

ACA: WHERE ARE WE IN 2017?




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PROMISE

- ◆ “The Affordable Care Act will ‘bend the cost curve!’”!
- ◆ We hear “costs will go down”
- ◆ Intended meaning, “costs will rise more slowly”
- ◆ Let’s look at the data...




REALITY

- ◆ In 2016 (most recent data) health care spending rose 4.3 %
 - ◆ Third consecutive year it outpaced economic growth
- ◆ Total health care spending was 17.9 %
 - ◆ Up from 17.3 % in 2013



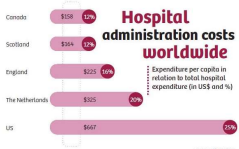
REALITY

- ◆ Inflation adjusted “nominal growth rate”
 - ◆ 2003-2010 = 2.6 %/year
 - ◆ 2010-2026 = 2.7 %/year
- ◆ “Per capita” growth rate
 - ◆ 2003-2010 = 1.7 %/year
 - ◆ 2010-2016 = 1.9 %/year



BY ALL STANDARDS, ACA HAS FAILED TO REDUCE COST

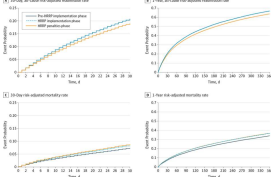
- ◆ WHY?
 - ◆ Hospital/physician incentives to cut costs:
 - ◆ 2016: Only 56 % of ACO's hit their benchmarks
 - ◆ After “bonus payments”, ACO's increased Medicare payments
 - ◆ \$216 million in 2015
 - ◆ \$39 million in 2016



Country	Cost (per capita)	% of total hospital expenditure
Canada	\$124	0%
Scotland	\$114	0%
England	\$125	0%
The Netherlands	\$105	0%
US	\$607	0%


BY ALL STANDARDS, ACA HAS FAILED TO REDUCE COST

- ◆ WHY?
 - ◆ Hospital penalties for high readmission rates
 - ◆ Readmission rates have decreased
 - ◆ Mortality rates have INCREASED
 - ◆ This policy is responsible for 5,400 premature deaths/year
 - ◆ No evidence of any decrease in cost



BY ALL STANDARDS, ACA HAS FAILED TO REDUCE COST

- WHY?
 - Cadillac tax
 - 40 % excise tax on any premiums that exceed \$10,000 & \$27,500/year
 - Hits low salary workers equally as well as CEOs
 - Originally not scheduled to kick in until 2018 (4 years after ACA)
 - Union opposition
 - 2015 law now delays it until 2020
 - Both parties want to kill it



BY ALL STANDARDS, ACA HAS FAILED TO REDUCE COST

- SUMMARY
 - Cost curve has been bent, but in the WRONG DIRECTION!
 - Several unintended consequences of regulations harming patient care



WHAT HAS BEEN DONE WITH THE ACA?

- Repeal failed.
- Tax reform passed!



AMENDMENTS

(negotiated to enable passage of tax reform)

- ◆ “Reinsurance” Bill (S 1835)
 - ◆ Provides \$5 billion to reinsure high-cost plan members with lower premiums
 - ◆ Introduced by Susan Collins (R-ME)

115TH CONGRESS
1st Session

S. 1835

To provide support to States to establish or revise high-risk pool or reinsurance programs.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 13, 2017

SEN. SUSAN COLLINS introduced the following bill
and referred to the Committee on Finance

A BILL

to establish or revise high-risk

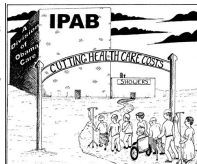
CMS FINAL RULE-2018

- ◆ Stabilizing ACA Exchange Market
 - ◆ Incentive to maintain coverage/disincentive to enroll only after discovering the need for medical services
 - ◆ Open-enrollment ended Dec 15 (coincides with start of new plans)
 - ◆ Stricter “special” enrollment prerequisites
 - ◆ New rules for verification to prevent fraud and abuse
 - ◆ Providers have the option to demand payment of all unpaid premiums prior to accepting re-enrollment
 - ◆ Minimum coverage for each “metal” level decreased (i.e. less coverage for the same cost)
 - ◆ “Minimum essential community provider” decreased from 30 % to 20 %
 - ◆ Newer rules may reduce enrollment numbers

IPAB

(Current status)

- ◆ Independent Payment Advisory Board
 - ◆ Authorized under ACA in 2010
 - ◆ 15 members appointed by the President and confirmed by the Senate
 - ◆ Recommend Medicare spending reductions if per capita growth exceeds specified targets based on general and medical inflation (2015-2019)
 - ◆ So far have not exceeded targets (CMS actuary)
 - ◆ Controversy
 - ◆ Authority over decisions typically held by Congress
 - ◆ No members have been appointed
 - ◆ Board is not operational
 - ◆ H.R. 849 to repeal IPAB passed house on 11/2/2017



BECAUSE OF TAX REFORM- THE POLICY LANDSCAPE HAS CHANGED!

