

**FROM OBAMACARE TO TRUMPCARE:
IMPLICATIONS FOR PAY FOR PERFORMANCE, VALUE-BASED PAYMENT,
ACCOUNTABLE CARE, BUNDLED PAYMENT AND MACRA**

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OUTLINE

- American Healthcare: Progress and Promise
- Elections Matter
- Implications

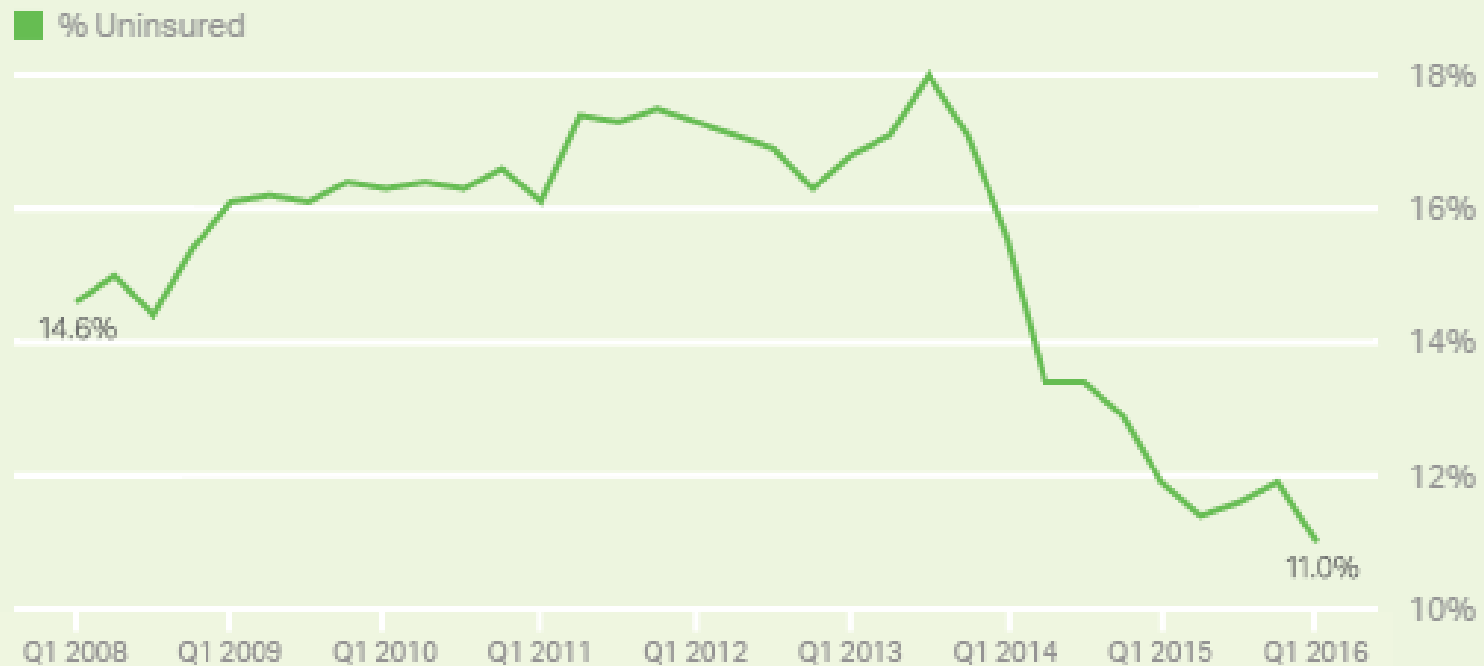
AMERICAN HEALTHCARE: PROGRESS AND PROMISE

- Coverage Expansion
- Payment Reform
- Volume to Value
- Consolidation and Integration
- Delivery Shift to Ambulatory Environment
- IT Infrastructure
- Enhancing the Consumer (and Provider) Experience

BIG DROP IN UNINSURED UNDER OBAMACARE

Percentage Uninsured in the U.S., by Quarter

Do you have health insurance coverage? Among adults aged 18 and older



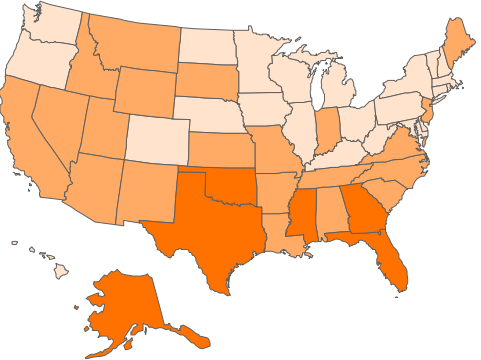
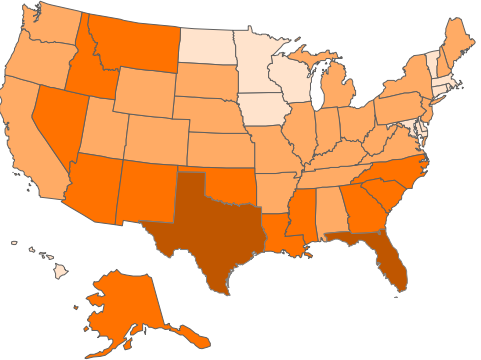
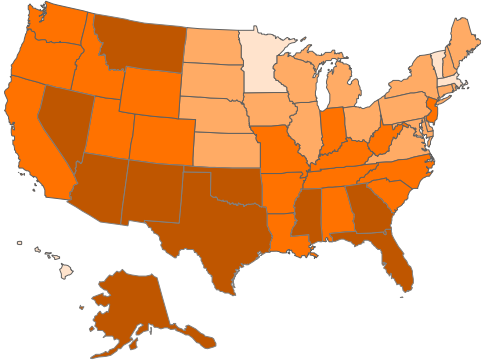
SOURCE: GALLUP-HEALTHWAYS WELL-BEING INDEX

PERCENT OF POPULATION UNDER AGE 65 UNINSURED

2013

2014

2015



- <10% (4 states plus D.C.)
- 10%–14% (18 states)
- 15%–19% (18 states)
- ≥20% (10 states)

- <10% (11 states plus D.C.)
- 10%–14% (25 states)
- 15%–19% (12 states)
- ≥20% (2 states)

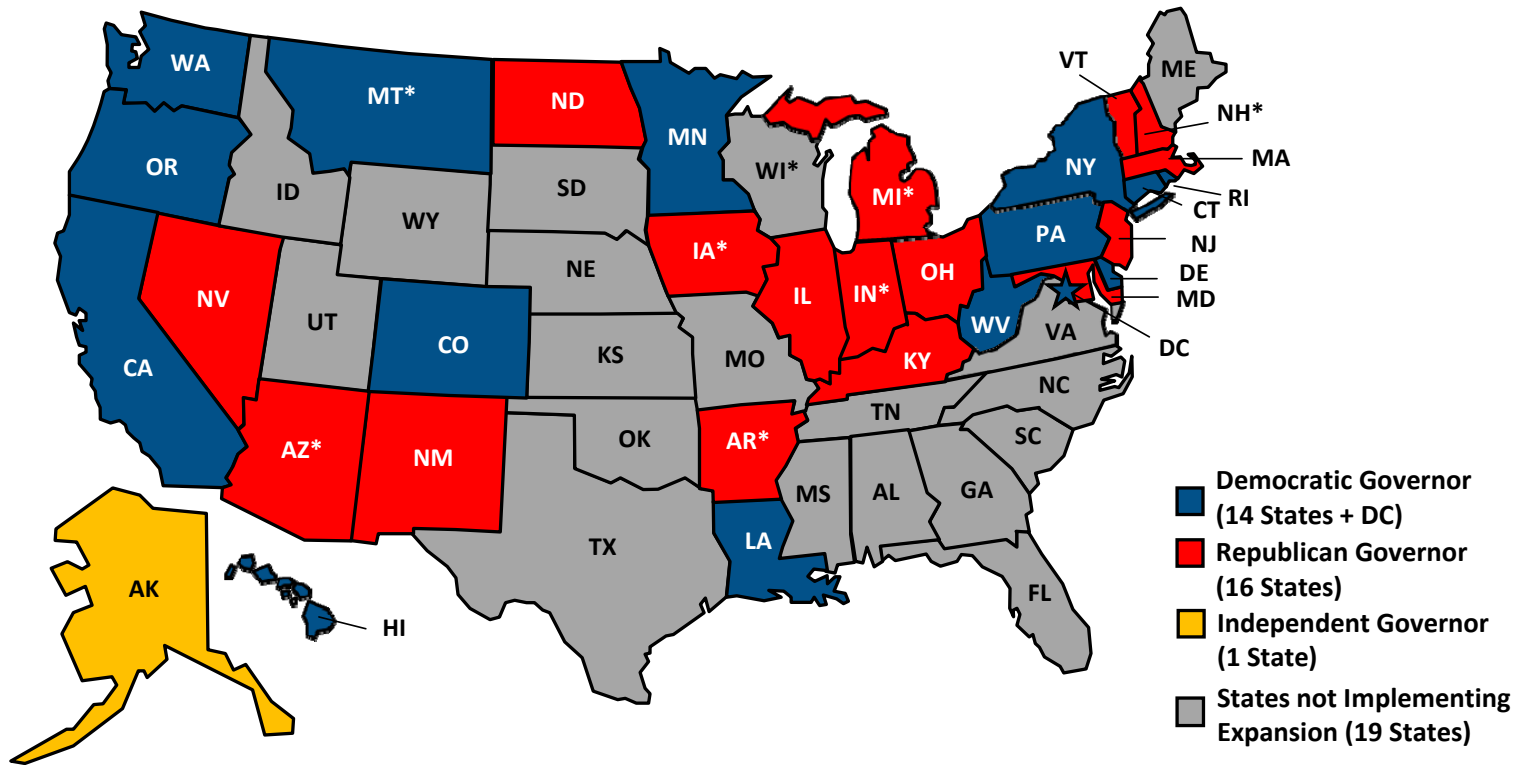
- <10% (23 states plus D.C.)
- 10%–14% (21 states)
- 15%–19% (6 states)

Data: U.S. Census Bureau, 2013, 2014, and 2015 1-Year American Community Surveys, Public Use Micro Sample (ACS PUMS).

