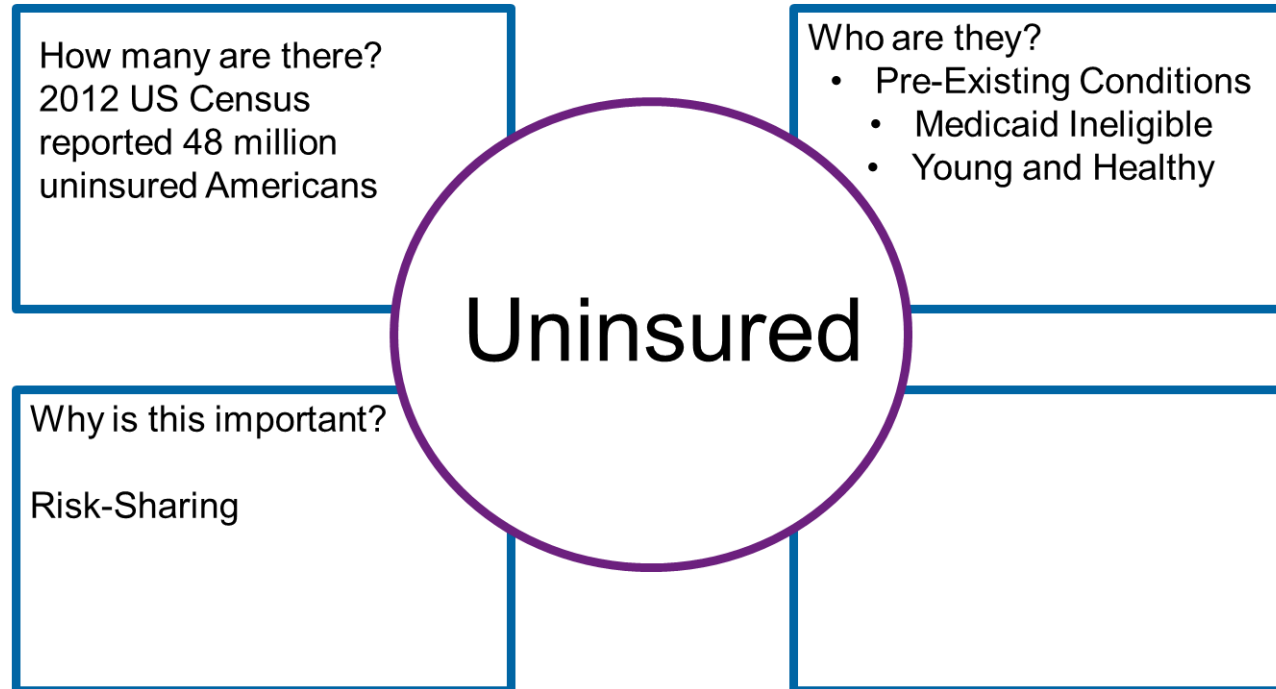
Uninsured



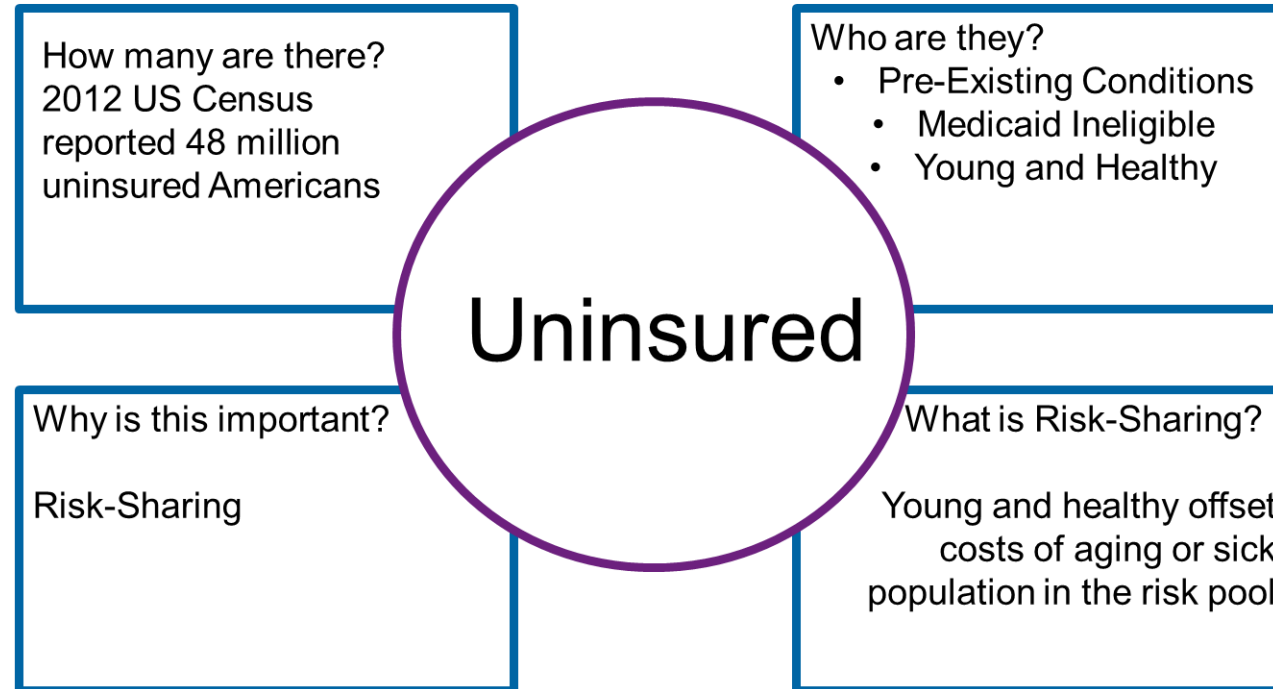
Uninsured



Uninsured



Uninsured



Affordable Care Act

Expansion of Medicare

Adults below 133% of Federal Poverty Line

Affordable Care Act

Expansion of Medicaid

Adults below 138% of Federal Poverty Line

Family Size	Annual Income
1	\$16,242
2	\$21,983
3	\$27,724
4	\$33,465
5	\$39,205
6	\$44,946
7	\$50,687
8	\$56,428

