2016
HOT ISSUES
IN HEALTH CARE

colorado health
INSTITUTE

#HIHC16

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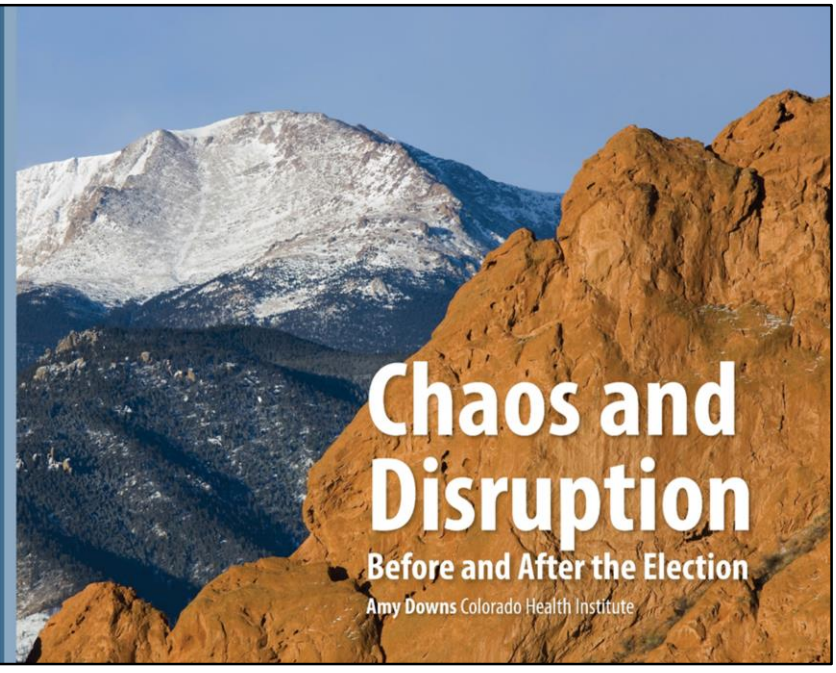
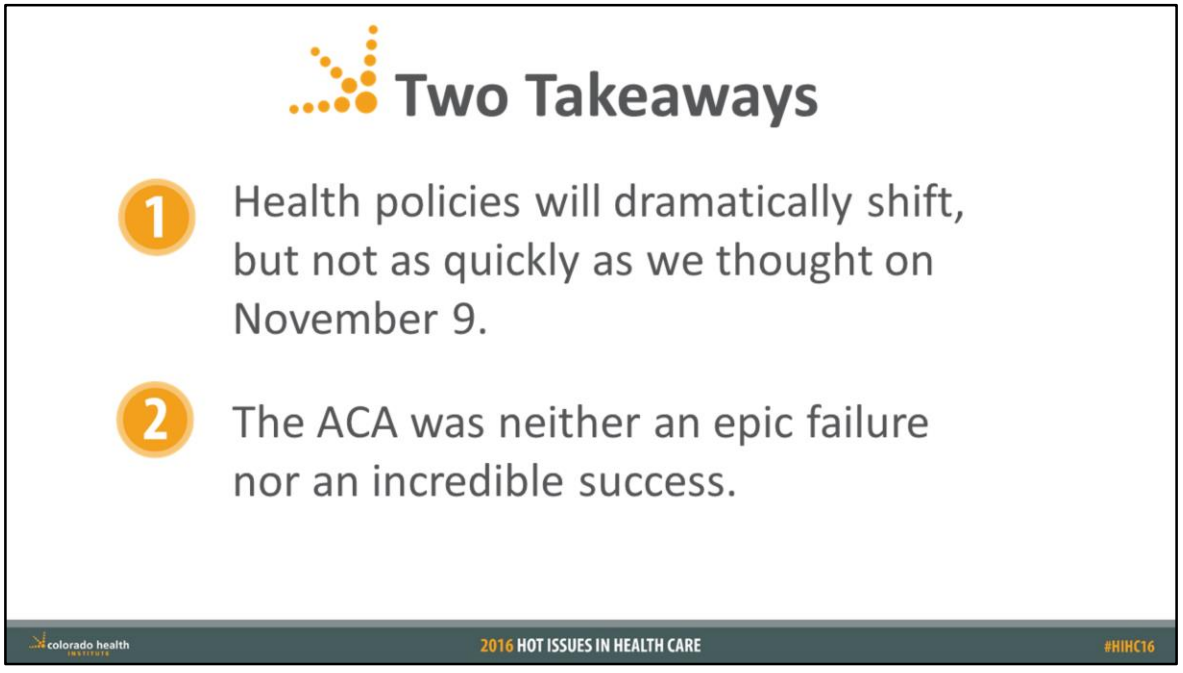


Chaos and Disruption

Before and After the Election

Amy Downs Colorado Health Institute



Presentation can be summed up by these two major takeaways.

1. With the new Trump administration, we expect big changes in health policy. But those changes will likely not occur as quickly as we thought on November 9th, the day after the election. I'll talk about what we expect in Medicare, Medicaid and the private insurance market .

2. There is almost no issue as divisive as the Affordable Care Act among the electorate. I'll give you the facts on why it was neither an epic failure nor an incredible success and explain how proponents lost control of the ACA narrative.

At CHI we continue to believe that facts and objective analysis are more important than ever, as we struggle to find common ground and bi-partisanship in a polarized nation.

During the election there were a lot of issues that Trump and Republican establishment disagreed on.

But one item in which they were lock step is repeal of the ACA also known as Obamacare.

Animation: Trump's intentions to either repeal or overhaul the law were made clear by his appointment of Tom Price to lead the Department of Health and Human Services.

Animation: Seema Verma has been chosen to lead the Centers for Medicare and Medicaid Services. She is a consultant who helped overhaul the Indiana Medicaid program to introduce much more free market and conservative principles. Indiana's Medicaid program is known as the most significant departure from traditional Medicaid ever approved by CMS.

Of course, there is also Paul Ryan, the Speaker of the House, who has set his sights on repealing the ACA; overhauling Medicare; and running for President one day.

So what can you expect?

Expect these other folks, not Donald Trump, to be front and center on health policy changes.

