

Statement On Behalf of PhRMA

Hello, my name is Melissa Bianchi, and I am here on behalf of the Pharmaceutical Research and Manufacturers of America, or PhRMA. I am here today to talk about some of the key changes that the new health reform law, known as the Patient Protection and Affordable Care Act of 2010, will bring to this country's health care system and to North Dakota residents in particular.

As you are by now no doubt aware, it is estimated that the law will expand coverage by 32 million individuals by 2019, while at the same time reducing the federal budget deficit by \$124 billion. This expansion of coverage will occur as the result of both an expansion of state Medicaid programs as well as the creation of health insurance exchanges that will make it more possible for many people to shop for health insurance.

The state of North Dakota will specifically benefit from the passage of this new law in a number of tangible ways. An estimated 70,000 North Dakota residents do not currently have insurance, and 63,000 state residents have nongroup insurance. Through the exchanges, these residents will have better access to affordable coverage. An estimated 30,500 North Dakota residents will qualify for premium tax credits to help them purchase health coverage.¹

The health reform law also provides a number of protections for North Dakota residents. For example, health plans offered through the exchanges will be required to offer a core set of benefits, including prescription drug coverage. With the new law in place, insurers may not impose lifetime and annual dollar limits on certain benefits, nor may they cancel coverage, impose lengthy waiting periods, deny coverage based on preexisting conditions, or discriminate in issuing coverage based on health status. Insurers must continue coverage for dependent children until age 26. The law also reduces premiums and out-of-pocket costs, and provides individuals with greater certainty and security with respect to their ability to purchase or maintain quality, affordable health insurance.

The health reform law also makes a number of important changes to the Medicaid and Medicare programs. Under the Act, states must expand eligibility for their Medicaid programs to all individuals under 65 with incomes up to 133 percent of the poverty level. For the first several years, this expansion is paid for entirely by the federal government. This expansion will help North Dakota's lowest income residents receive coverage for their health care needs. As for Medicare, roughly 18,800 Medicare beneficiaries in North Dakota hit the "donut hole," or coverage gap in Medicare Part D. The legislation provides a 50-percent discount for brand-name drugs in this coverage gap beginning next year. This discount is paid by pharmaceutical companies. The federal government also will begin providing additional funds so that, in 10 years, seniors will have to pay only a quarter of a drug's cost in the donut hole, instead of the 100% seniors pay today. Note also that any seniors who hit the donut hole this year will automatically receive a \$250 check from the federal government.

The Act also promotes preventative care. The law expands funding for workplace wellness plans, increases coverage for preventive benefits under Medicare, Medicaid and private insurance, and reduces cost-sharing for those services. An estimated 106,000 North Dakota seniors will be able to receive free preventive services under Medicare. The law also expands funding for workplace wellness plans, increases coverage for preventive benefits under Medicare, Medicaid and private insurance, and reduces cost-sharing for those services.

The health reform law has the potential to significantly and meaningfully improve patient health, as well as increase the quality and efficiency of patient care. For example, the law expands access to primary care, reduces hospital readmissions and will cut down on the amount of time physicians spend on paperwork. Roughly 800 doctors in North Dakota practice in primary care and would qualify for a new 5- to 10- percent payment bonus under health reform. Approximately 141,000 people, or 22 percent of North Dakota's population, do not have access to a primary care provider due to

¹ For all North Dakota-specific statistics, see [healthreform.gov](http://www.healthreform.gov/reports/statehealthreform/northdakota.html) at: <http://www.healthreform.gov/reports/statehealthreform/northdakota.html>.

shortages in their communities. The law will expand and improve programs to increase the number of health care providers, including doctors, nurses and dentists, especially in rural and other underserved areas.

With respect to long-term care, it is estimated that 65 percent of those who are 65 years old today will spend some time at home in need of long-term care services, which typically cost almost \$18,000 per year. In North Dakota, 51,400 older residents aged 55 to 64 today will need home health services after they turn 65 – services that are not always covered by Medicare, Medicaid or private health insurance. The new law has created a voluntary long-term care services insurance program, which will provide a cash benefit to help seniors and people with disabilities obtain services and support that will enable them to remain in their homes and communities.

While small businesses make up 80 percent of North Dakota's businesses, only 41 percent of them offered health coverage benefits in 2008. 14,700 small businesses in North Dakota could be helped by small businesses tax credits established by health reform that will make premiums more affordable for small businesses. By 2014, Small Business Health Options Programs, or "SHOP Exchanges," will be set up to permit small businesses will be able to pool together to buy insurance.

As mentioned earlier, health reform is anticipated to reduce the number of uninsured state residents. This, in turn, will decrease the amount of uncompensated care costs that gets shifted to the insured residents of the state. Right now, providers in North Dakota lose an estimated \$155 million in uncompensated care each year, some of which the state subsidizes. Expanding coverage will help to reduce the amount of care provided without compensation, reducing the burden passed along to families in the form of a hidden "tax" in the form of higher premiums for insurance needed to cover the cost of uncompensated care furnished by providers. By expanding coverage to the uninsured, health insurance reform will eliminate this burden on people who already have insurance, and will make available more predictable and comprehensive health care to those individuals and families who do not currently have coverage.