U.S. Health Care Reform: *Will it rise from the ashes?*

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Purposes of this Presentation

- Summary of ACA and Conservative reform efforts
- Review of current health care challenges
- Discuss why health care reform is so difficult
- Discussion and questions/answer
HEALTH CARE REFORM
(SUPPOSITORY)
Health care reform has a long history

- Health care reform efforts (of varying enthusiasm) have been attempted by four (Bush Sr., Clinton, Obama and Trump) of the last five presidential administrations.
- A widely accepted “solution” remains elusive.
- Health care reform is highly politicized.
- Health care is big, big business in the U.S. with many highly invested interest groups working at cross purposes.
- Not clear that the American public really supports change and reform (or even knows what reform would mean).
- Not clear that there is a consensus vision for what the U.S. health care system should look like.
Basics of the ACA
Basics of the ACA

- ACA is organized by 10 Titles, each focusing on different aspects of health care reform
- Length and complexity of the bill is attributable to pilot projects and experimentation related to reducing costs while increasing value
- Major provisions are:
  - Private insurance industry reforms
  - Individual mandates for health insurance
  - Private risk pooling and purchasing groups (Health Insurance Exchanges) to facilitate insurance coverage increase
  - Private insurance subsidies and Medicaid expansions to increase insurance coverage
  - Initiatives to “bend” the U.S. health care curve through a range of alternative models
Conservative Approach to Healthcare

• Conservative approach relies on market competition to lower costs and increase options

• American Health Care Act versions generally focused on the following concepts:
  – Preserve insurance market reforms
  – Replace pre-existing condition mandate with continuous coverage mandate
  – Replace federal premium subsidies with more general (and net lower) tax credits
  – Replace Medicaid expansion with state block grants
  – Remove/scale back benefit package requirements
  – Personal Health Savings Accounts with tax savings
Conservative Approach to Healthcare

- Continuous coverage mandate
  - Might be successful in compelling healthier individuals to keep health insurance
  - However, as seen with the individual mandate, success may depend on the magnitude of the penalties and the affordability of coverage

- Repealing federal premium subsidies and Medicaid expansion
  - According to CBO, would have a negative impact on insurance coverage
  - Uninsured would rise to 14 million in 2018 (before full repeal)
  - Uninsured would rise to 21 million in 2020
  - Lowers federal spending, but does not reduce costs per se
  - Likely impact is return to uncompensated care, private insurance cost shifting
Conservative Approach to Healthcare

- Uncertain impact on lowering costs
  - Market competition has not generally proven effective in lowering costs
  - Areas with small population, higher than average health risks are unlikely to attract sufficient insurer entrants to drive competition

- Repeal of mandated benefits
  - May lower premiums in some areas for some services
  - Lowest premium products tend to be associated with catastrophic only policies rather than lower costs
  - Catastrophic policies tend to be poorly understood by consumers

- Health Savings Accounts
  - Can assist consumers in paying health care with pre-tax dollars
  - Has greatest financial benefit to those in high tax brackets
  - Even accounts that accrue value of premiums ($5K to $10K) may not go far in paying major medical expenses
THE WALKING DEAD

...Your... premiums... are... going... up... next... year...

It's all over, but he just doesn't know it yet.
Will U.S. health care reform rise again?

- We don’t have a real plan on how to reduce costs
- Reform concepts with promise – including health information technology applications – need time to mature/demonstrate their business case
- Many Americans may not really want a different health care system (even if they should)
- We continue to focus on market based approaches without consistent evidence health care can operate successfully as a commodity
- Like the stock market, health care markets are impacted by perceptions……and there are a lot of them out there
- We don’t have consensus on what a reformed health care systems should achieve
Bending the U.S. Cost Curve

Per capita personal health care spending by state of residence, calendar year 2014.

David Lassman et al. Health Aff

©2017 by Project HOPE - The People-to-People Health Foundation, Inc.
Bending the U.S. Cost Curve

- ACA mostly relies on market-based strategies (the Marketplaces/Exchanges) to leverage plan competition
- Provider incentives (rather than regulation and mandates) are the primary strategy behind accountable care organizations, medical homes and other value based purchasing
- A wide range of provisions supporting pilot projects to test the impact of value-based purchasing, accountable care organizations, care coordination, consumer directed care and other models to use market forces to control costs
- Neither ACA nor conservative reform proposals have government price setting used to control costs
Bending the U.S. Cost Curve

• On a macro-level, some success
  – U.S. National Health Accounts, savings of about $2.6 trillion on health care expenses over a five-year period (2014-2019) compared to initial projections
  – **Reductions in growth rather than lower costs/expenditures**
    – Average annual growth rate from 2010 to 2013 was about 3.6% compared to the 5.4% that had been projected in 2010
    – Some signs of savings noted through ACA supported alternative models (ACOs, other innovative models)
• For individuals, costs may have appeared to go up
  – Competition within the exchanges aren’t lowering premiums in most areas
  – Enrollees accustomed to catastrophic plans see higher premiums (and didn’t necessarily understand/value improved benefits
  – Sluggish economy post 2008 also contributed to lower spending….but didn’t reflect improvements in efficiency
MEANINGFUL USE