Source: Medicaid 2016 Poverty Guidelines

Affordable Care Act

Subsidies and Employer Tax Credits

Tax Credits



Decrease Premium

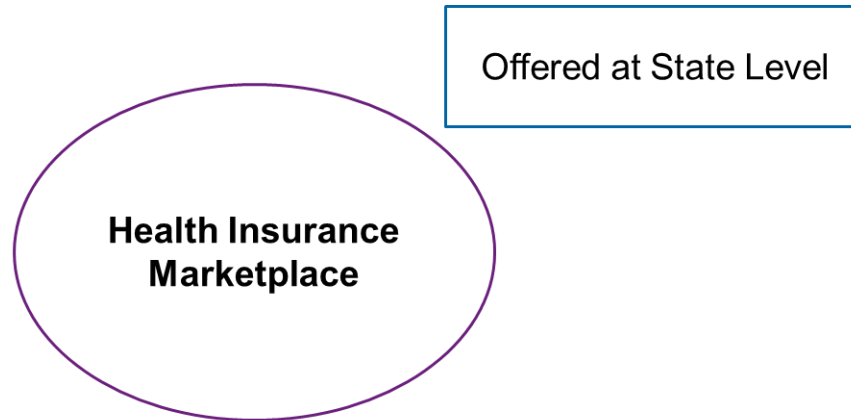
Cost Sharing



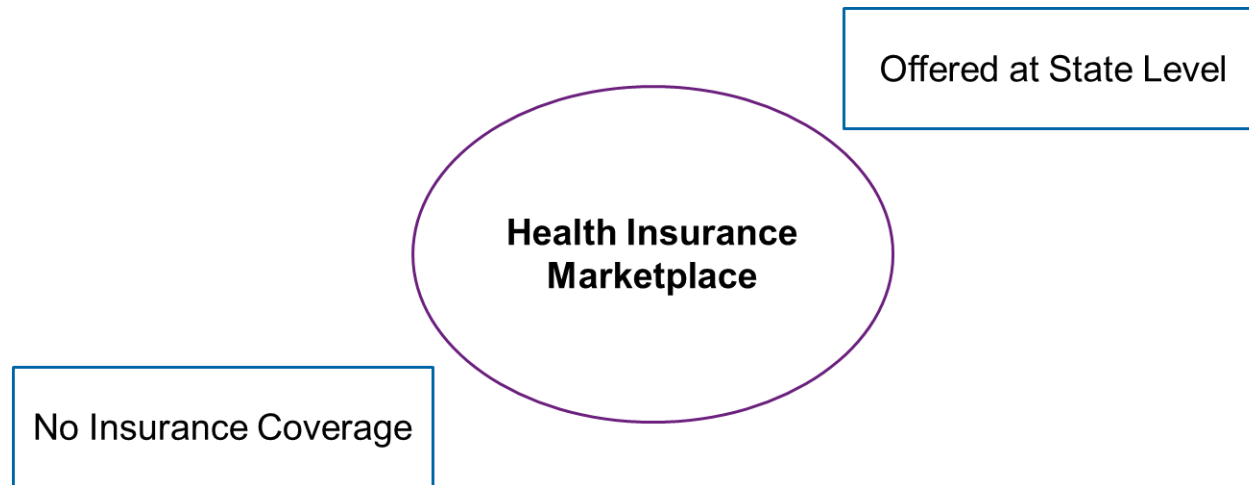
Out of Pocket Costs

Increase quality and affordability of health insurance
Lower the number of the uninsured
Expand public and private healthcare insurance