Their guiding principles will be:

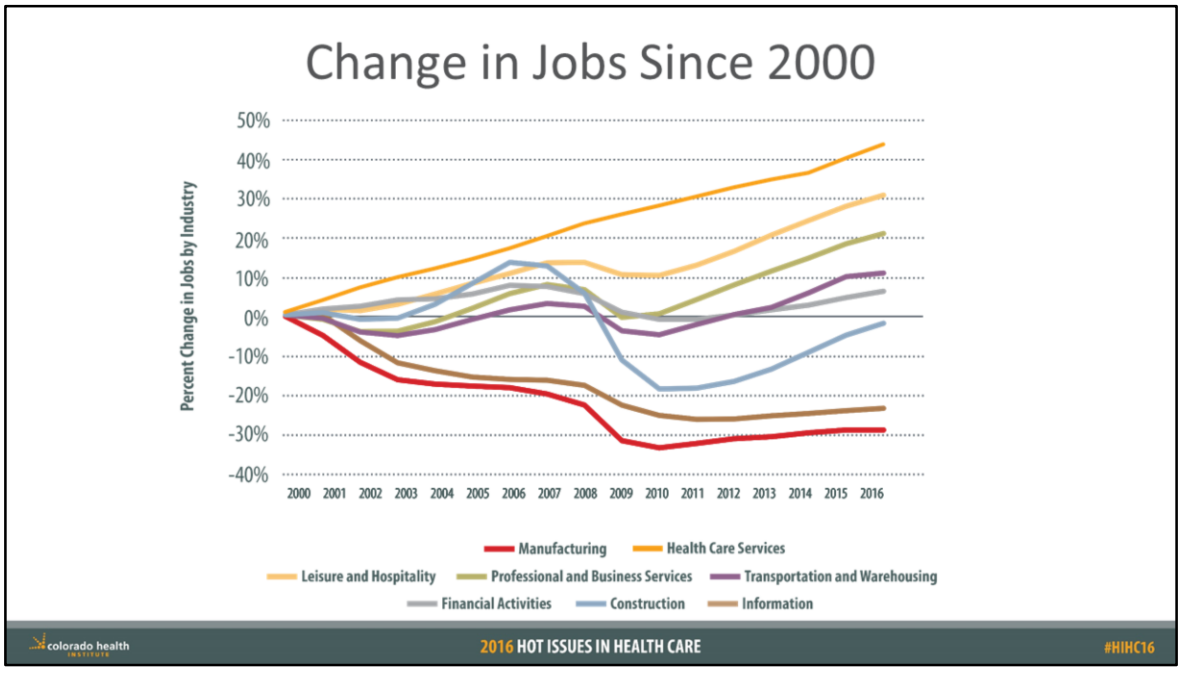
Fewer regulation and protections.

More free market principles such as choice and personal responsibility.

Fewer mandates.

Less federal involvement and more state choices.

Whether its through reduced Medicaid match, re-vamping Medicare or elimination of premium tax credits on the exchange, expect a big slow down in federal funds going towards health care.



But here is the rub. Those federal dollars equate to a lot of jobs in the health care industry.

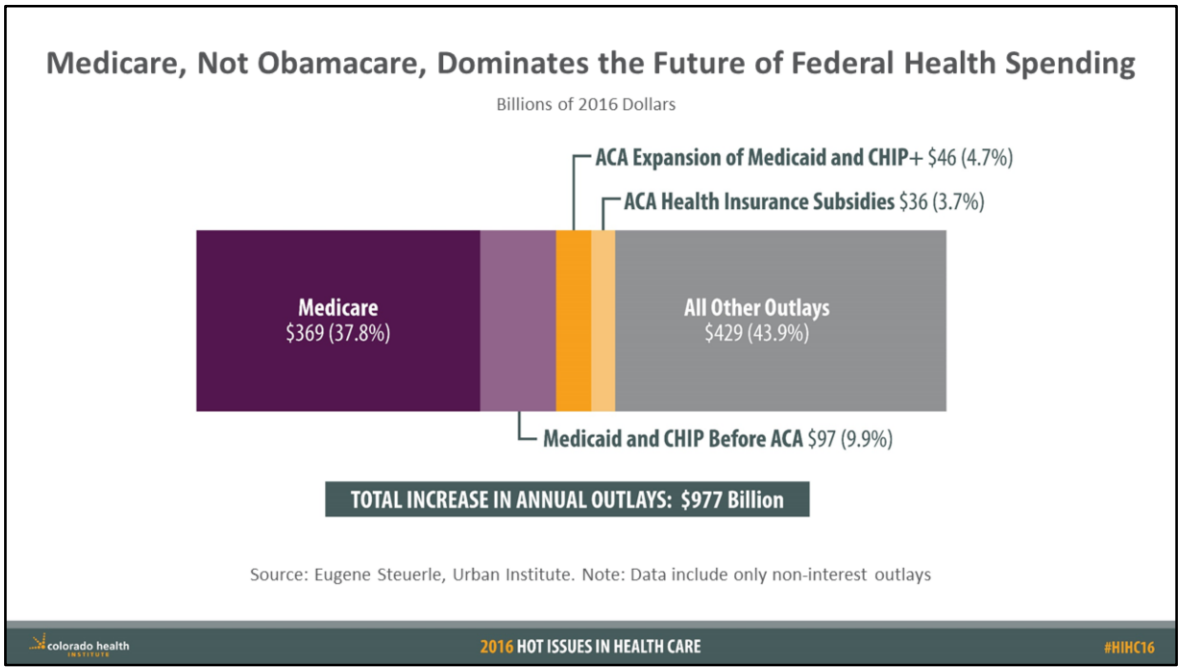
Animation: And the loss of jobs, specifically manufacturing jobs (that red line) was pivotal to Trump's win.

There is only one category of employment on this this entire graph that has seen consistent increases in jobs since 2000.

Animation: It's not finance, hospitality or business services.

Animation: It's health care services or the top orange line. There are a lot of public dollars behind those jobs. Public spending accounts for 46 percent of personal health expenditures.

Expect a lot of political fallout if those federal dollar contract.