Dr. Jones successfully updates his Facebook status on rounds

(c) GiggleMed.com
Doctors’ Tablet Use Almost Doubles in 2012

an Apple a day keeps the doctor away
Health Care Innovations Need Time to Mature

• Use of health information technology functionalities are increasing,
  – driven by pay-for-performance, quality reporting, meaningful use and MACRA

• Adoption of EHRs and other HIT are higher in hospitals and large provider practices
  – Still, most US primary care practices are small and EHRs are a major (sometimes unaffordable) expense

• Patients tend to like some functionalities (patient portals) but resist others (physicians on tablets during visits)
Health Care Innovations Need Time to Mature

- HIT continues to face challenges.
- Policy makers love HIT and EMRs. Physicians largely do not.
  - Resistance is based on additional time spent ‘away’ from patients
  - Systems are costly and not clinically intuitive
  - Basic EMRs do not necessarily support the analytics that would provide greater value in the eyes of clinicians
  - Data are often not as timely as clinicians want
  - Data exchanges and interoperability are not expanding quickly
We need to reduce costs but aren’t really willing to do much different

- Fee for service is still a dominant payment model
- Alternative payment models show some promise
  - But so far savings from ACOs and other alternatives are modest
  - Burden of change tends to be on health care providers
  - Investments in game changing ideas and technology are limited
  - Patients/consumers have little ‘skin in the game’
- Models that may reduce costs are currently unpalatable (and therefore, untried)
  - Despite rapid increases in prescription drug prices, price bargaining by Medicare (the world’s largest health insurer with the most market power) remains a controversial concept
  - “Public” insurance option that would create a large risk pool across state lines and low-cost benchmark against which private insurer would have to compete
Market based solutions may not be the best solution for health care

- In order for market competition to be effective in controlling costs and providing value, health care has to operate as a commodity
- Health care may not operate like a commodity
  - Little evidence that patients can choose medical services based on price, convenience and value
  - Consumers lack the information to make choices
  - Consumers generally don’t know when health care is high “value” for them
  - Even with information, individual patients are (at best) mediocre health care consumers
- Policy makers want to give consumers more choice, options and freedom
  - A number of surveys suggest patients want quality, convenient care at a low cost
SLOWPOKE

IF BUYING BROCCOLI WERE LIKE BUYING HEALTH INSURANCE

BECAUSE SOME SUPREME COURT JUSTICES CAN'T SEEM TO TELL THE DIFFERENCE.

BROCCOLI!

BROCCOLI!

BEWILDERING JARGON

STALK PAY... $0
SPROUT RIDER... $200
FLORET FEE... $50
CRUCIFEROUS SUBTRACTER... $100

HIGH-RISK BROCCO-POOL

YOU MIGHT NEED A LOT OF BROCCOLI SOMEDAY. SO THAT’LL BE $500 A HEAD.

HOW MUCH IS THIS?

DENIAL OF VEGETABLE

I’M SORRY, MA’AM. YOU CAN’T BUY THAT BECAUSE YOU HAVE PRE-EXISTING CHLOROPHILIA.

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Power of Perceptions

• The health care market is influenced by both policy reality and perception
• Perceptions of “instability” in policy is potentially damaging to the way market based health care can operate
  – Competing health care plans – both for profit and not for profit – plan benefit, premiums and market locations more than a year in advance
  – Lack of clarity on policy influences those decisions and contributes significantly to market instability
  – Market instability generally increases the cost of doing business
• No current evidence that ACA exchanges will soon “explode” but simply the perception that they might – or may have premium subsidies withheld -- may have a serious negative impact
We don’t agree on what we want

- The ACA had a primary goal of reforming health care industry practices and increasing insurance coverage
  - But even the “Affordable Care Act” was very thin on specific policies to control expenditures and make health care more affordable
  - In the end, inability to control costs and premiums is a major weakness
- The AHCA had few clear health policy goals
  - Major provisions were aimed at repealing Obamacare rather than a clear alternative vision
Things to think about……

• What are the most important goals to achieve in the next round of health care reform?
  – Reduced health care costs?
  – Reduced health care premiums?
  – More consumer choice?
  – Fewer, simpler consumer options?
  – Higher rates of insurance coverage?
  – Less dependence on government subsidies?
  – Investments in technology and HIT? Or a return to clinically driven medicine?

• Is preservation of a market-based system a central goal? Or is a lower cost system of equal value?

• It’s hard to pick the right path if we don’t know where we want to go