I have always enjoyed health policy—as a student, teacher, and participant. For most of my career I worked for Hennepin County, which surrounds Minneapolis, Minnesota. I spent 30 years as an administrator in the Hennepin County Medical Center and the last eight of those as its CEO. I also initiated and led the Hennepin County Health Policy Center, which drafted and lobbied legislation to support the healthcare system of the county. The practical application of health policy can be frustrating, but it is essential to the success of a county-based health system.

I also had the opportunity to work on the Clinton administration’s healthcare reform bill in 1992 and 1993 as a representative of the National Association of Counties. The federal process is essentially the same as that at the state level—but a lot more intense because of higher stakes.

**The Origins of Legislation**

Legislation arises from a strongly perceived need and is drafted by experts. These experts come from

- government agencies,
- trade associations,
- professional societies,
academics,
think tanks (usually Washington, DC–based), and
legislative committee staff.

The legislation can seem disjointed and complex because of these multiple inputs to the process. More important, the legislation can be unclear about what new strategies need to be implemented or old strategies abandoned. The Patient Protection and Affordable Care Act—now shortened to Affordable Care Act (ACA)—is unusually confusing because the final bill never went to conference committee, where much of the logic of a bill is set.

Numerous resources clarifying the details of the law are available from consulting firms, trade associations, and advocacy groups. However, this book provides an additional and higher-level option. It provides a neutral and academically based resource designed to assist educators, students, and healthcare leaders in understanding the details and strategic implications of the ACA.

AUDIENCES

The healthcare system touches all Americans, and therefore anyone who wants to learn about this major system may wish to use this book to understand it better. However the book has been developed to meet the needs of two major groups.

HEALTHCARE MANAGEMENT STUDENTS AND INSTRUCTORS

Many programs in healthcare administration have courses that look at the broad aspects of the healthcare system (e.g., health policy, healthcare overview, health economics, capstones). These courses usually include a major textbook to provide the theoretical framework for the course. However, many instructors also want a resource to teach the application of these principles today. And students want to see practical applications to understand how these theories have been used by leading healthcare organizations. This book is intended to meet both of these needs. Because the book does contain theoretical underpinnings, it can be used as the primary textbook in a class in some cases.

Some features of this book that will be helpful to the instructor and students include

discussion and application questions,
URLs for current legislation and regulations (also available as links at ache.org/books/Reform2),
instructor’s resources including PowerPoint slides for each chapter,
◆ teaching notes, and
◆ a sample course syllabus.

Instructors who choose to use this book in their course may request access to its instructor resources by e-mailing hapbooks@ache.org.

Health Professionals
Health professionals are the second major audience for this book. I teach healthcare executives and professionals in our university’s healthcare MBA, evening MBA, and executive development programs. I have observed that although most of our students have a high level of specific technical skills (e.g., physicians, nurses, health insurance executives, medical device developers), they do not fully understand how their work fits into the larger American healthcare system. This book can be helpful in that quest.

Planners and strategists are a subset of health professionals who also may find this book useful. Strategic analysis of the ACA is contained in another book I published with Health Administration Press, Responding to Healthcare Reform: A Strategy Guide for Healthcare Leaders. This new book updates Responding to Healthcare Reform and contains many readings that provide a useful compendium of practical strategy implementations based on many of the policies contained in the ACA.

Health Administration Press and Its Resources
Health Administration Press (HAP), the publisher of this book, is a division of the Foundation of the American College of Healthcare Executives (ACHE) and is the publishing partner of the Association of University Programs in Healthcare Administration. As a result HAP has dozens of books that are intended for the classroom and the executive suite. In addition HAP publishes periodicals intended for both audiences:

◆ Frontiers of Health Services Management
◆ Journal of Healthcare Management

Because many of these books and publications are being written with insightful and practical applications of the policies in the ACA, we determined that a useful book could be constructed that contained the basics of the ACA (written by me) and many excellent examples from other HAP publications. We additionally drew from Futurescan 2014: Healthcare Trends and Implications 2014–2019, a joint publication from ACHE and the Society for Healthcare Strategy and Market Development of the American Hospital
Preface

Association. Therefore, this book has been curated with the best examples from the field selected to demonstrate the principles of the ACA. We expect that future editions of this book will contain new and different readings, as HAP authors write updated books and articles.