Source: S. L. Hayes, S. R. Collins, D. C. Radley, D. McCarthy, and S. Beutel, *A Long Way in a Short Time: States' Progress on Health Care Coverage and Access, 2013–2015*, The Commonwealth Fund, December 2016.

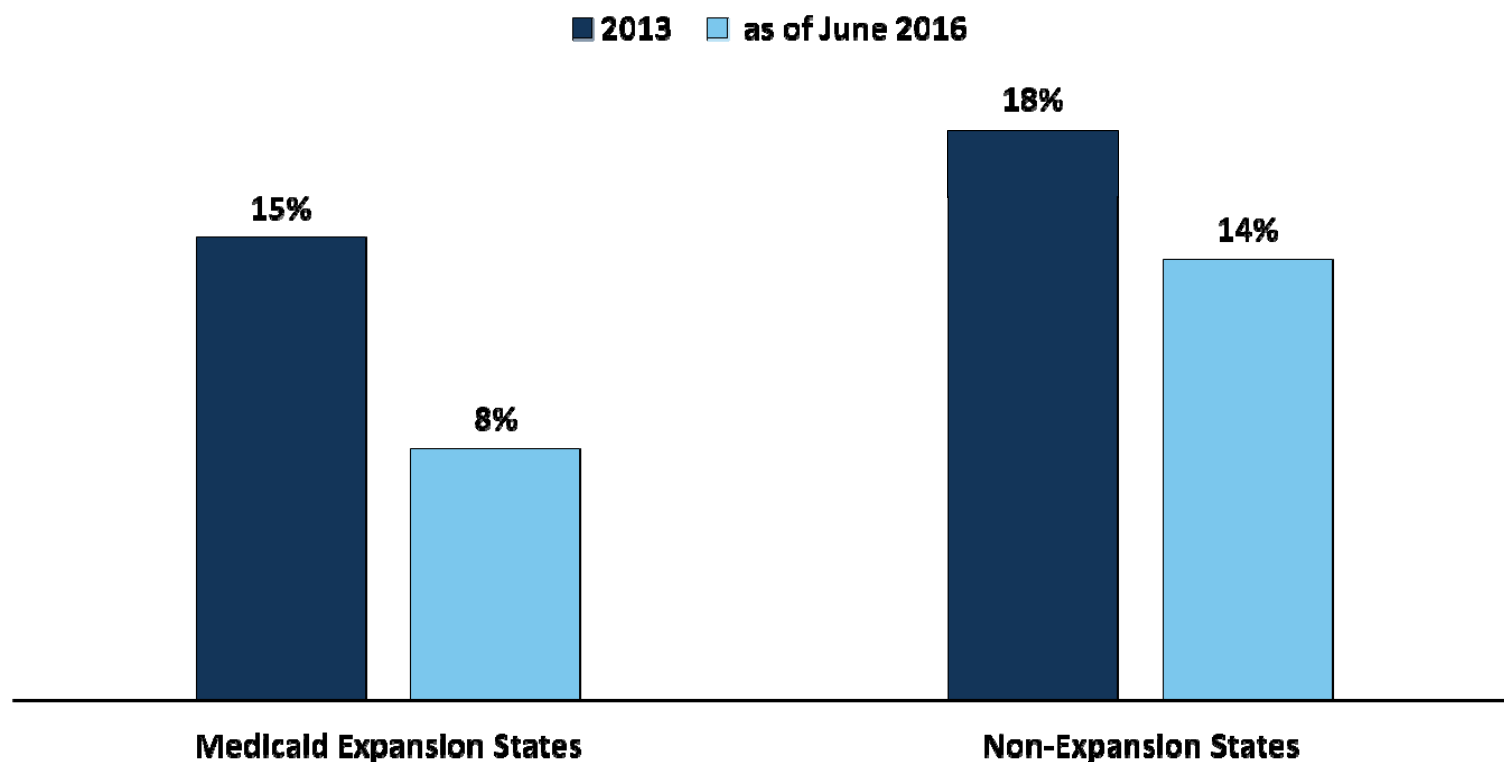


32 STATES EXPANDED COVERAGE FOR ADULTS THROUGH THE ACA EXPANSION (17 STATES WITH REPUBLICAN OR INDEPENDENT GOVERNORS)



NOTES: Coverage under the Medicaid expansion became effective January 1, 2014 in all but seven expansion states: Michigan (4/1/2014), New Hampshire (8/15/2014), Pennsylvania (1/1/2015), Indiana (2/1/2015), Alaska (9/1/2015), Montana (1/1/2016), and Louisiana (7/1/2016). Seven states that will have Republican governors as of January 2017 originally implemented expansion under Democratic governors (AR, IL, KY, MA, MD, NH, VT), and one state has a Democratic governor but originally implemented expansion under a Republican governor (PA). *AR, AZ, IA, IN, MI, MT, and NH have approved Section 1115 expansion waivers.

THE UNINSURED RATE IN THE UNITED STATES HAS DECREASED, ESPECIALLY AMONG MEDICAID EXPANSION STATES



NOTE: Uninsured rates for 2016 are as of June 2016.

SOURCE: Emily P Zammitti, Robin A Cohen, and Michael E Martinez, Health Insurance Coverage: Early Release of Estimates from the National Health Interview Survey, January-June 2016, (Hyattsville, MD: National Center for Health Statistics, November 2016), <https://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201611.pdf>.

ELECTIONS MATTER

BREXIT OR BLOWOUT?



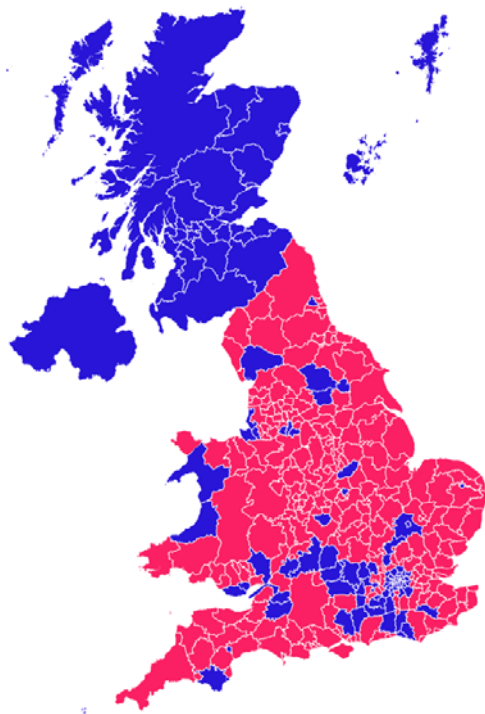
SCOTLAND, NORTHERN IRELAND AND LONDON VOTED TO REMAIN

Bloomberg ▼

EU Referendum: Final Results



■ Remain ■ Leave



Regional totals

Scotland		62.0% / 38.0%
Northern Ireland		55.8% / 44.2%
North West		46.3% / 53.7%
North East		42.0% / 58.0%
Yorkshire & the Humber		42.3% / 57.7%
Wales		47.5% / 52.5%
East Midlands		41.2% / 58.8%
West Midlands		40.7% / 59.3%
South West		47.4% / 52.6%
East of England		43.5% / 56.5%
South East		48.2% / 51.8%
London		59.9% / 40.1%

SCOTLAND, NORTHERN IRELAND AND LONDON VOTED TO REMAIN: NEWS TO DONALD TRUMP



H Angry Scots Troll Donald Trump Over Brexit Gaffe

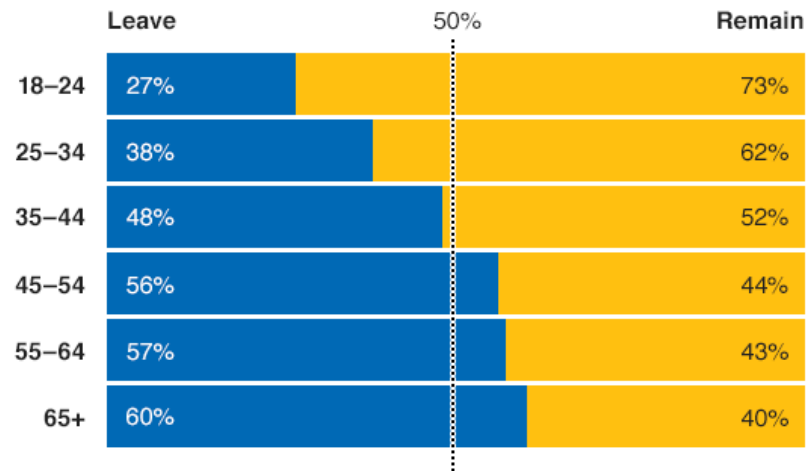
Donald J. Trump [@realDonaldTrump](#) [Follow](#)
Just arrived in Scotland. Place is going wild over the vote. They took their country back, just like we will take America back. No games!
2:21 AM - 24 Jun 2016
18,126 retweets 47,105 likes

lily [@lilyallen](#) [Follow](#)
[@realDonaldTrump](#) Scotland voted IN you moron
2:30 AM - 24 Jun 2016
18,868 retweets 37,066 likes