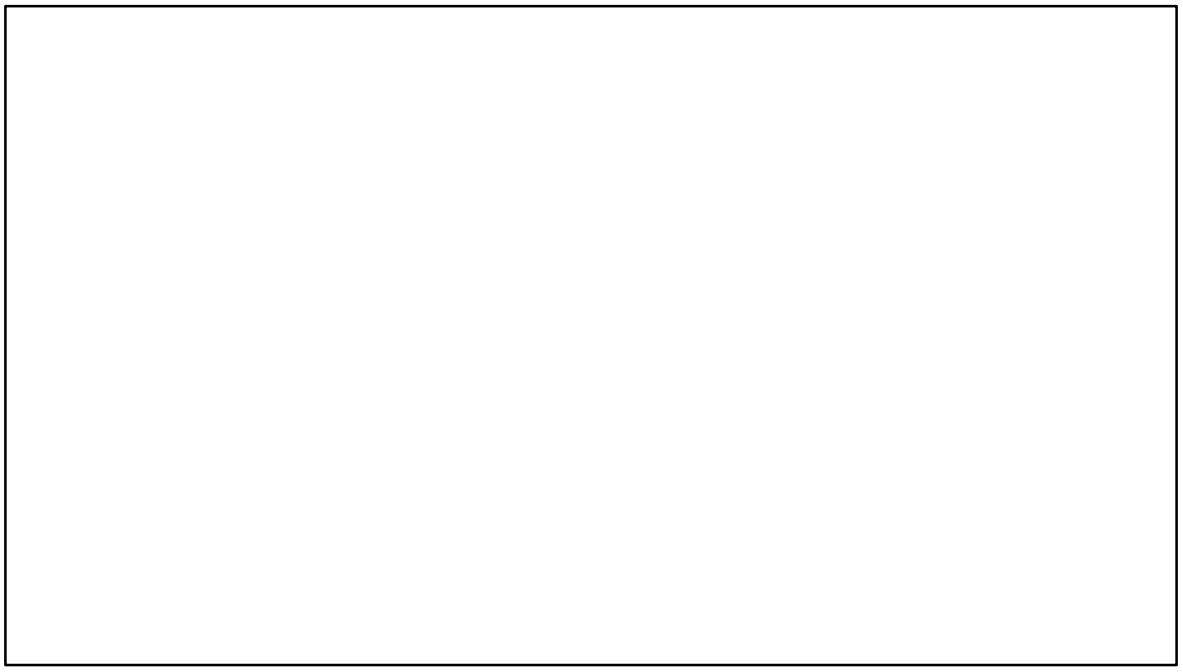


Republicans have vowed to address all pieces of the health care trifecta. Medicare, Medicaid and Obamacare.

With all of the talk about the ACA breaking the federal coffers, the data do not bear this out.

This graph shows the extent to which health care programs comprise new federal spending.

In total the trifecta comprises 57% of new spending. Medicaid expansion from the ACA (dark yellow) is 5%, ACA subsidies are 4%. Paul Ryan is looking at the purple bar showing that Medicare comprises almost 40% of new spending between now and 2028 an eyeing his legacy.



So what is he proposing?

You can determine policymakers' views on Paul Ryan's plans based on what they call it.

Supporters call Ryan's plan premium support. Detractors call this privatization or vouchers.

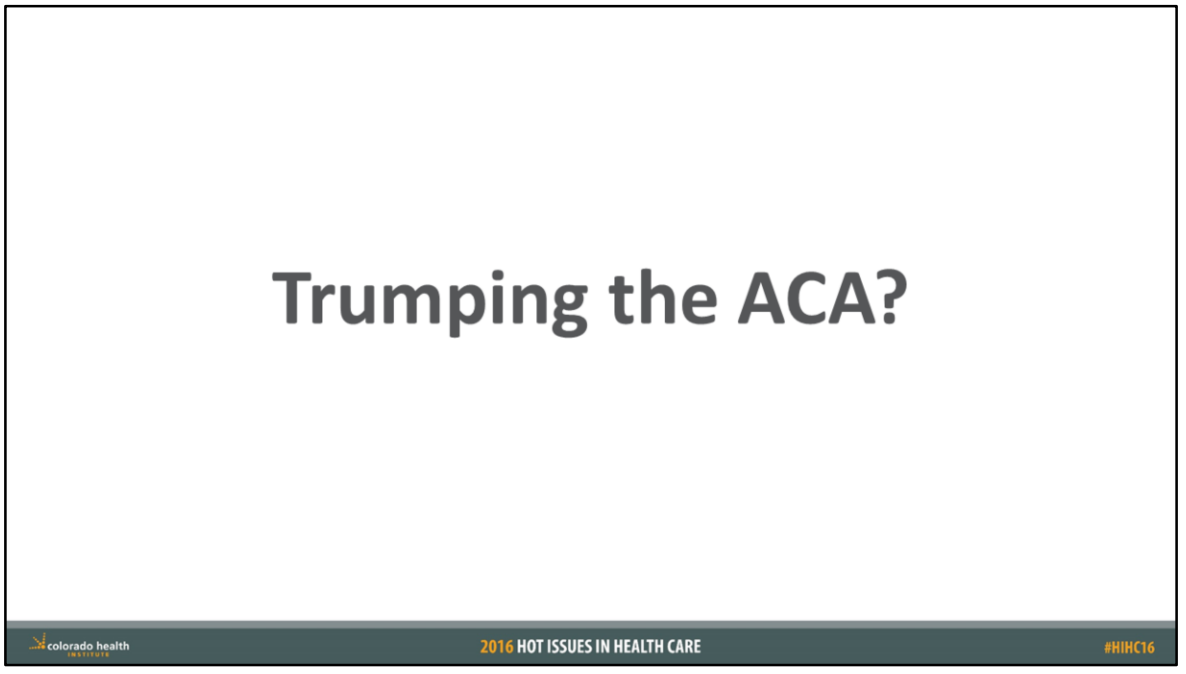
In the spirit of CHI's impartiality, I won't put a term on it.

Ryan hopes to set up a Medicare exchange in which private companies would compete along side the government's Medicare fee-for-service program. Medicare enrollees would get financial assistance from the government to pay for their insurance. If they receive financial assistance of $11,000 but the plan costs $14,000, they would pay the $3,000 difference.

It sounds a lot like another federal program– Obamacare.

Reforming Medicare will be no easy task. It certainly won't happen immediately. Some Senate Republicans are already pushing back wondering if Ryan's plan oversteps their

mandate.



When it comes to the ACA we expect Tom Price and Seema Verma to have a lot of influence.

You already heard yesterday that full repeal will be difficult because of Republicans do not have a filibuster proof majority in the Senate.

But it will only take them 51 votes to get things done through budget reconciliation. These are changes regarding financing: Defunding exchange subsidies or changing the lucrative federal Medicaid match rate that states currently get for Medicaid expansion.

While during the campaign, the candidate Trump's mantra was repeal and replace. The new mantra is repeal and delay.

The conventional wisdom is that some actions may be taken immediately with an effective date after congressional elections in 2018.

Beyond repealing the ACA, President-elect Trump's health care platform was relatively thin.