The ACA is one of the most significant changes to American health policy since the advent of Medicare and Medicaid. Its future success is in the hands of the students of health management and today's healthcare leaders. I wish you well.

—Dan McLaughlin
The legislative arena can be both challenging and exciting, and I had the opportunity to participate in it as a policy analyst and as the leader of a lobbying team.

Hennepin County is the largest county in Minnesota and surrounds Minneapolis, and I was able to lobby many proposals in the Minnesota Legislature. I want to thank Hennepin County Commissioners Randy Johnson, Mike Opat, and Peter McLaughlin (no relation) for their support and education during those years.

I also would like to thank Representatives Lee Greenfield and Tom Huntley of the Minnesota House and Senator Linda Berglin of the Minnesota Senate for their support of Hennepin County and all of the excellent healthcare legislation they enacted over the past 20 years.

At the federal level I am grateful to former Congressman Martin Sabo for his support and former Senator David Durenberger. David is a gift to Minnesota, where he taught many of our students for more than 20 years at the University of St. Thomas.

My view of the individual insurance market has been shaped by Milt and Amy Edgren. I appreciate their insights into the challenges this market presents to agents—particularly after the implementation of the ACA.

At the University of St. Thomas I am indebted to Dean Chris Puto and Associate Dean Michael Garrison of the Opus College of Business for their support of my center and work. I also am supported by faculty colleagues, professors John Militello, John Olson, and Mick Sheppeck, with whom I have ongoing discussions and debates about the future of the American healthcare system.
Acknowledgments

This collaboration with Health Administration Press has been interesting and challenging, as this is a unique textbook format and without their excellent staff support it would not have been possible. Thanks once again to Janet Davis, acquisitions director; Michael Cunningham, marketing director; Drew Baumann, editorial director; and Amy Carlton, project manager. I also want to thank all the outstanding authors of the books and articles used in this book: Dean M. Harris; Ann Scheck McAlearney; David B. Nash; Connie J. Evashwick; David A. Kindig and George Isham; Gerald L. Glandon, Detlev H. Smaltz, and Donna J. Slovensky; Heather Jorna and Stephen A. Martin Jr.; Michael Ewing; Phoebe Lindsey Barton; François de Brantes; Kimberley D. Acquaviva and Jean E. Johnson; Marc A. Bard and Mike Nugent; Alan Goldberg and Linda M. Young; Bernard J. Tyson; Patrick D. Shay and Stephen S. Mick; Richard J. Umbdenstock; Michael A. Morrisey; Beaufort B. Longest Jr.; and Leiyu Shi.

—Dan McLaughlin
CHAPTER 1

INTRODUCTION

The Journey

The term reform conjures images of new, massive, and permanent structures. The political storm surrounding the enactment of the Affordable Care Act (ACA) in 2010 and its subsequent implementation seemed to emphasize this permanent nature. However, to paraphrase Emerson, reform is a journey not a destination—and the ACA is another major step on this journey.

There have been many healthcare reforms in the United States—starting with a law in 1798 that levied a tax on ship owners to provide a fund for the healthcare of their seamen (Longest 2010). The last major policy change on the scale of the ACA was the enactment of Medicare and Medicaid in 1965. Exhibit 1.1 outlines selected major policy initiatives since this time.

Although these legislative policies positively affected the system in a specific manner, the ACA stands as one of the most comprehensive attempts to improve the total American healthcare system in the past 50 years. Its ambitious goals are as follows:

◆ To improve the health insurance system to achieve near-universal coverage
◆ To restrain the growth of healthcare costs
◆ To improve the quality of care and patient experience

Progress has been made since 2010 to implement many of the policies in the act; some have worked well, while others have not yet been proven to be effective. Congress and the administration will likely continue to make improvements into the future—the journey will continue.

