



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 Consumer-Unfriendly 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

Consumer and Patient Tools Are in Place: Institutional Reforms

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 team work 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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