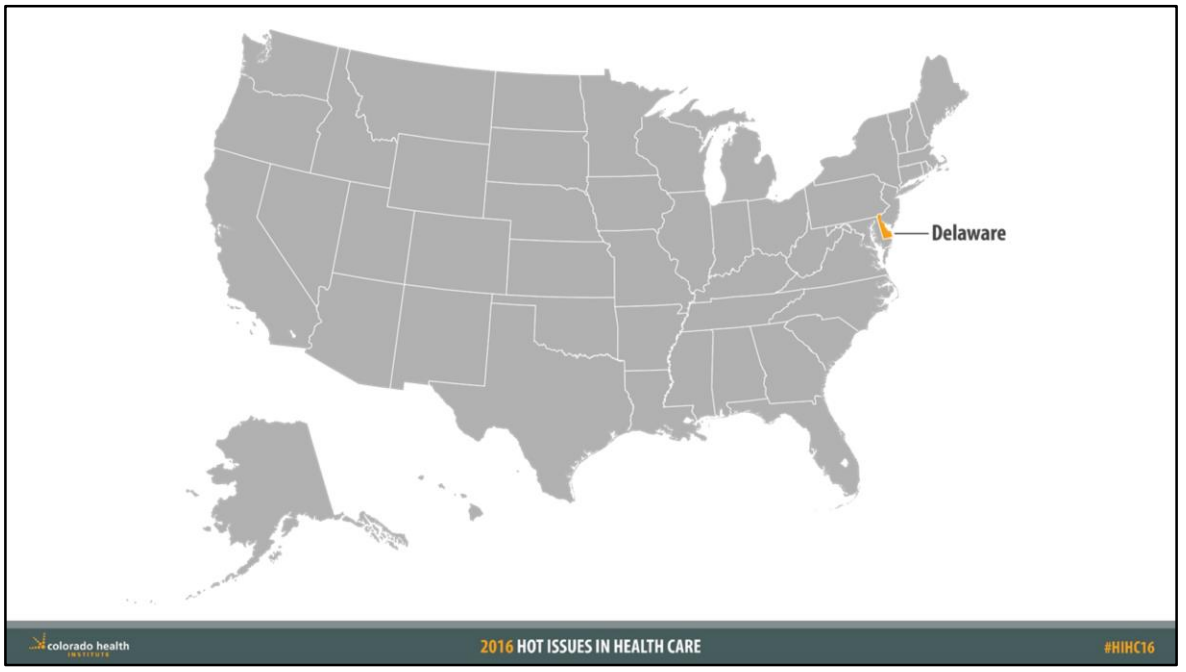
However, one of the items he has suggested is to allow carriers to sell insurance products across state lines.

The idea is that this would generate more competition.

A number of states have already passed laws to do this already: Wyoming, Georgia and Maine. The ACA also allows selling across state lines as long as both states agree. The irony is that not one carrier has actually sold their products across state lines and carriers have not been pushing for these law changes.

The reason they don't do this is not regulation, per se, but rather inherent market challenges in entering markets. They can only get competitive rates from providers in new markets if they have a lot of lives enrolled, they can only get a lot of lives enrolled if they have competitive rates from providers.

Concern about this is similar to what happened in the credit card industry.



Who knows where most credit card companies in the United States are headquartered?

ANIMATION: Delaware historically had no usury laws or limits on interest rates. Credit card industry flocked there in order to be able to extend credit (at very high rates) to people who normally otherwise wouldn't qualify.

Concern is plans get to choose their regulator and will flock to the state with the fewest requirements.

Federal action in Medicaid may be the hardest to predict.

At this point, more Republican led states have expanded Medicaid than Democratic ones.

Governors for years have protested to Congress and the executive branch that federal regulations for Medicaid are too burdensome and that they want more freedom to implement innovative ideas.

States should expect more opportunity to innovate, but more financial risk or skin in the game.

The federal government will consider funding models that give states budgets or block grants and if they spend beyond those budgets, they will pay the difference.

How did we get to a place where we are talking about such large reforms in all of these insurance markets? Many political analysts are looking back to understand the groundswell of support for a non-traditional candidate.

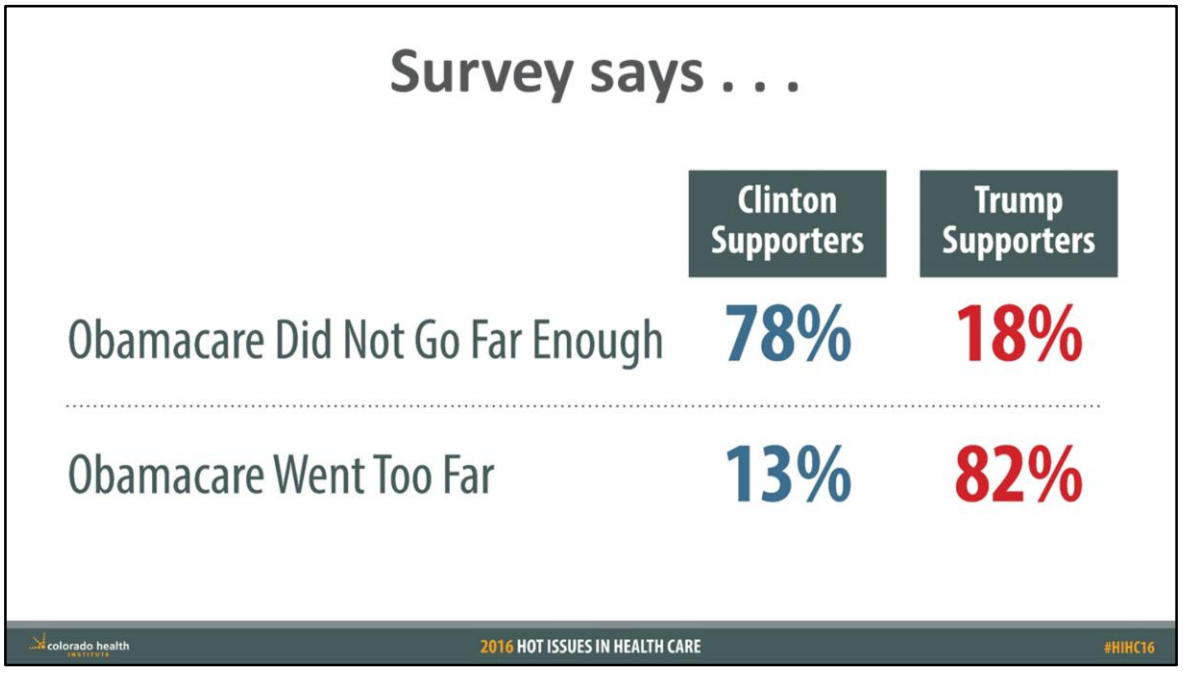
Trump, the candidate who campaigned to repeal the ACA got a lot of support from the very people it was intended to benefit.

