

Reforming Healthcare Reform ??

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What Comes Next??

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Focus of the ACA Thus Far



- ◆ *Expanding* coverage
- ◆ Insurance reforms
- ◆ *Limited* delivery system reforms
 - value based purchasing, ACOs
- ◆ Medicare Innovation Center and its pilot projects
 - mixed record at best

Employers are Affected As Well



“PLAY or PAY”

If employee contributes $> 9.5\%$ of income or
insurance covers $< 60\%$ of average medical costs

Then

Variety of penalties on employers

Also – new plan standards; “grandfathered” plans
lots of limitations on changes

Insurance Exchanges

(Also Affect Employers)

- ◆ Insurance Exchanges: “*state-run*” (actually mostly *federal*) entities that offer “qualified plans”
- ◆ “Small” (<100 or <50) employers can participate
 - exchanges can be opened to “large” employers in 2017
- ◆ For citizens/legal residents not eligible for Medicaid or “affordable” employer-sponsored insurance
 - subsidies for people <4 times the poverty line (\$97,000 in 2016)

Major ACA Changes Started in 2014



- ◆ Negotiated insurance with sliding subsidies available through exchanges
- ◆ Major expansions of Medicaid
 - anyone under 138% pov-line is eligible
 - 31 states participated to date
 - Wisc. didn't, ↑ed cov. to pov-line
- ◆ Insurance mandates take affect

Some Progress on Traditional Healthcare Challenges

- ◆ Too many uninsured
- ◆ Unsustainable spending growth
-- short-term v. long-term



Less progress on ...

- ◆ Patient safety issues
- ◆ Clinical appropriateness

Number of Uninsured Have Clearly Declined



- ◆ Latest uninsured estimates show decline has stalled
 - total uninsured: 16% in 2010 → 9.1% in 2015
 - ◆ Larger than expected ↑ from *Medicaid* expansion
(68M est. for 2016 v. initial est. of 52M <65)
- But ...
- ◆ 28 million expected to be *uninsured* (2026) under current law

Healthcare Spending: The Challenges May Be Returning



- ◆ Healthcare spending had several years of very slow growth: <4% per year
- ◆ Never clear how much was policy-induced and how much was recession-related
 - how much payment or delivery reform v. ↑ed use of high deductible plans
- ◆ 2015 OECD report showed US spending slow-down < OECD average; suggests mostly *recession-related*

And Many “Perverse” Incentives Remain in Healthcare

- ◆ Tax treatment for employer-sponsored insurance
> \$260 bil. of revenue loss
- ◆ Pervasive use of 3rd-party payment w/o direct
controls on spending, utilization, technology
- ◆ Reimbursement still mainly fee-for-service
- ◆ Liability concerns remain for physicians, hospitals
and manufacturers

Surprising Election Results!



- ◆ Trump wins presidency with 304 electoral votes
 - Clinton wins popular vote by small amount (Calif/NY)
- ◆ More surprising – R's retain Senate
 - 24 R's seats up in 2016 v. 10 D's seats
 - R's lost 2 seats: 52/48
- ◆ R's lost only 4 House seats: 239 v 193

What the Election Means for Healthcare



- ◆ R's *don't* have a *filibuster-proof* majority

- means need to use budget reconciliation vehicles, or get some Dem support in Senate
- *may* keep R's from over-reaching

- ◆ ACA *needs change*

- churn/drop-outs by plans; special-enrollment churn; rigid waiver rules;
- could modify ACA or “repeal and replace”

Lots of ACA-Related Policy “Mistakes”



- ◆ Limiting age-band to 3:1 instead of 5:1
- ◆ Allowing 26 yr. olds to stay on parents policy after 1/1/14
- ◆ Guaranteeing future coverage with no penalties for uninsured after 1/1/15
- ◆ Promising (unfunded) risk corridors for 2014-2016
- ◆ Extremely lenient “special enrollment” rules
- ◆ Promising people could “keep their ins. and their doctors,” etc.

Potential ACA-Related Policy Changes

- ◆ Could “revise/reform” ACA *but ...*
 - politically likely to “*repeal (with delay) and replace*”
- ◆ Move to a plan *like June House R plan?*
 - replace exchange subsidies w/refundable tax credits
 - limit unlimited tax subsidies for employer-spending
 - allow 5:1 premium variations
 - use continuous coverage to protect against pre-existing conditions with hi-risk pools
 - consider Medicare-like penalties for future unins.

Future of Medicaid is Unclear



- ◆ Will Republicans *repeal funding* for Medicaid expansion?
 - if so, can funds be designated for alternative use?
 - what happens to millions who got expanded Medicaid coverage?
- ◆ Will Congress convert Medicaid to a *block grant*?
 - *where* do R governors/legislatures stand?
 - *won't happen* w/o strong R state support

Critical Issues Regarding Block Grants

- ◆ Trade off is increased flexibility in exchange for increased risk
- ◆ *Major difference* between *block grants* and *per capita block grant*
 - *flat* block grants put state *at risk* for economic downturns
 - per capita block grants will  or  with econ. changes
- ◆ Many technical issues to resolve
 - what will be the “*baseline*” amt.?
 - *how* will grants be indexed or increased?



To Really ↑ Health, Need to Focus on the Social Determinants of Health

- ◆ Need more attention to targeted *prevention*
 - *recognize* obesity is the new *smoking*
 - will require *sustained campaign* for success
- ◆ More *efficient, effective healthcare* is important, but SDH are *more* important
 - early childhood education, poverty reduction, ↑ing opportunities, food security

Forward Health is a start; *more* is needed