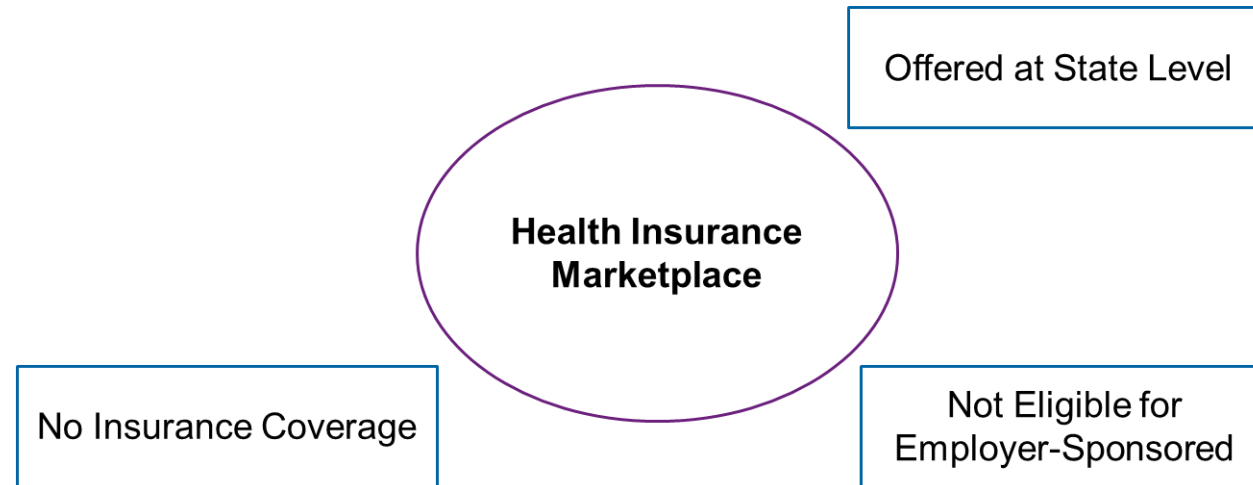
Affordable Care Act



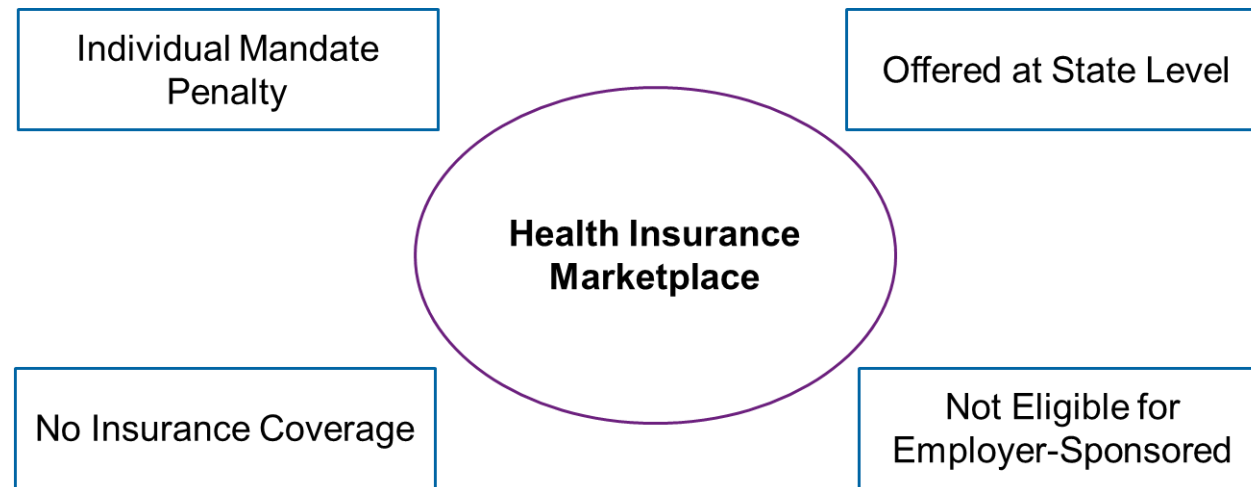
Affordable Care Act



Affordable Care Act



Affordable Care Act



Affordable Care Act

Benefit Standards

Required to cover essential benefits

Tiered Plan Structure

- Platinum – Higher premium, lower OOP
- Gold
- Silver
- Bronze – Lower premium, greater OOP
- Catastrophic

Affordable Care Act

Elimination of Pre-Existing Exclusions

- Prohibits denial or non-renewal of coverage
- Prohibits premium upcharge

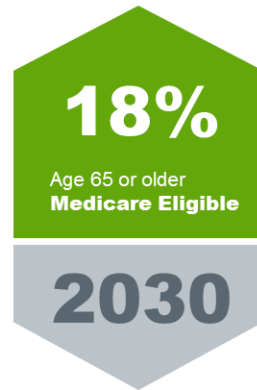
Guaranteed Issues and Renewability Requirements

- Renewals even when chronically ill
- Renewals even if high cost claims incurred

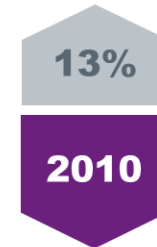


Aging Population

Each day, 10,000 people, will turn age 65 from 2010 to 2029



Compared To...



HIPAA

Health Insurance
Portability and
Accountability Act

Federal Law

Prohibits disclosure of
confidential information

Disclosure allowed with
written authorization

Protected Health Information

- PHI as defined by Department of HHS:

“Individually identifiable health information held or transmitted by a covered entity, or its business associate in any form or medium, whether on paper, electronic, or oral.”

Protected Health Information



PHI is Information Related to:

- Individual health condition
- Provision of healthcare
- Past, Present, or Future payments

Examples of Common Identifiers:

- Name
- Address
- Date of Birth
- Social Security Number

Thank you