In fact, economics Nobel prize winner Paul Krugman calculates that probably around 4 million people who gained insurance from Obamacare likely voted for Trump.

So how did we get here?

Many political commentators have called the election a referendum on the ACA.

According to polling data, the only other issue which is as divisive was whether or not to build a wall between the U.S. and Mexico.



These exit polling data underscore that divisiveness.

78% of Clinton voters that Obamacare did not go far enough.

Slightly more, or 82% of Trump voters thought the opposite– that it went too far.

Ironically analysis from the Economist shows that the communities in which Trump made the most gains in 2016 were the least healthy communities.

The x axis or horizontal axis is a health index. Communities on the left have worse health, communities on the right have better health.

Y axis or vertical axis shows where the Republican presidential gains were the highest between 2012 and 2016. Communities at the top show (red concentration) are where Republicans gained the most ground, communities toward the bottom (blue) show were Republicans lost ground between presidential elections.

What this pattern shows you is that the communities with the **poorest health** are those where the Republicans made the greatest gains (upper left quadrant).

The communities with the **best health** is where they had their biggest losses (lower right quadrant).

My question is how did the ACA become such a political albatross that communities with the poorest health outcomes essentially voted against it?

And how does this history inform our future?

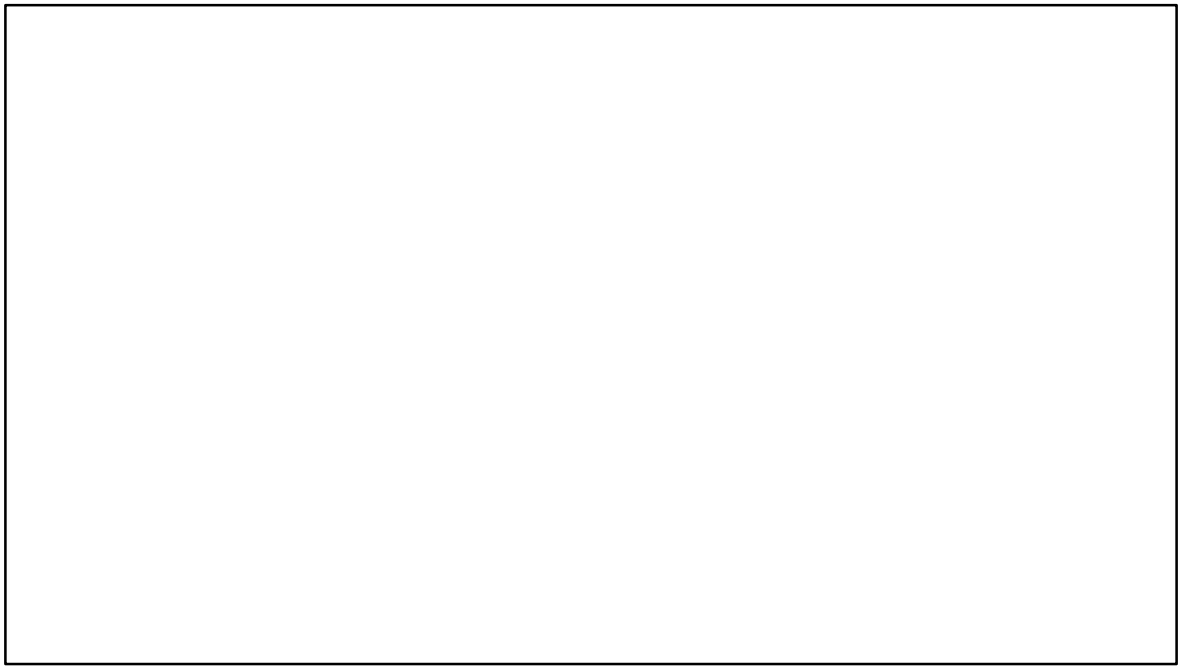
SOURCE: http://www.forbes.com/sites/michaelcannon/2016/11/21/obamacares-supposed-beneficiaries-turned-out-for-trump/#40ba2d302f09

There are a few reasons.

I would argue that one of the major impediments to the ACA's success was that Obama never really could explain the ACA to Americans in simple terms.

He had a hard time explaining it. I'm not sure he totally understood it at least initially. One of the darkest days of his presidency was when after promising Americans that if they liked their pre-ACA plan they could keep it, millions Americans received notices that their plans were cancelled.

My advice to any policymaker, whether Republican or Democrat, free market or government proponent, is that health care is so personal, so tied to personal well being, that a clear communications strategy is essential.



Here is another ominous day in the Obama administration.

Who knows what ‘s happening here?

Here is President in the Rose Garden on October 2013 explaining the issues with healthcare.gov the federal governments website for people to purchase subsidized plans on the federal exchange.

Even Obama’s most ardent supporters were dismayed when he was genuinely surprised to find out that the healthcare.gov was riddled with technical issues on the day of its launch. Consternation was heightened when voters found out that pre-testing a few weeks earlier had indicated that the website was doomed to crash.

Here he is assuring the American people that he was putting the A team on fixing the system. Americans were wondering why the A team hadn’t been working on the system all along.

ACA detractors seized on these mis-steps, pointing out issues with the ACA some of which were true and some of which were clearly false. But because the electorate

never really understood the law in simple terms, they had a hard time distinguishing exaggerations and falsehood from facts. Obama never re-gained his political footing on explaining the facts.

What are some of those exaggerations and falsehoods?