- ◆ Individual mandate has been repealed, but
 - ◆ President signed an executive order reviving alternative forms of short-term health insurance
 - ◆ This give Americans a reasonable escape valve from ACA's costliest regulations
 - ◆ Therefore, not much to gain by trying to repeal ACA's insurance exchanges
- ◆ **Better options-**
 - ◆ Restore flexibility that states lost under ACA
 - ◆ Enable small businesses greater flexibility in purchasing insurance
 - ◆ Build on bipartisan efforts such as Alexander-Murray bill

TRUMP PROPOSED REGULATORY MANDATE

- ◆ Expand conditions that satisfy "commonality of interests" so that small businesses which share geography and/or industry can form associations and sell members health policies that are exempt from some of the ACA's "essential benefits" requirements
 - ◆ e.g. mandate to include things like trans-gender surgery, abortions, substance abuse treatment
 - ◆ This would also include sole proprietors as both "employers and employees"
 - ◆ e.g. Uber drivers or free lance journalists
- ◆ Large group plans that are self-insured (e.g. unions, employers) are covered by Erisa (Employee Retirement Income Security Act)
 - ◆ These are exempt from ACA's "essential benefits" requirements
 - ◆ "Mom and Pop" shops are not
- ◆ Non-discrimination provisions in the rule to prevent "cherry picking", etc.
- ◆ Enables small businesses same bargaining power as large corporations

WHY IS THIS IMPORTANT?

- ◆ The share of workers at small businesses
 - ◆ Dropped 25 % since 2010
 - ◆ Due to ballooning costs resulting from gov't mandates
 - ◆ Many dropped onto exchanges (subsidized by taxpayers)
 - ◆ 11 million of them are now uninsured

RISK

- ◆ State exchanges could evolve into high-risk pools for individuals hardest to insure
- ◆ Probably less expensive for tax-payers to subsidize than the status quo that raises premiums for everyone

GREATEST OPPORTUNITY- REFORM MEDICAID

- ◆ 2016
 - ◆ Federal government spent \$ 42 billion on ACA exchanges
 - ◆ Federal government spent \$ 358 billion on Medicaid
 - ◆ States and localities spent and additional \$ 202 billion
 - ◆ Total national Medicaid expenditure = \$ 566 billion
 - ◆ Est national Medicaid expenditure for 2025 = \$ 929 billion
 - ◆ Nominal increase of 64%

Source: Congressional Budget Office, CMS
WAFPOST/WORKBLOG

BY COMPARISON

- ◆ Federal defense spending in 2025 = \$ 726 billion
 - ◆ Nominal increase of 24% (compared to 2016)
- ◆ All other discretionary spending in 2015 = \$ 705 billion
 - ◆ Nominal increase of 18%
- ◆ Federal government can borrow money to cover increasing obligations
- ◆ States cannot
 - ◆ Therefore, funds have already been cut for roads, schools, and police
- ◆ NOTE: Numerous studies show that Medicaid recipients have no better health outcomes than people with no insurance!


POSSIBLE ROAD AHEAD

- ◆ Problem with original Graham-Cassidy bill
 - ◆ Would have wiped out most private individual insurance markets.
 - ◆ Gave states incentive to replace ACA tax credits (to help purchase private insurance) with Medicaid
 - ◆ Thus, more government control of health care...with worse outcomes

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Oregon Study: Medicaid 'Had No Significant Effect' On Health Outcomes vs. Being Uninsured

POSSIBLE ROAD AHEAD



- ◆ Revise Graham-Cassidy:
 - ◆ Remove punitive measures on private individual insurance markets
 - ◆ Tie long-term Medicaid spending to appropriate measures of inflation
 - ◆ Assuming restoration of state flexibility to reduce waste and fraud, and focus Medicaid spending on the most needy
 - ◆ Long-term Medicaid savings would provide funding for other Washington liabilities and priorities

THANK YOU and WELCOME BACK