Sue Perkins [@sueperkins](#) [Follow](#)
[@realdonaldtrump](#) Scotland voted Remain, you weapons-grade plum.
2:58 AM - 24 Jun 2016
2,179 retweets 4,424 likes

OLDER, LESS WELL EDUCATED AND NATIONALISTIC VOTERS MORE LIKELY TO BREXIT

How different age groups voted



Source: Lord Ashcroft Polls

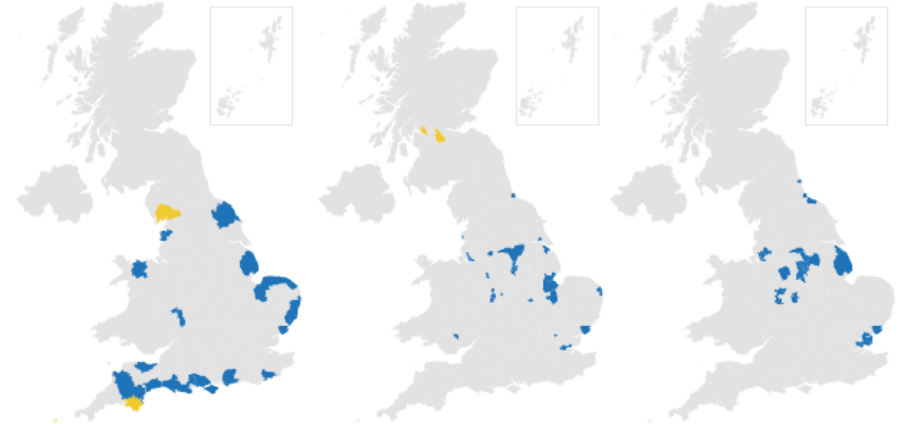


Of the 30 areas with the...

most elderly people,
27 voted Leave

fewest graduates,
28 voted Leave

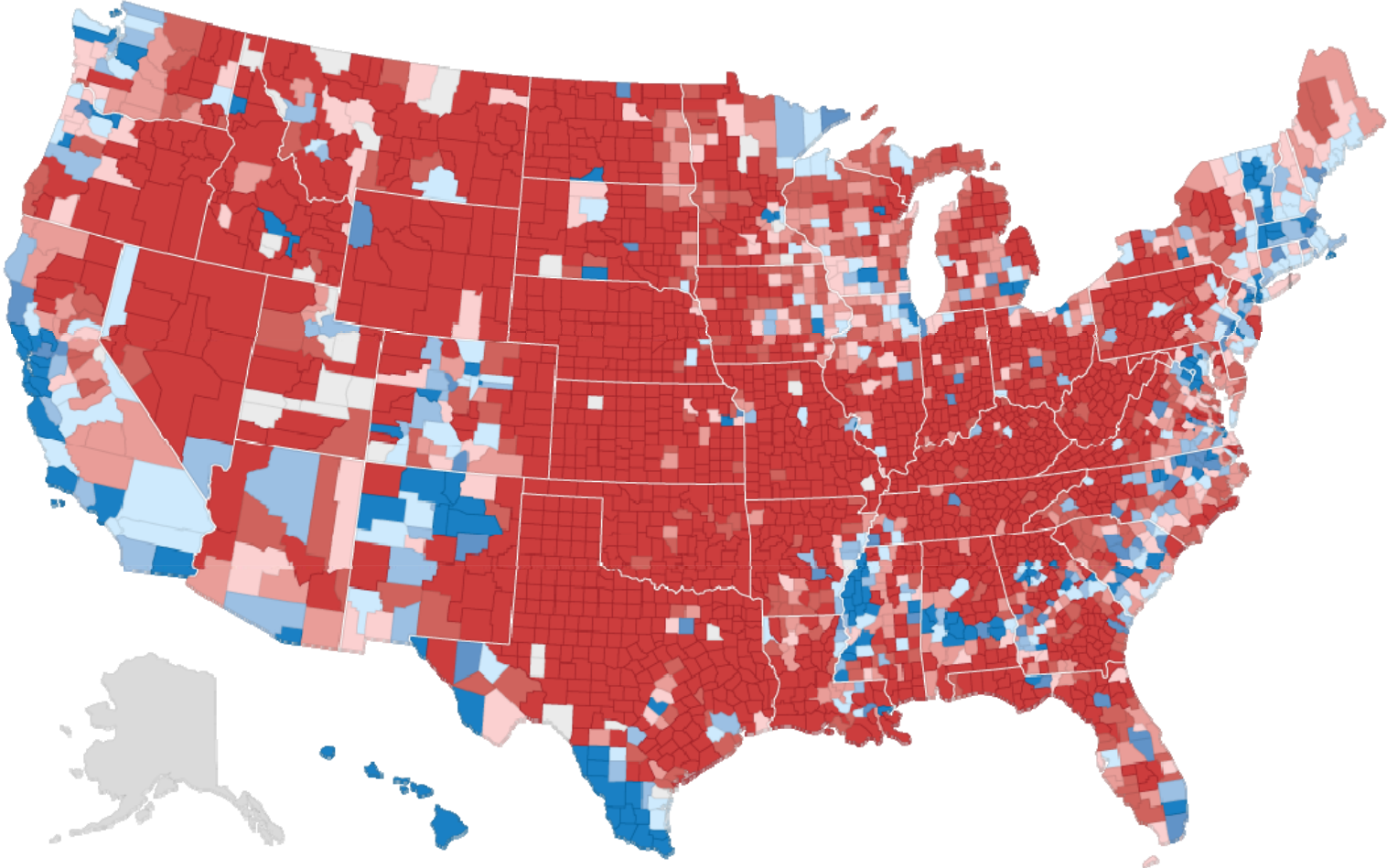
most people
identifying as English,
all 30 voted Leave



Source: Census 2011



TRUMP TRIUMPHS



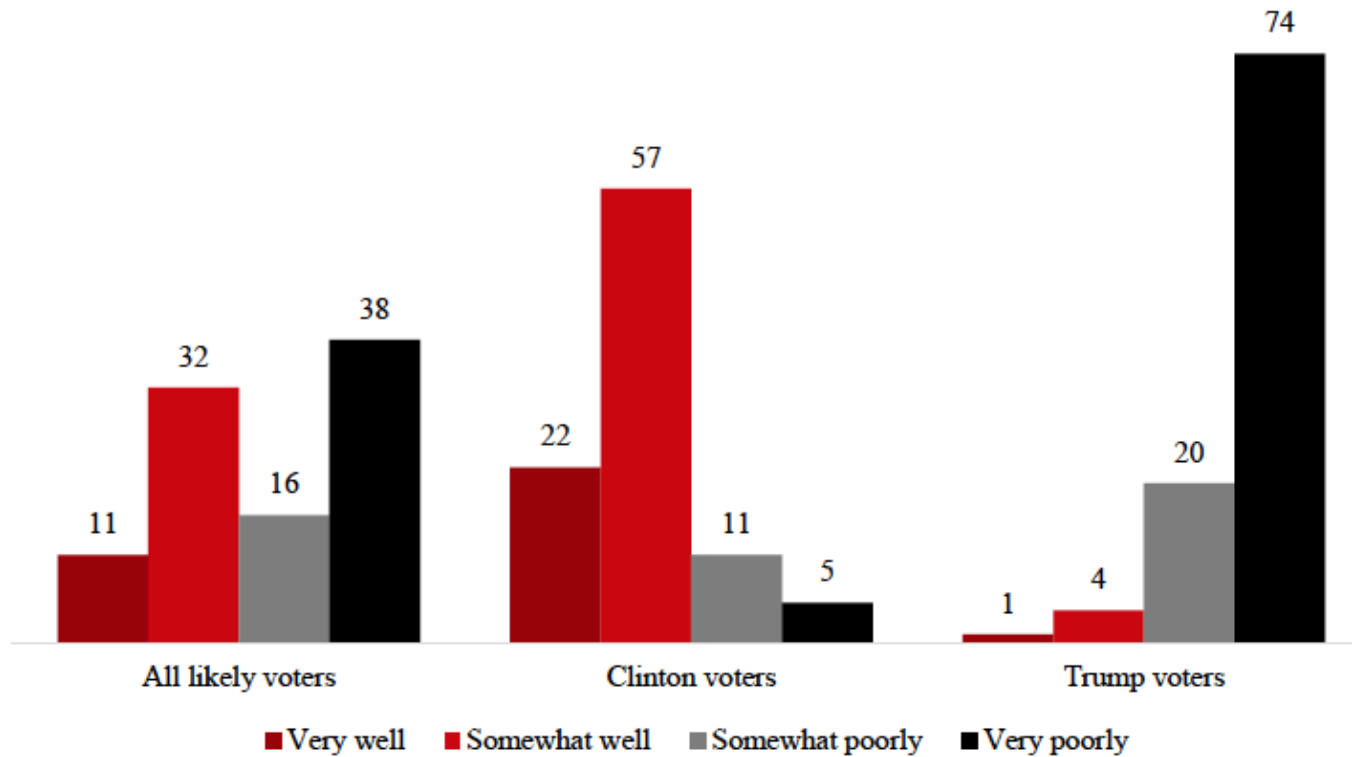
WHY TRUMP WON: “BREXIT PLUS, PLUS, PLUS”