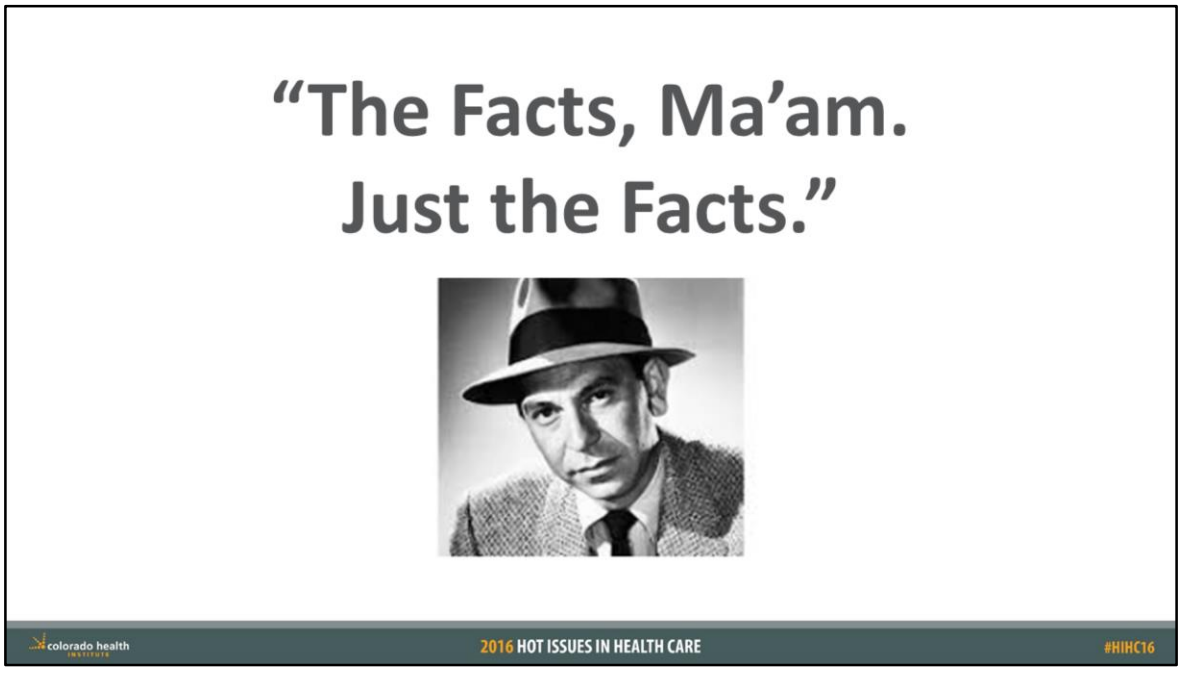
The latest comes from Paul Ryan that Medicare is going broke because of Obamacare – Obamcare has actually extended the solvency of Medicare by 12 years

According to Sarah Pailin, because of Obama care Seniors and people with disabilities "will have to stand in front of Obama's death panel so his bureaucrats can decide…. whether they are worthy of health care."

What was the impetus for such statements?

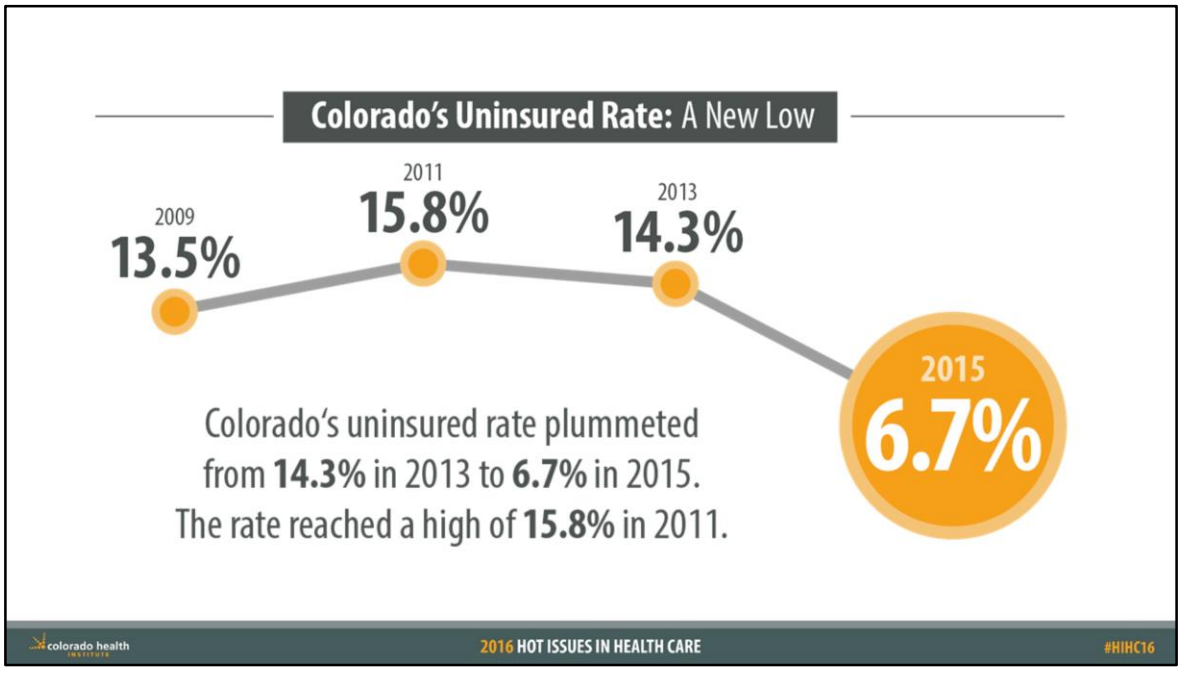
At its core, the success of the ACA would have meant the success of the government as opposed to the market in solving complex societal issues. And that's where a lot of the anxiety came from. If the ACA were successful what sort of precedent would that set for government involvement in other areas of our lives, such as regulating the environment or education?

While there may have been debates about how many people really got insurance, the underlying issue was ideological and not factual.



So what are the facts?

