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

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

2014

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

2015

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


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.
ELECTIONS MATTER
BREXIT OR BLOWOUT?
SCOTLAND, NORTHERN IRELAND AND LONDON VOTED TO REMAIN

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

How different age groups voted

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Leave</th>
<th>Remain</th>
</tr>
</thead>
<tbody>
<tr>
<td>18–24</td>
<td>27%</td>
<td>73%</td>
</tr>
<tr>
<td>25–34</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>35–44</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>45–54</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>55–64</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>65+</td>
<td>60%</td>
<td>40%</td>
</tr>
</tbody>
</table>

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%

Source: 2016 Official Exit Polls
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

<table>
<thead>
<tr>
<th>Belief About Government Role in Improving Health System</th>
<th>ACA Working Well</th>
<th>ACA Working Poorly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voters who say govt should play a major role in improving health system</td>
<td>67</td>
<td>30</td>
</tr>
<tr>
<td>Voters who say govt should play a minor role in improving health system</td>
<td>22</td>
<td>78</td>
</tr>
<tr>
<td>Voters who say govt should play no role in improving health system</td>
<td>2</td>
<td>96</td>
</tr>
</tbody>
</table>

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:

- Allows young adults to stay on their parents’ insurance plans until age 26: 83%
- Eliminates out-of-pocket costs for many preventive services: 75%
- Creates health insurance exchanges where small businesses and people can shop for insurance and compare prices and benefits: 72%
- Closes the Medicare prescription drug coverage gap: 71%
- Provides financial help to low- and moderate-income Americans to help them purchase coverage: 68%
- Gives states the option of expanding their existing Medicaid program to cover more low-income, uninsured adults: 66%
- Increases Medicare payroll tax on earnings for upper-income Americans: 62%
- Prohibits insurance companies from denying coverage because of a person’s medical history: 60%
- Requires employers with 50 or more employees to pay a fine if they don’t offer health insurance: 49%
- Requires nearly all Americans to have health insurance or else pay a fine: 16%

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? (%)

- Yes, govt responsibility
- No, not govt responsibility


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

- Jan 2017
- March 2016

- Total
- Rep/Lean Rep
- Dem/Lean Dem

Among Rep/Lean Rep...

- $75,000+
- $30,000-74,999
- <$30,000

Among Dem/Lean Dem...

- $75,000+
- $30,000-74,999
- <$30,000

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

Pew Research Center
FIRST 100 DAY PRIORITIES

Figure 1: Percent of Americans Saying Each Issue Should Be An Extremely or Very Important Priority in First 100 Days

- Repealing and replacing Obamacare: Trump voters 44, General public 85
- Taking more aggressive federal action to stop future illegal immigration: Trump voters 38, General public 78
- Major increases in defense spending: Trump voters 43, General public 67
- Major new cuts in federal taxes for businesses, upper, middle income people: Trump voters 36, General public 58
- Withdrawing from or renegotiating NAFTA: Trump voters 36, General public 55
- Major new business tax credits for infrastructure: Trump voters 40, General public 53
- Major new federal govt spending on infrastructure: Trump voters 50, General public 49

Source: Harvard/Politico January 2017
REPEAL AND REPLACE PREFERENCES

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

Source: Harvard/Politico January 2017
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

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

- Reducing the out-of-pocket cost of healthcare to the consumer
  - Gen Pop: 43%
  - Republican: 47%
  - Independent: 43%
  - Democrat: 39%

- Improving the quality of care
  - Gen Pop: 19%
  - Republican: 19%
  - Independent: 20%
  - Democrat: 18%

- Reducing the cost of health care to the government (and the taxpayer)
  - Gen Pop: 19%
  - Republican: 24%
  - Independent: 21%
  - Democrat: 15%

- Reducing the number of people with inadequate or no health insurance
  - Gen Pop: 19%
  - Republican: 10%
  - Independent: 16%
  - Democrat: 28%

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

<table>
<thead>
<tr>
<th>Service</th>
<th>Under $50k household income</th>
<th>Over $50k household income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital costs before the visit</td>
<td>46%</td>
<td>56%</td>
</tr>
<tr>
<td>Understanding medical billing</td>
<td>44%</td>
<td>54%</td>
</tr>
<tr>
<td>Outpatient costs before the visit</td>
<td>41%</td>
<td>51%</td>
</tr>
<tr>
<td>Cost of medications</td>
<td>41%</td>
<td>49%</td>
</tr>
<tr>
<td>Doctors' professional experience</td>
<td>21%</td>
<td>28%</td>
</tr>
<tr>
<td>General health information</td>
<td>23%</td>
<td>27%</td>
</tr>
<tr>
<td>When to see a doctor</td>
<td>23%</td>
<td>26%</td>
</tr>
<tr>
<td>How to make appointments</td>
<td>17%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Percentage Not Satisfied with Information Available

NOTE: 95% confidence interval is ±2-3%. Variables include Q12_*. Variables include 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

Source: KFF/HRET, AHIP
MAKE THE DEFICIT AND DEBT GO DOWN:
Sources of Funds for Obamacare
REPEAL WITHOUT REPLACE ADDS TO DEFICIT

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

(CAMEL)

(NEEDLE)

(NOT TO SCALE)
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

Guaranteed Issuance

Subsidies to Medicaid and
Exchanges

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

Hospitals committing to clinical integration for contracting with 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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