Trump Won These Categories Convincingly:

•White	58%
•White without a college degree	67%
•Can bring needed change	83%
•Small, city or rural	62%
•Country seriously off track	69%
•Family financial situation worse today	78%
•Angry about how the federal government is working	77%
•Trade takes away jobs	65%
•Worse for next generation	63%
•Deport illegal immigrants	84%
•Support building a wall	86%

THE PARTISAN DIVIDE ON HEALTHCARE

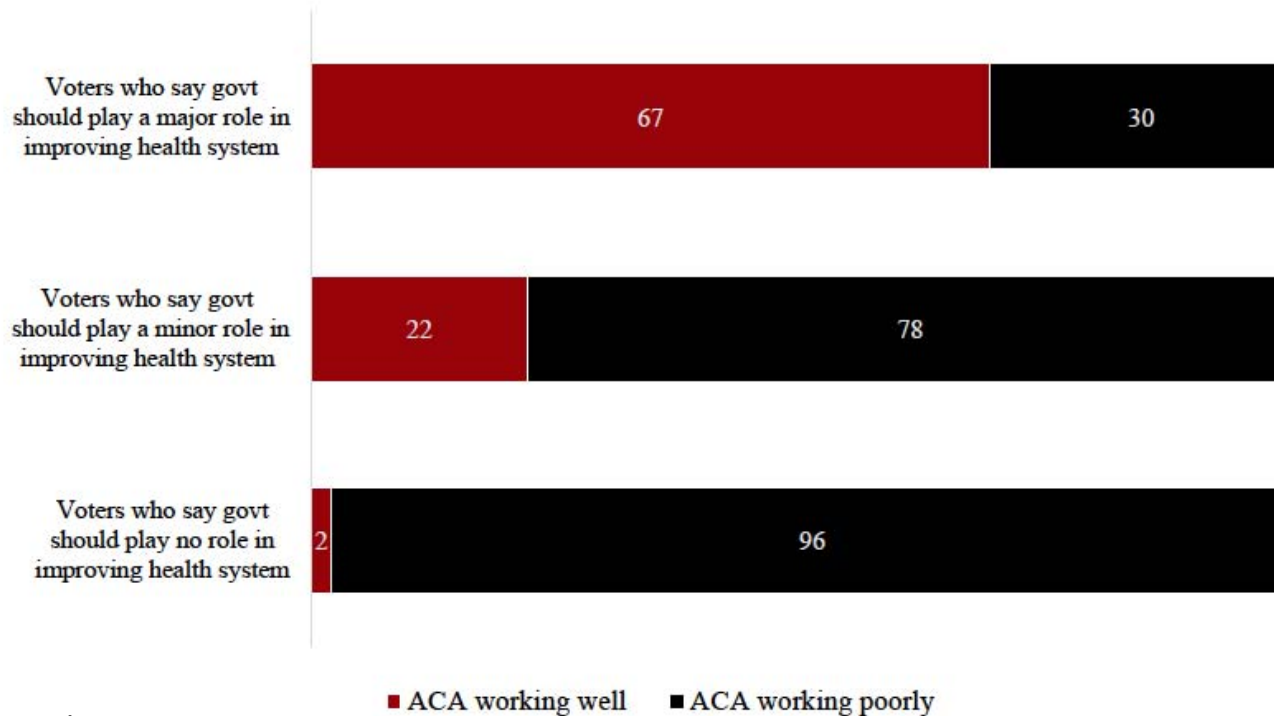
Figure 3:
Voters' Evaluations of How Well the ACA is Working



Source: Harvard/Politico October 2016

VIEWS ON ACA ARE BASED ON VIEWS ON GOVERNMENT ROLE IN IMPROVING HEALTHCARE SYSTEM

Figure 4:
Voters' Views of the ACA According to Beliefs About
the Role of Government in Improving U.S. Health System

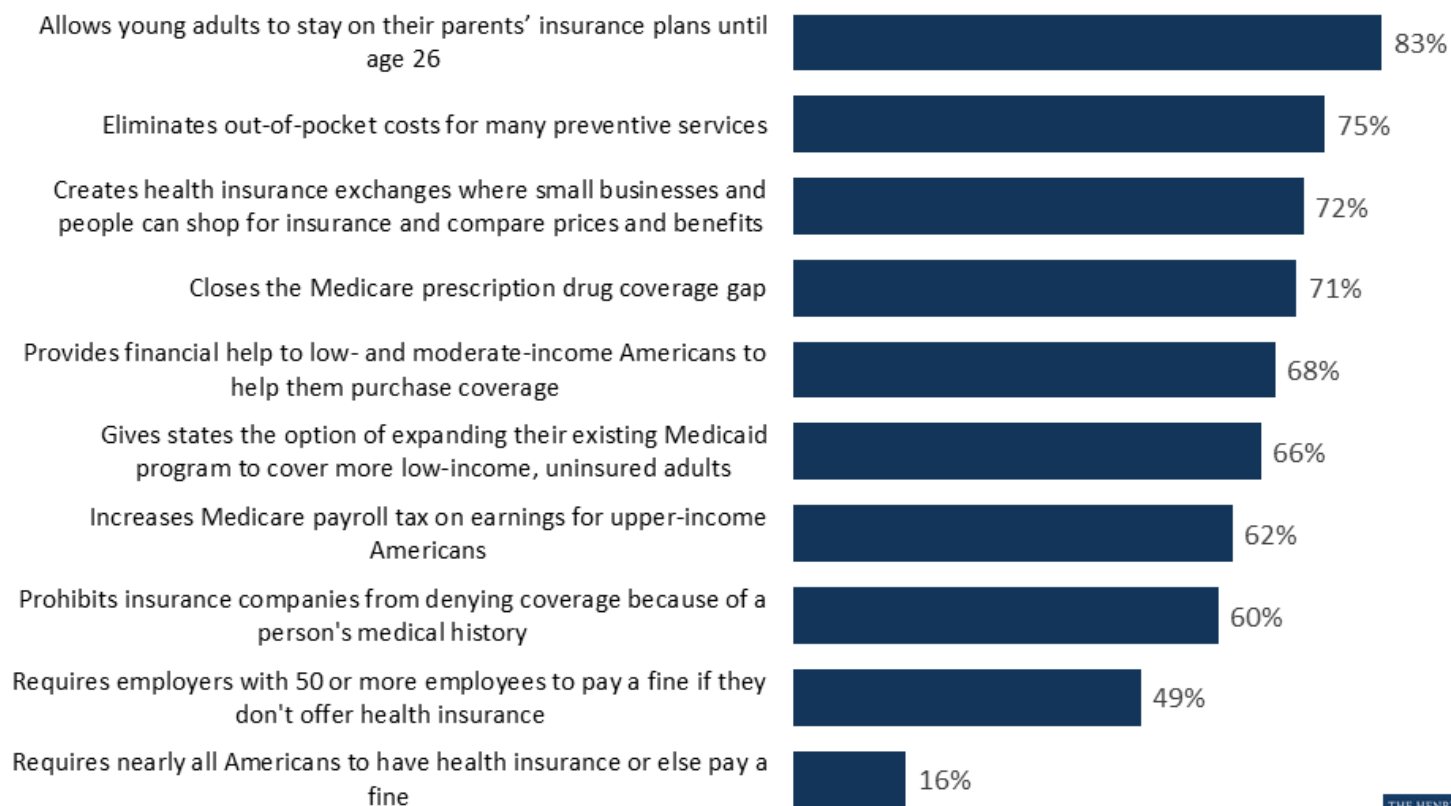


Source: Harvard/Politico October 2016

Figure 12

Majority of Trump Voters Have Favorable Opinion of Many ACA Provisions

AMONG TRUMP VOTERS: Percent who favor each of the following specific elements of the health care law:

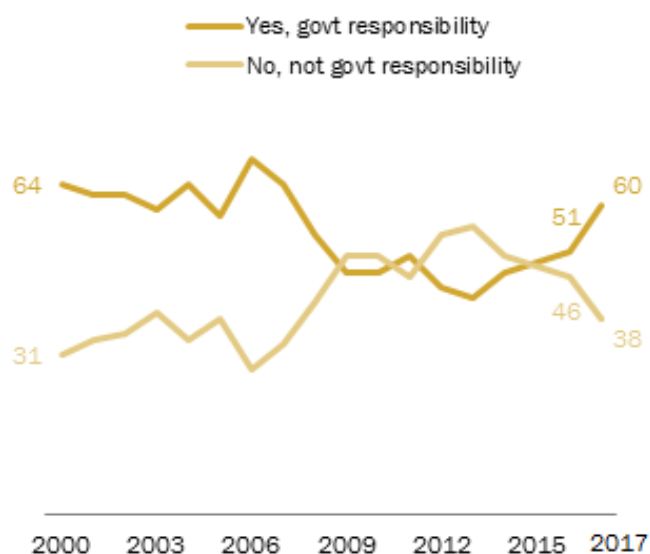


NOTE: Some items asked of half samples. Question wording abbreviated. See topline for full question wording.
SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted November 15-21, 2016)