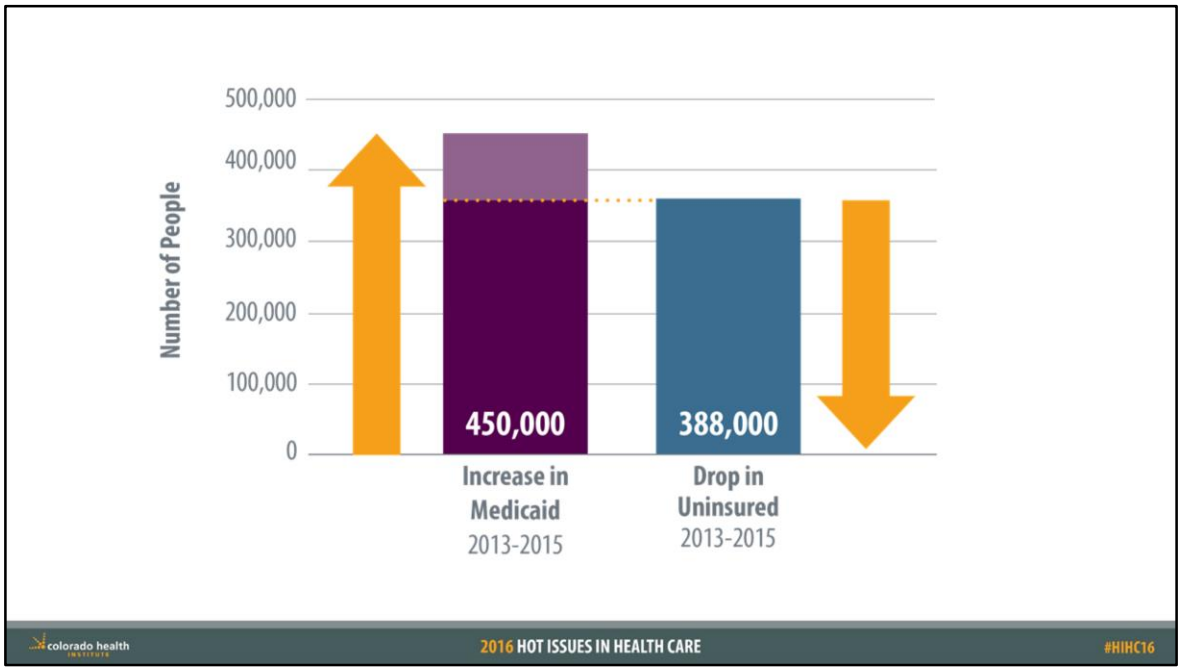
This brings me to my second point. The ACA was neither an huge failure or an incredible success.



The ACA was successful is in reducing the number of uninsured to historically low levels.

In Colorado we saw a dramatic decline in the percentage of the population that was uninsured.

But that drop in the uninsured didn't happen exactly the way we thought it would.

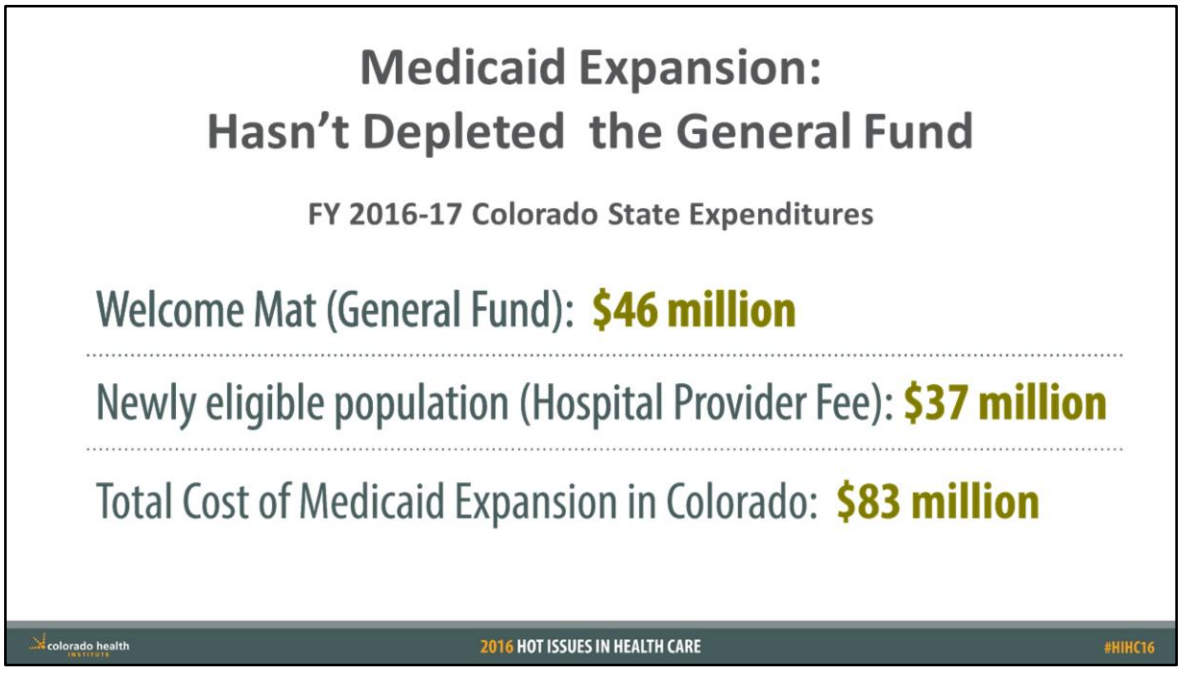


The drop in the uninsured was largely a Medicaid success story.

Medicaid enrollment far exceeded anyone's expectations in Colorado and across the country.

In Colorado the increase in Medicaid before and after implementation of the Affordable Care Act was 450,000. This is larger than the drop in the uninsured.

This indicates that some people who went into Medicaid had other types of coverage previously.



Here in Colorado hear a lot of concern that Medicaid expansion is breaking the General Fund budget.

That's simply not true. Medicaid may be exerting pressure on the state General Fund budget, but it's not the expansion from the ACA.

This shows you the costs associated with Medicaid expansion.

ANIMATION:
Welcome mat: This is the phenomenon you have when the government expands a program. There is a lot of publicity about it, and people who were previously eligible before the expansion enroll. They don't get this lucrative 100% match from the federal government, because they aren't the ACA expansion population. Colorado's General Fund pays 50% of those welcome mat costs. In FY 2016-17 this was $46 million.

The newly-eligible population received 100% match until 2017 at which time it starts to ramp down. Colorado uses the Hospital Provider Fee to pay that to the tune of $37 million this fiscal year.

So the bottom line is that this $46 million in General Fund is 2% of the Medicaid budget and 0.5% of the state's operating General Fund.