Purpose of This Book

Although the ACA provides a framework for needed improvements in the system, the law will be changed and improved over the years. This book has therefore been constructed to help the reader
### Exhibit 1.1
Major Health Policy Legislation Since 1965

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
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</table>
| 1965 | - The Medicare and Medicaid programs were created, making comprehensive healthcare available to millions of Americans.  
- The Older Americans Act created the nutritional and social programs administered by HHS Administration on Aging.  
- The Head Start program was created. |
| 1966 | - The Community Health Center and Migrant Health Center programs were launched. |
| 1970 | - The National Health Service Corps was created. |
| 1971 | - The National Cancer Act was signed into law. |
| 1977 | - The Health Care Financing Administration was created to manage Medicare and Medicaid separately from the Social Security Administration. |
| 1984 | - The National Organ Transplantation Act was signed into law. |
| 1989 | - The Agency for Health Care Policy and Research (now the Agency for Healthcare Research and Quality) was created. |
| 1990 | - The Ryan White Comprehensive AIDS Resource Emergency (CARE) Act began providing support for people with AIDS. |
| 1995 | - The Social Security Administration became an independent agency. |
| 1996 | - Welfare reform under the Personal Responsibility and Work Opportunity Reconciliation Act was enacted.  
- The Health Insurance Portability and Accountability Act (HIPAA) was enacted. |
| 1997 | - The State Children's Health Insurance Program (SCHIP) was created, enabling states to extend health coverage to more uninsured children.  
- Medicare Advantage (Part C) was created. |
| 2001 | - The Centers for Medicare & Medicaid Services was created, replacing the Health Care Financing Administration. |
| 2002 | - The Office of Public Health Emergency Preparedness was created to coordinate efforts against bioterrorism and other emergency health threats. |
| 2003 | - The Medicare Prescription Drug Improvement and Modernization Act was enacted; the most significant expansion of Medicare since its enactment, including a prescription drug benefit (Part D). |
| 2008 | - The Mental Health Parity and Addiction Act was passed, which provides that coverage for these conditions be more restrictive than coverage for medical/surgical conditions. |
| 2010 | - The Affordable Care Act was signed into law, putting in place comprehensive US health system and insurance reforms. |

Source: HHS (2014).
understand the fundamentals of the ACA and its implementation today. This book has four goals:

◆ Providing an understanding of the underlying models that were used to construct the ACA
◆ Highlighting the major elements of the ACA that are used to implement these models to achieve the law’s goals
◆ Providing access and context for the details of the policies and their regulations
◆ Providing current examples of the implementation of ACA policies in leading healthcare organizations

How the Book Is Organized

This book is organized from the perspective of the healthcare leader, not the legislator. Therefore after the first chapter on the history, structure, and theoretical framework of the ACA, chapters are organized from a broad population health perspective.

The first chapters examine the ACA from a systems perspective—how the pieces work together to achieve the desired outcomes. Next, the role of funding is explored as a major tool of the ACA incentivizing desired behaviors by providers, insurers, and patients. The theory that marketplace competition is a major part of the architecture of the ACA is explored in the chapter on health insurance changes. The book concludes with a look at the journey ahead, with a chapter on health policy development and the future.

The ACA is a massive law, with more than 2,400 pages in the original legislation. Therefore this book does not cover every detail and program in the ACA—only those that have large systemic impacts and are being actively pursued.

Objectives

This book is intended to provide the reader with the following information and skills:

➤ understanding the three theories that underlie the ACA;
➤ understanding how the ACA supports
  • population health and wellness,
  • chronic disease management,
  • improved quality and productivity,
  • a sustainable safety net,
• health insurance expansion and improvement, and
• payment policies to achieve these goals;
➤ understanding the ACA as a part of the health policy development and advocacy process; and
➤ examining the future of healthcare.

Summary

The ACA is part of a long journey to improve the American healthcare system. Its goals are to improve access to health insurance, restrain costs, and improve quality. This book provides three perspectives to view and understand the ACA: systems, funds flows, and markets. The future is examined with an overview of health policy making and possible future changes to the law.

Applications: Discussion and Research

1. What other policy options were considered during the debate on the ACA? (Use library resources and access journals such as Health Affairs, Journal of the American Medical Association, and New England Journal of Medicine and search on “reform.”)

2. What other country’s healthcare system might be a model for the future for the United States? (Use library resources and search journals for “international health” and “world health.” See also Fried and Gaydos [2012].)

3. Is population health a legitimate goal of the American healthcare system? If so, why?

References