RECENT SURPRISE UPTICK IN SUPPORT FOR FEDERAL GOVERNMENT ROLE ESPECIALLY AMONG LOWER INCOME REPUBLICANS

More Americans say federal govt has responsibility to ensure health coverage

Is it the responsibility of the federal government to make sure that all Americans have health care coverage? (%)

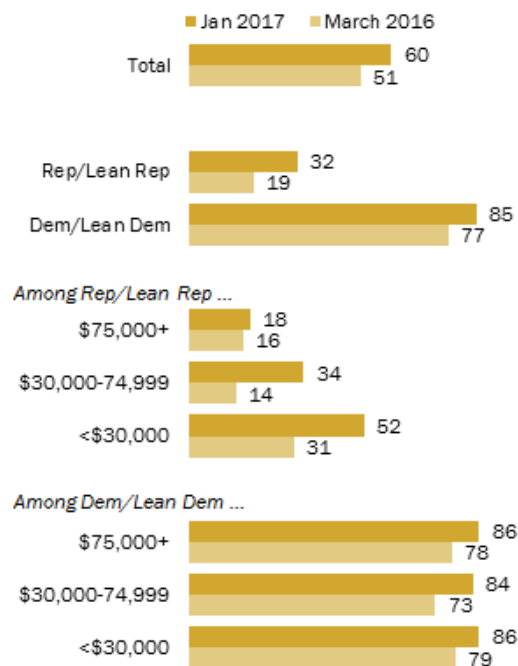


Notes: 2000-2013 data from Gallup.
Don't know response not shown.
Source: Survey conducted Jan. 4-9, 2017.

PEW RESEARCH CENTER

Lower-income Republicans increasingly favor govt role in health care coverage

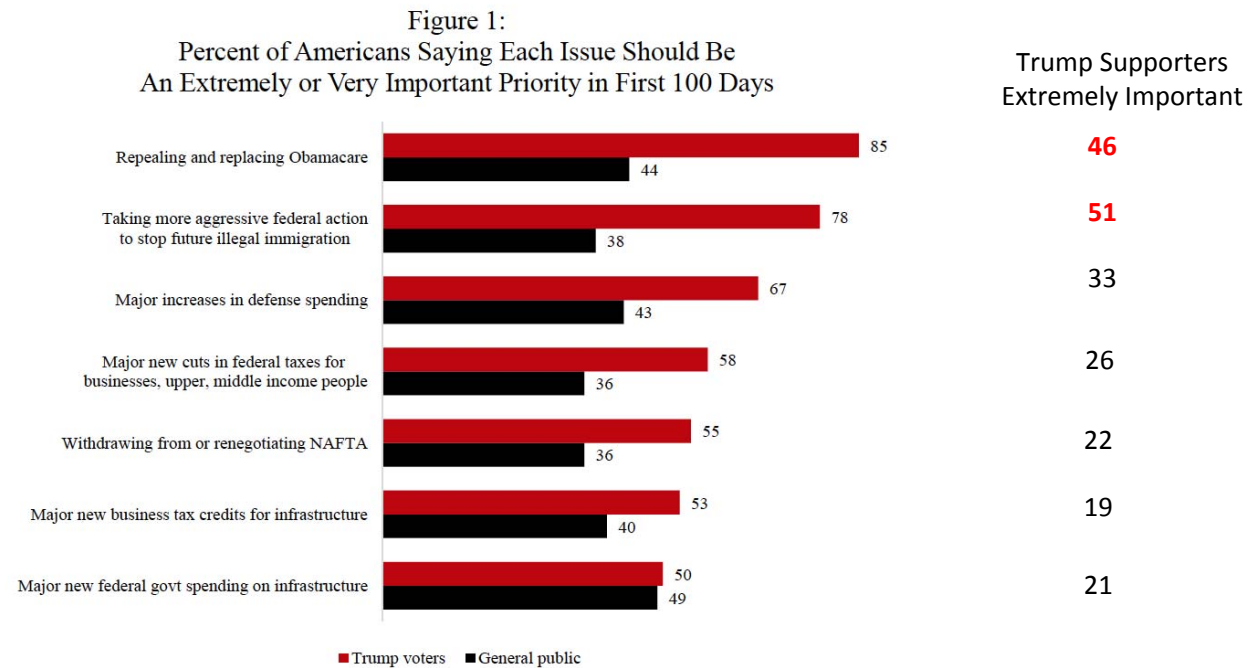
% who say it is the responsibility of the federal govt to make sure all Americans have health care coverage



Source: Survey conducted Jan. 4-9, 2017.

PEW RESEARCH CENTER

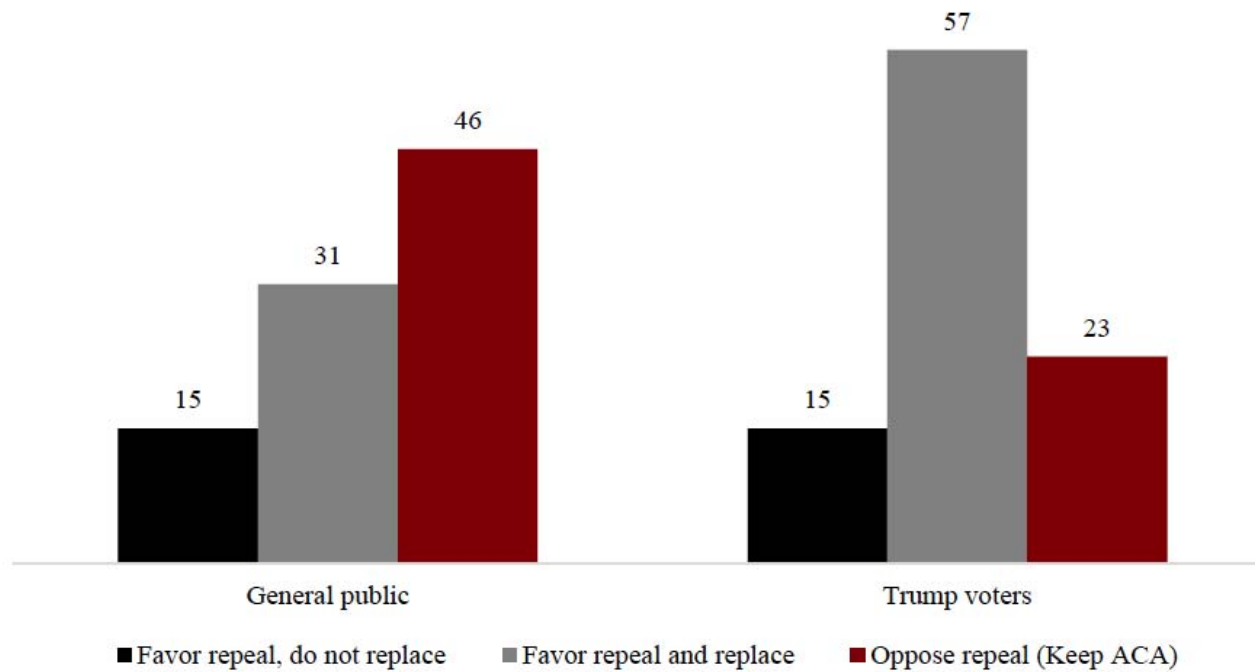
FIRST 100 DAY PRIORITIES



Source: Harvard/Politico January 2017

REPEAL AND REPLACE PREFERENCES

Figure 2:
Americans' Preferences for
Repealing, Replacing, or Keeping Obamacare



MAJOR CHANGES IN ACA WITH REPUBLICAN WIN: VIEW IN THE SUMMER

- Major structural changes to ACA – changed name
- End of mandates – individual/corporate
- Elimination or reduction of “Cadillac insurance tax”
- Establishing state pre-existing condition pools
- Less federal subsidies for uninsured and Medicaid
- More state discretion for Medicaid spending
- Less insurance regulation

TRUMP REFORM PRINCIPLES

- “Repeal and Replace....Simultaneously”
- “Everyone will be covered...we are not going to leave people in the streets”
- “We will keep the pre-existing conditions”
- “Pharma is getting away with murder”
- “I am not going to cut Medicare and Medicaid”
- “We’re going to have insurance for everybody,”
- People covered under his new plan “can expect to have great health care. It will be in a much simplified form. Much less expensive and much better.”

