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>
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</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><strong>Senate*:</strong></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 Congressional Delegation in 114th Congress

- California Democrats gained one seat from the 113th for a total composition of 39 Democrats and 14 Republicans
- Rep. Kevin McCarthy was reelected as Majority Leader, and Rep. Nancy Pelosi remains Minority Leader

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><strong>Republicans</strong></td>
<td><strong>Democrats</strong></td>
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</tbody>
</table>
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)
- 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
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
State

- Power and Special Interest Influence
- 2015-2016 Budget / Medi-Cal Reform
- Water / Drought
- Legislation
- 2016 Ballot Initiatives
- CHA-SEIU-UHW Agreement
- ACA Implementation
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
November 8, 2016, Ballot Initiative

CHA Medi-Cal
Hospital Fee Protection

- Extends current law
- Locks in protections for hospitals and the state (24% net benefit)
- Prohibits Legislature from changing protections

CONSIDERATIONS
Cost Shift in California
The U.S. is an anomaly in health and social spending patterns.
Obesity Rates
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

8,508
5,643
3,454
4,066
3,661
3,183
3,827
3,436
2,578
2,821
3,405
3,213
3,182
1,455
666
75
593
672
527
650
465
86
490
111
338
246
19

US
SWIZ
CAN
DEN*
GER
FR
SWE
AUS*
UK
JPN*
NZ

* 2010.
Source: OECD Health Data 2013.
Health Care Reform

Individuals

Groups

Covered California

Qualified Health Plans (QHPs)

Exchange Benefits
(Covered California Products)

Provider¹
Networks

Provider²
Networks

QHPs

Health Plans

1 – Identical
2 – Varies

California QHPs

Qualified Health Plans (QHPs)

Exchange Benefits
(Covered California Products)

Provider¹
Networks

Provider²
Networks

Market Products

Catastrophic
(< 26)

Bronze
60%

Silver
70%

Gold
80%

Platinum
90%

Market Products
Time Bombs

- Narrow Networks
  - Access
  - Cost
  - Backlash
  - Responses

- Out-of-Pocket Costs
  - Financial Impacts
  - Backlash
  - Political Divide
  - Responses
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
TRANSFORMING FOR TOMORROW

From Providing Care to Managing Health

A New Strategic Construct

Source: Kaufman Hall and Assoc.
Creating the Future

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

Duane Dauner
President/CEO