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Briefing Summary: January 11th, 2017

The Affordable Care Act and Medicaid: What Comes Next, and How Might the State Prepare?

Full briefing materials are available at:
https://uwphi.pophealth.wisc.edu/programs/health-policy/ebhpp/events/index.htm

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Dr. Gail Wilensky

Dr. Wilensky provided an overview the Affordable Care Act's primary goals and shortfalls. While she underlined the reform's success in expanding coverage, the drop in uninsured rate is primarily due to Medicaid expansion, not use of the individual insurance exchanges. Her top concerns that "not much has happened with regard to patient safety, medical errors or clinical appropriateness" continue to thwart comprehensive reform. Parsing out the degree to which the changing economy or ACA reforms have contributed to a slowdown in health costs is challenging. Dr. Wilensky pointed to a 2015 OECD report that suggested the shifts in spending rate have been mostly recession-related while the precise effects of ACA policies are entangled in overall economic growth. Moving forward, Dr. Wilensky advised that policymakers consider the annual $260 billion loss of taxable income due to employer-sponsored health insurance, along with how to move toward value-based payment systems. Dr. Wilensky also noted that the actuarially fair age band estimate for youngest to oldest premium variation rate is 5 to 1, while the ACA set the maximum at 3 to 1. She argued that the restricted premium variation contributed to limiting market enrollment for young, healthy individuals who would need to overpay in premium rates. State high-risk pools have been underfunded and poorly subsidized in the past, and determining eligibility requirements could have a strong effect on such a program's overall success. Additional questions that will warrant future resolution include how to fund insurance company risk corridors, whether or not to pass future legislation in multiple phases, and if block grants would be designed per capita or as flat indexed funding. Dr. Wilensky finished by stating that, "As important as efficient and effective healthcare delivery is... it's these social determinants that really determine health outcomes."

Michael Heifetz

Mr. Heifetz provided a snapshot of Wisconsin's current Medicaid population and spending. Of the state's total 1.1 million enrollment, 39% are children, but only account for 10% of costs. The elderly-blind-disabled (EBD)

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population accounts for less than 20% of program caseload but 64% of expenditures. 13% of total spending is on prescription drugs, and 70% of Medicaid state enrollees are in managed care. However, for high-cost populations, such as EBD, fee-for-service is still a primary payment system. He discussed a set of policies, authorized under the 2015 biennial budget, that DHS plans to submit for federal approval to change coverage requirements for certain childless adults enrolled in BadgerCare Plus. These policies include imposing premiums based on healthy behaviors, administering annual Health Risk Assessments, eligibility time limits, and drug screening and treatment aligned with current FoodShare standards. Mr. Heifetz shared his concerns about the unknown degree of regulatory authority that would be retained by the federal government under a block grant program. He underscored the need for practical transition periods and clearly delineated expectations for funding oversight.

Dr. Justin Sydnor

Dr. Sydnor focused on the potential rewards and risks of high-deductible health plans (HDHPs) with health savings accounts (HSAs). Such plans include a higher deductible out-of-pocket payment for enrollees, but lower monthly premiums. HSAs can be used to fund medical expenses, where deposits are tax-exempt and unused funds roll over indefinitely with tax-exempt earnings. These plans have grown in popularity, supported by the idea that enrollees will reduce low-value health out-of-pocket spending when held responsible for upfront costs. Rationale for use of HSAs also includes increased incentive for comparison shopping, contributing to a more competitive insurance and medical provision market. The primary concern is basic financial risk for households that are unable to save appropriate funds to cover medical expenses. A recent natural experiment showed that HDHPs led to enrollees' reduced use of preventative and chronic disease management. A 12% total reduction in costs resulted, but enrollees also changed their consumption habits, spending more on medical services after reaching deductibles later in the year. Dr. Sydnor also expressed a concern regarding undeveloped market tools currently in place for competition. HDHP HSAs may indeed lower the financial risk to families, but outcomes are highly dependent on plan details. Broad information gaps may also contribute to underuse of services, as enrollees lack clear definition of those services covered. Finally, these arrangements may change the insurance market, and the function of HSAs in value-based payment systems is unclear. Unfunded accounts may additionally lead to increases in medical bankruptcy and increased use of uncompensated emergency care.

Donna Friedsam

Ms. Friedsam provided an update on Wisconsin's insurance market following enactment of the ACA and the state's entitlement reforms, and the issues related to transitioning to potential changes in federal policies. In January 2017, 234,000 plans in the state had been selected on the open insurance exchange with enrollment on par or growing over 2016. Fifteen insurance carriers in Wisconsin offer multiple products on the exchange, with 56 of the 72 counties providing at least three insurance carriers with plans. 84% of state residents on exchange plans depend on federal subsidies, with two-thirds of private individual insurance selections taking place over the exchange. In rural areas, 30% of consumers use the marketplace for health insurance. While the uninsured rate has decreased from 9.1% in 2013 to 5.1% in 2015, most of the Wisconsin coverage gains, contrary to nationwide trends, occurred through exchanges and increased employer-sponsored health insurance instead of Medicaid expansion. While underscoring the success of the statewide enrollment network, Ms. Friedsam expressed that a similarly expansive program may be needed to successfully implement future reforms. She commented that insurers will seek clear mechanisms for enrollment, and that state residents are heavily tied to ACA reform programs.