REPUBLICAN REFORM PRINCIPLES

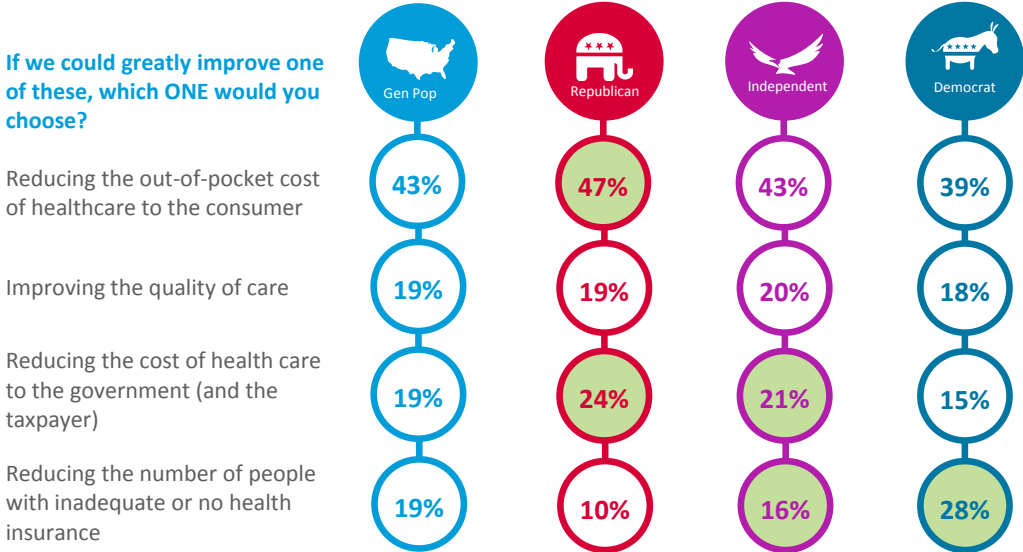
- Make Consumers Responsible
- Make States Responsible
- Make Price and Quality Transparent
- Make Insurance Cheaper
- Make it More Market Oriented with Less Regulations
- Make Medicare Modern (Maybe Later)
- Make Medicaid a Managed Care Program
- Make the Deficit and Debt Go Down
- But.....Don't get Rid of Guaranteed Issuance
- And don't throw 20 million off the insurance rolls

MAKE CONSUMERS RESPONSIBLE

- Financially through HSAs, tax credits, and high deductibles
 - Irony is that what unites all Americans is concerns about rising out of pocket costs
 - Trump supporters and exchange customers are resentful of even poorer people (often of color) getting “free” Medicaid
 - Tax credits are only aged based not income and geography based like Obamacare
- Behaviorally
 - “Skin in the Game” will make you more responsible. But we know that high deductible causes patients to forego care both necessary and unnecessary
- And link entitlements to work e.g. Indiana and Montana Medicaid

OUT OF POCKET COST CONCERNS ARE BIPARTISAN

Partisan Differences in Health Care Priorities



Prepared for: Strategic Health Perspectives

Base: All US Adults (n=10011 split sample), Party Affiliations (Republican n=2666, Democrat n=3328, Independent n=2826)

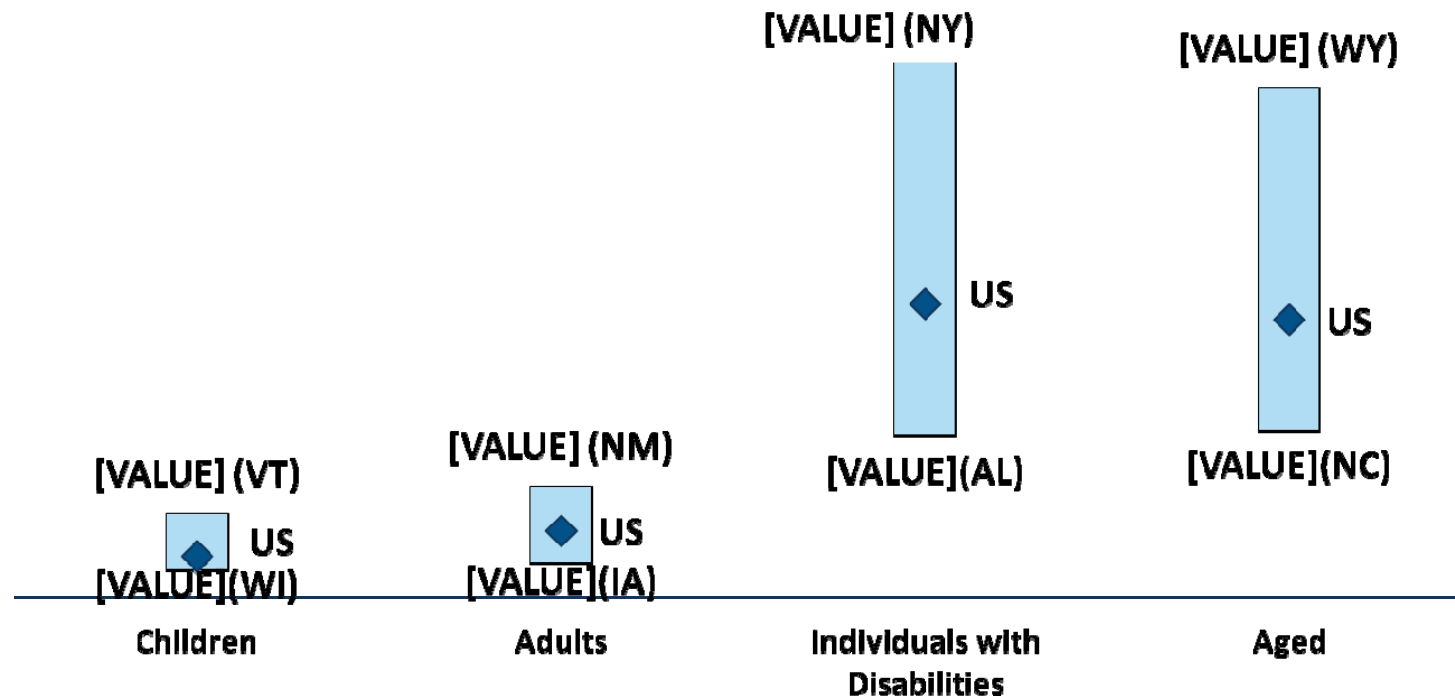
Source: Q60 If we could greatly improve one of these, which ONE would you choose?

MAKE STATES RESPONSIBLE

- Block Grants for Medicaid
 - States vary 5 to 1 on per enrollee spending (DC more than 10 to 1)
 - States vary 2 to 1 in per capita spending
 - 2/3 of the money goes to blind and disabled
 - Can 1332 Waivers give “Virtual Block Grant” flexibility?
- Less Federal Money
 - No one talks about Block Grants and More Money
- States have different Values
 - California
 - NY and Mass
 - Many Southern states preserve provider funding while lowering coverage
 - Some states like Texas may be better off others like California could be worse off

A PER CAPITA CAP COULD LOCK IN HISTORICAL STATE DIFFERENCES OR REDISTRIBUTE FEDERAL FUNDS ACROSS STATES

Per capita spending by enrollment group

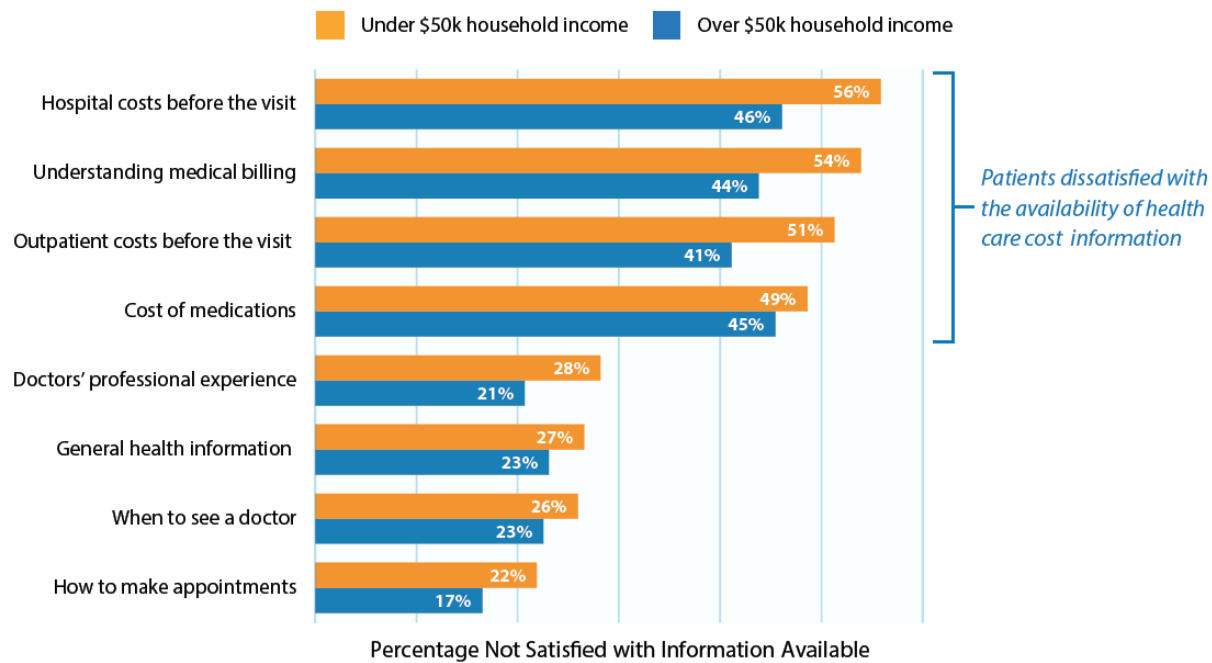


SOURCE: Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY 2011 MSIS and CMS-64 reports. Because 2011 MSIS data were unavailable, 2010 MSIS & CMS-64 data were used for Florida, Kansas, Maine, Maryland, Montana, New Mexico, New Jersey, Oklahoma, Texas, and Utah.

