The Patient Protection and Affordable Care Act: The Consumer Perspective

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What Makes A Consumer Market “Work”?

In General, a market works if information is:

• Easily comprehensible to the typical consumer
• Readily available at little or no cost
• There is real choice
• “Consumer” makes the decision (i.e., not an intermediary)
The Insurance System of Yore

The insurance system of the past has been based on:

• Consumer ignorance and a lack of transparency
  – Insurance
  – Providers
  – outcomes

• Insurer risk selection and segmentation
  – The importance of risk selection is much more important to profitability than actually “managing” health care delivery
  – Why bother effectively managing a cancer case if you can avoid/drop it completely?

• One dimensional competition: price
  – Quality and value virtually non-existent to the consumer
The Consumer Reorientation of ACA

Goals of ACA from a consumer perspective

• Availability of coverage regardless of health status
• Affordability of insurance (premiums and cost-sharing)
• Adequate coverage including the most serious of conditions
• Administrative simplicity—the ability of a typical consumer to actually navigate the insurance system
Consumer and Patient Tools Are in Place: Insurance Reforms

Insurance rules have been fundamentally changed. For example,

• No more use of health status in setting premiums
• No more rescissions
• Guaranteed availability
• Medical loss ratios
• Rate review
Institutional reforms necessary to begin to empower consumers are in place. For example,

- Health exchanges
- Essential benefits package
- Ratings of plans (bronze, silver, gold, platinum)
- Insurer reporting and disclosure
- Internet portal
- Patient navigators
- Standardized forms and processes
- Integrating Medicaid with exchanges
What the Consumer Will Now See: A More Coherent Market

- Some standardization of products
  - gaming of products, prices, etc is mitigated
  - Plan ratings based on the same essential benefits
- Centralization of services
  - exchanges, internet, etc provide more coherent market forum
- Measures of performance and value
  - Medical loss ratio
  - Greater potential for provider transparency
- More consistent admin processes
  - Applications, appeals, etc
Consumer and Patient Tools Are in Place: Delivery Systems Reforms

Ambitious but absolutely essential efforts to restructure the delivery system by moving away from fee-for-service to more integrated delivery of care and measurement based on outcomes. For example,

• Coverage of proven prevention services and greater emphasis on prevention generally
• Risk adjusters for insurers could create incentives to treat chronic illness more efficiently and effectively
• Medicare experimentation with new payment (e.g. payment bundling) and delivery models (e.g., medical homes)
The Eternal—but Fraternal?--Transition

Implementation will be lengthy—a decade or more—complicated, messy, and have more than a few mistakes. Can “we” coalesce and adapt?

- Initial steps have been very good—e.g., regulations have been well balanced and timely, and the high risk pool plan has been started successfully
- The more complex steps are coming—i.e., the 2014 transition to exchanges and the essential benefits package
- These changes will require the cooperation and teamwork of all stakeholders—governments, providers, payers, employers, workers, consumers
The Big Questions to Come

• What is an “essential benefit package”?
• Will the exchanges be a true marketplace or does they just become a dumping ground for high risks and low-income people?
  – What is the market outside the exchange?
  – Do the risk adjusters really work?
  – Is there a strategy for educating consumers?
• Will the Medicare reforms/experiments/demonstrations be aggressively pursued?
The Consumer Perspective

• “Competitive health insurance markets” is not an oxymoron, but to work, consumers must be enabled far, far beyond where we are today
• Good structural changes are in the law but must be implemented properly AND
• Consumers have to be educated—we are faced with nearly total health illiteracy
  – What is “quality care”?
  – What is “value”?
  – What does “health” mean to me?
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