MAKE PRICE AND QUALITY TRANSPARENT

- Over-rated unless there are financial consequences
- Still hard to shop, even with information

Consumers Most Dissatisfied with Availability of Cost Information



NOTE: 95% Confidence interval is $\pm 2-3\%$. Variables include Q12_* by xLowIncome.

Source: Altarum Institute, Oliver Wyman, January 2017 www.altarum.org/RightPlaceRightTime

MAKE INSURANCE CHEAPER

- Cheaper for whom?
- More competition, maybe....
- Get Rid of the Lines
 - Health Insurance is regulated at the state level
 - Most Large National Carriers are Licensed in All States already
 - Key to cheaper is provider rates, or.....perhaps what is meant
 - Importing plan designs from states with less consumer protection , which has been tried in Georgia and a handful of states without material effect
- But the key is what is covered and how much providers are paid
 - Recent research and common sense suggest greater insurance market share leads to more clout of payers over providers

MAKE INSURANCE CHEAPER

- State High Risk Pools Cut off the tail of high spenders a tiny little bit but at a high cost
 - Tried at state level but never really worked only 200,000 covered at their peak
 - Federally funded temporary PCIP (pre-Existing Condition Insurance Pool) established 2011 was allocated \$5 billion
 - Each blew through the available money
 - Ryan Plan proposed \$2.5 billion per year, Price plan \$1 billion each are billions a year well short of meaningfully impacting average premiums
 - Maybe \$ 50 billion high risk pool funding would have an impact

MAKE INSURANCE CHEAPER

- Change the offering to “Remove the Frills”
 - Maternity and contraception but that discriminates further against women
 - What else do you cut from the Essential Health Benefits List? What is a frill?
 - Mental health?
 - Prescription Drugs?
 - Rehab services?

A HOUSE DIVIDED



“I don’t want to pay for your maternity and birth control”



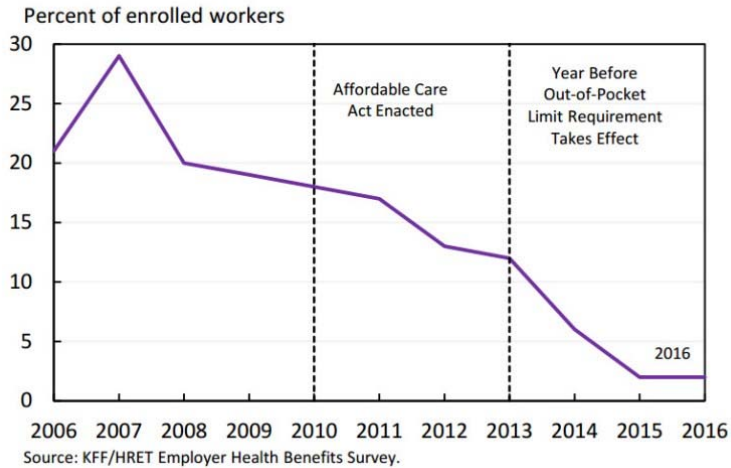
” I don’t want to pay for your prostate, your Viagra, or your F#*&ing motor cycle accidents”

MAKE INSURANCE CHEAPER

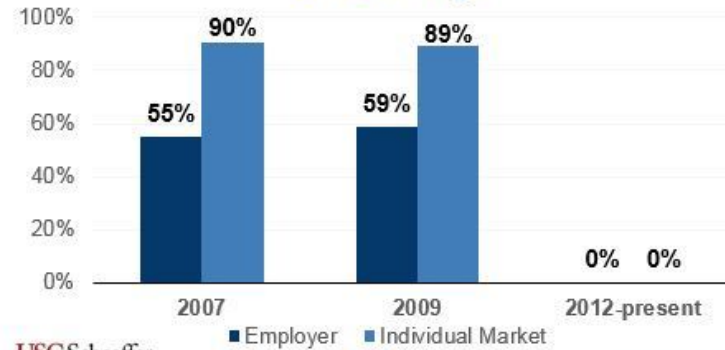
- Lower the Actuarial Value of the Plans
 - Copper, Pewter, Dirt.....
 - Mini-Meds
- Change the Age Bands
 - Move to 5 to 1 from 3 to 1 means even higher premiums for 60 year olds slightly cheaper for 30 year olds
- Remove Guaranteed Issuance (This is the Big One)
 - Reintroduce medical underwriting by changing definition of guaranteed issuance to maintenance of coverage
 - Allow short term plans that are still medically underwritten to qualify as coverage
- Remove Lifetime Caps
 - Before the ACA in 2009.... 59 percent of workers with employer-based coverage had a lifetime limit in 2009
 - Huge Issue for Quaternary Care and Academic Medical Centers

109 Million Americans would have Lifetime Limits if we returned to Pre-2009 Levels

Figure 10: Share of Workers in Employer-Based Single Coverage Without an Out-of-Pocket Limit



Share of Insured with Lifetime Limits on Coverage



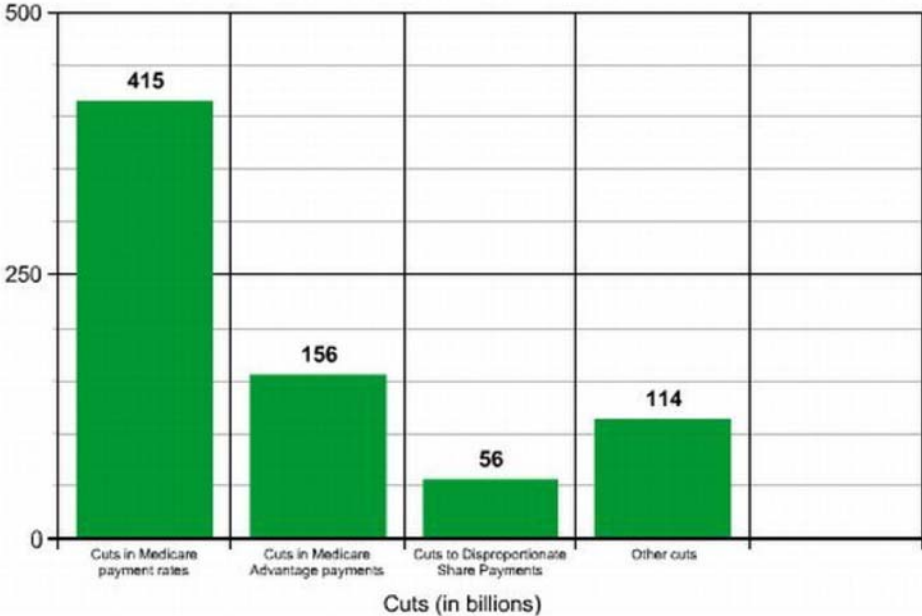
USC Schaeffer
Leonard D. Schaeffer Center
for Health Policy & Economics

Source: KFF/HRET, AHIP

BROOKINGS

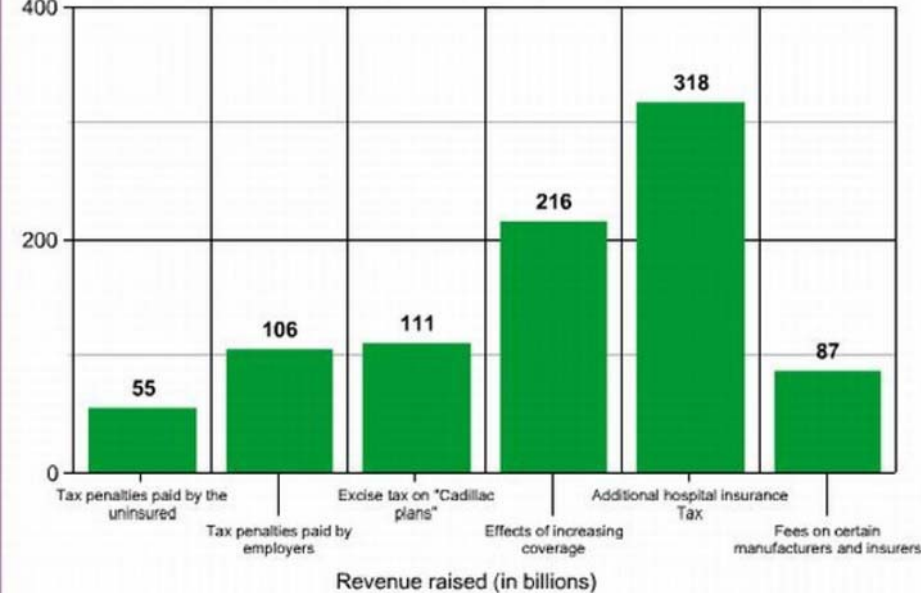
MAKE THE DEFICIT AND DEBT GO DOWN: Sources of Funds for Obamacare

Affordable Care Act Spending Cuts, 2013-2022



The Congressional Budget Office

Affordable Care Act Revenue Increases, 2013-2022



The Congressional Budget Office

REPEAL WITHOUT REPLACE ADDS TO DEFICIT

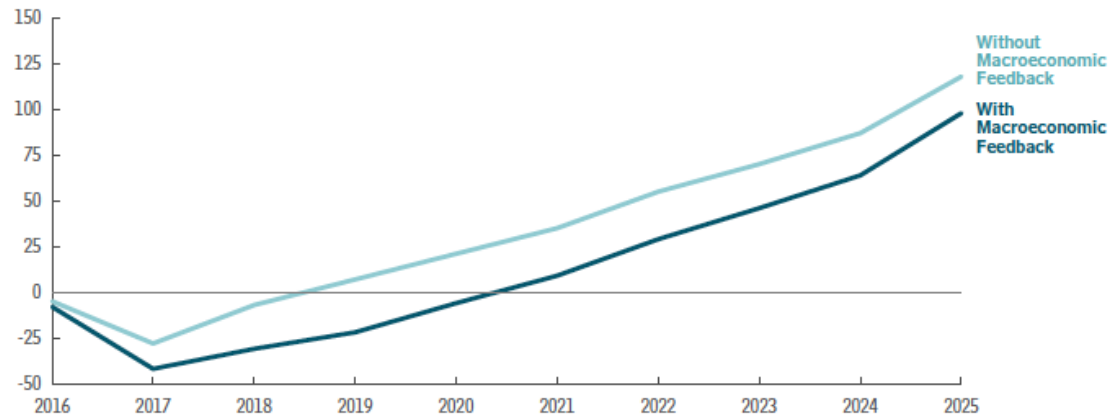
BUDGETARY AND ECONOMIC EFFECTS OF REPEALING THE AFFORDABLE CARE ACT

JUNE 2015

Figure 1.

Estimated Effects on Deficits of Repealing the Affordable Care Act

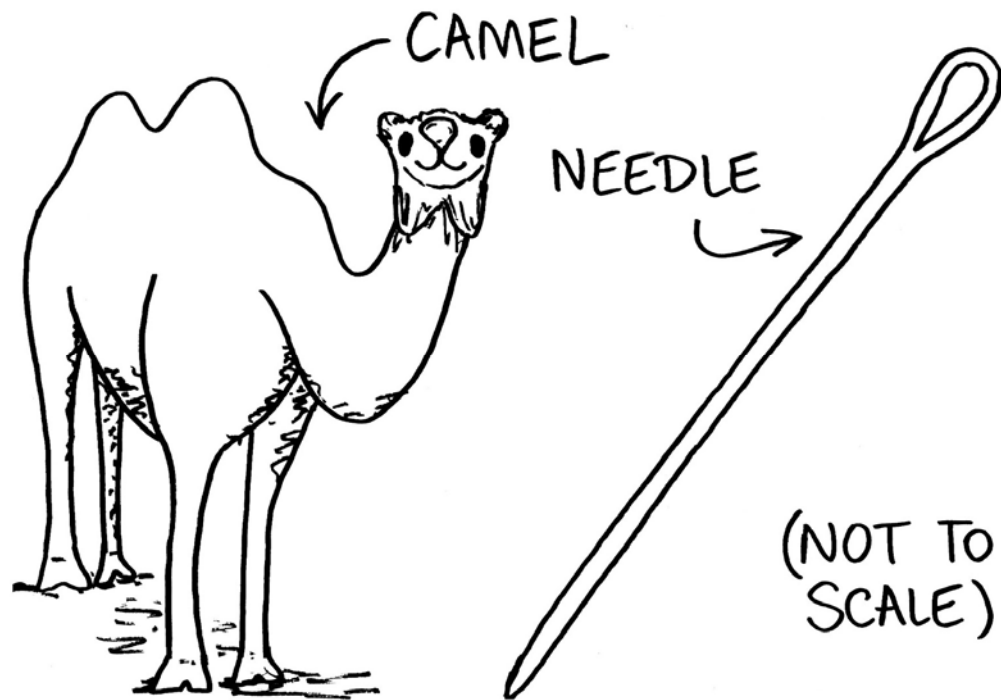
Billions of Dollars, by Fiscal Year



Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Note: The term "macroeconomic feedback" refers to the estimated effects on the federal budget that would arise from changes in economic output or other macroeconomic variables—such as changes in the number of hours that people work and in their aggregate compensation, which would change revenues, or changes in interest rates, which would change interest payments.

REPEAL AND REPLACE IS NOT EASY



WHAT WILL CHANGE: COVERAGE

- Repeal and Replace.....In steps
- Will Democrats fight or Co-operate in a fix through Repeal and Delay?
- More Market Oriented less Heavy Handed Regulation, no matter what
- More discretion to states
- Will coverage of 20 million be significantly eroded by 2020, as many as 32 million according to CBO?
- “You Break It, You Own it”
- Will rich people continue to write a check for poor people? Will subsidies survive?
- Will Exchanges Survive? You can have subsidies without exchanges, and you can exchanges without subsidies, but how would they work?
- Consumers will pay more out of pocket, even poor people especially if tax credits are a third the costs of care and tax credits are age based not income based
- Guaranteed Issuance preserved but how if mandates are removed?
- Fragile individual market, and small group inflation: What to do?

WHAT MAY NOT CHANGE: PAYMENT AND DELIVERY REFORM

- Shift from volume to value
- MACRA
- Bundled Payments
- Payment reform in public and private sector
- Managed Medicaid, but more state flexibility
- Increased transparency on cost and quality
- Medicare Advantage growth
- Consolidation
- Population health and continuum of care

**REPEAL AND REPLACE IS LIKE BREAKING UP THE BEATLES:
JUST KEEP GEORGE AND RINGO AND EXPECT IT TO SOUND GOOD**

Taxes and Fees Raised
Mandates



Subsidies to Medicaid and
Exchanges

Guaranteed Issuance

Stay on Parents Plan

REPEAL AND REPLACE:

HIGH UNCERTAINTY AND POSSIBLE RAPID LEGISLATIVE CHANGES

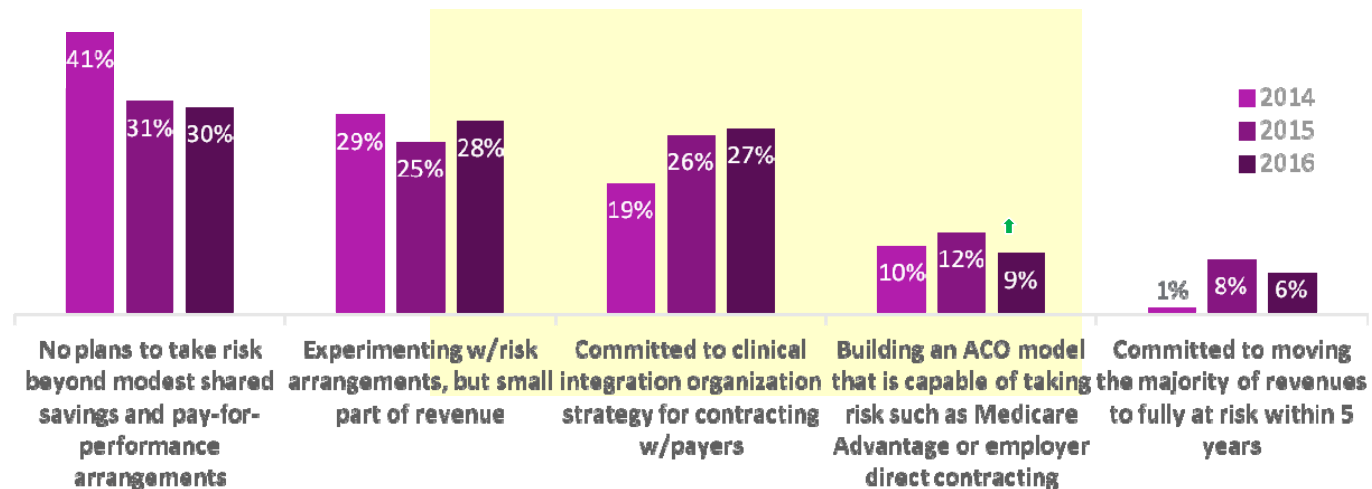
- “Don’t substitute error for uncertainty” Roy Amara
- Who is the boss?
- Trump and Republican Congress will try to deliver Repeal and Replace in three to five steps
 - Budget reconciliation set up is done
 - Executive Orders signal stopping or slowing regulations
 - Repeal using budget reconciliation of all “tax and spending related provisions” but not come into effect until 2019, after the 2018 elections.
 - Try to pass the replace part in time to be able to fill the gap left by ACA repeal. This part will be tough: the word chaos is mentioned a lot
 - May involve a series of “sidecar” bills
- The Beatles Metaphor is real
 - “All you are left with is Ringo” Chris Jennings
 - “Republican policies are ideologically coherent, they just aren’t actuarially coherent.” Ian Morrison

RISK-BEARING STRATEGIES VARY CONSIDERABLY

SHP HOSPITALS 2016

Hospitals committing to clinical integration for contracting w/ payers, but full risk only for the few

Hospital Risk Management Strategy



Base: All Hospital-Based Execs (2016: n=205; 2015: n=200; 2014: n=202)

Q980: Which of the following best describes your hospital's/hospital system's "risk bearing" strategy?

IMPLICATIONS

- Shallow Pocketed Consumers will do even worse in the new era of wholly inadequate tax credits for shitty insurance that doesn't cover anything
- Providers (especially in expansion states) will struggle to make up difference in loss of federal dollars from private sources
- Employers will have to step up their game to prevent against the costs shift from providers and make up for the loss in tax deductibility
- ACOs have to start really working though significant cooling of appetite for risk among providers
- Bundles continue (maybe less mandatory), but field wants clarity fast
- MACRA still going but probably slowed down
- All in all, it will be amazing, amazing, amazing

THANK YOU

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