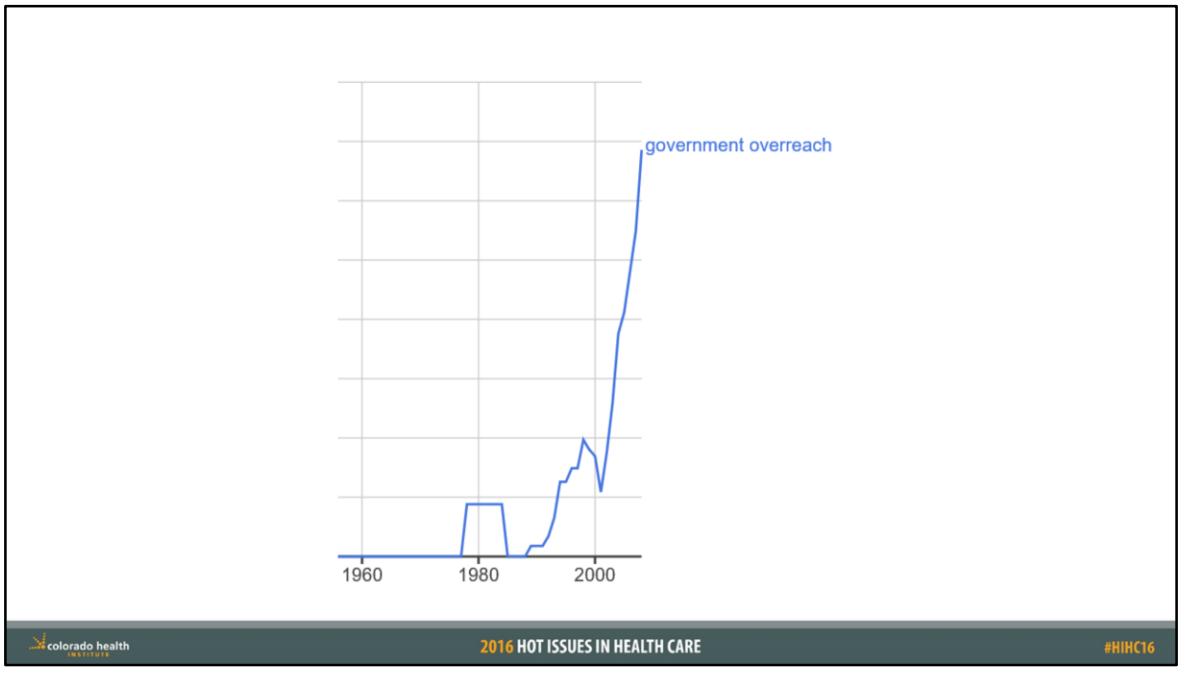
In some ways, expanding government programs like Medicaid is easy and we see that in the success of Medicaid expansion.

On the other end of the spectrum purely private sector initiatives are relatively easy to operationalize.

But hybrid initiatives in which the government intervenes in the private market are hard.

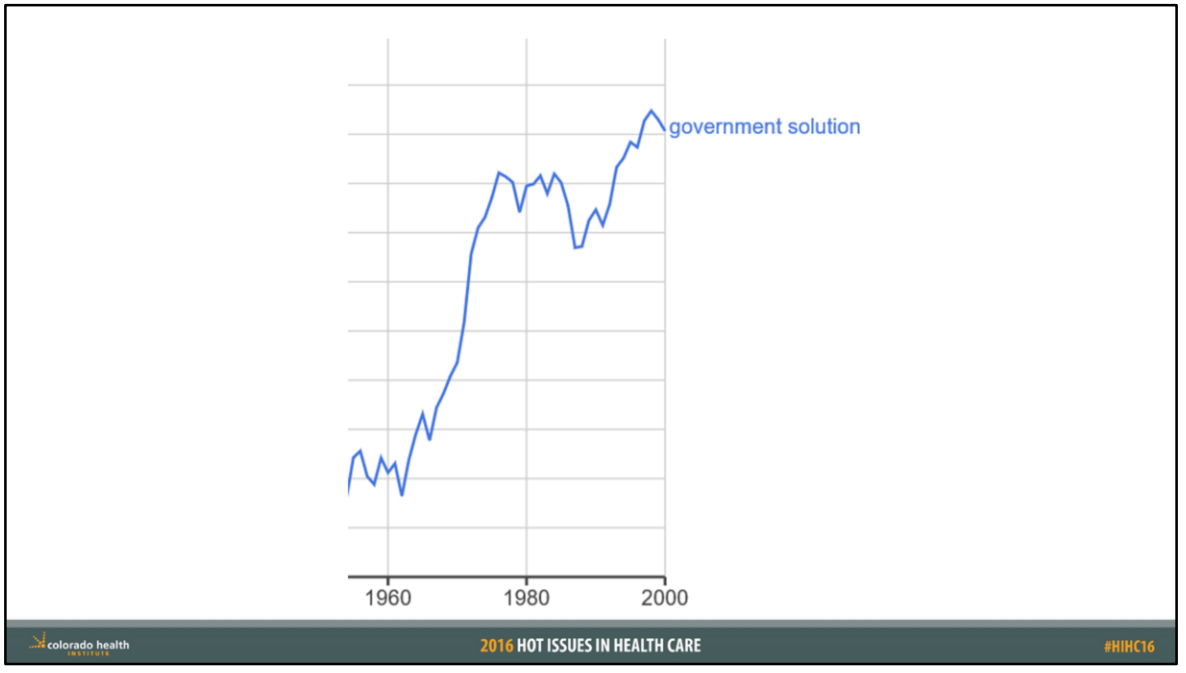
And that's where a lot of the ACA resides such as health insurance exchanges and health insurance cooperatives.

Those initiatives received start up funds from the federal government but were then expected to compete in the private market. Both have struggled to do so.



Google Ngram is a nerdy tool where you can see the rate of references to various terms in published material.

Since the 1980s “government overreach” comprises a greater share of our collective references. It was off the charts in the late 2000s.



Paradoxically, we have significantly more references to government solutions to solve problems.

So we have more and more discussion of both the government overreaching and being a change agent which underscores our ideological divide.

So when we think about whether the ACA was government overreach or a government solution what happened in the private market? What happened in this space between pure government involvement and leaving the private market to sort things out?

There have been some pretty rough waters.

Millions of people who were previously uninsurable got insurance. That's a big success story.

But the enrollment on exchanges has been far less than expected. In fact, in Colorado, enrollment in the individual market has not increased since the implementation of the ACA.

Carriers entered the exchanges knowing it was going to be incredibly competitive. They would have to compete on price. Some of them unknowingly underpriced their plans. Others, intentionally underpriced their insurance policies hoping to buy up market share. Some of them knew they would lose money initially, it was just a matter of staying in the market until it consolidated and other carriers got out of the way.

In 2014, only 30% of carriers representing 40% of enrolled individuals made a profit on the exchange. Losses were around $2.7 billion.

That strategy was sputtering along until last fall Congress reneged on several billions of dollars of risk corridor payments that you have all heard about.

Carriers were expecting those payments and some health insurance cooperatives, like the ones in Colorado and Oregon, couldn't withstand those losses,

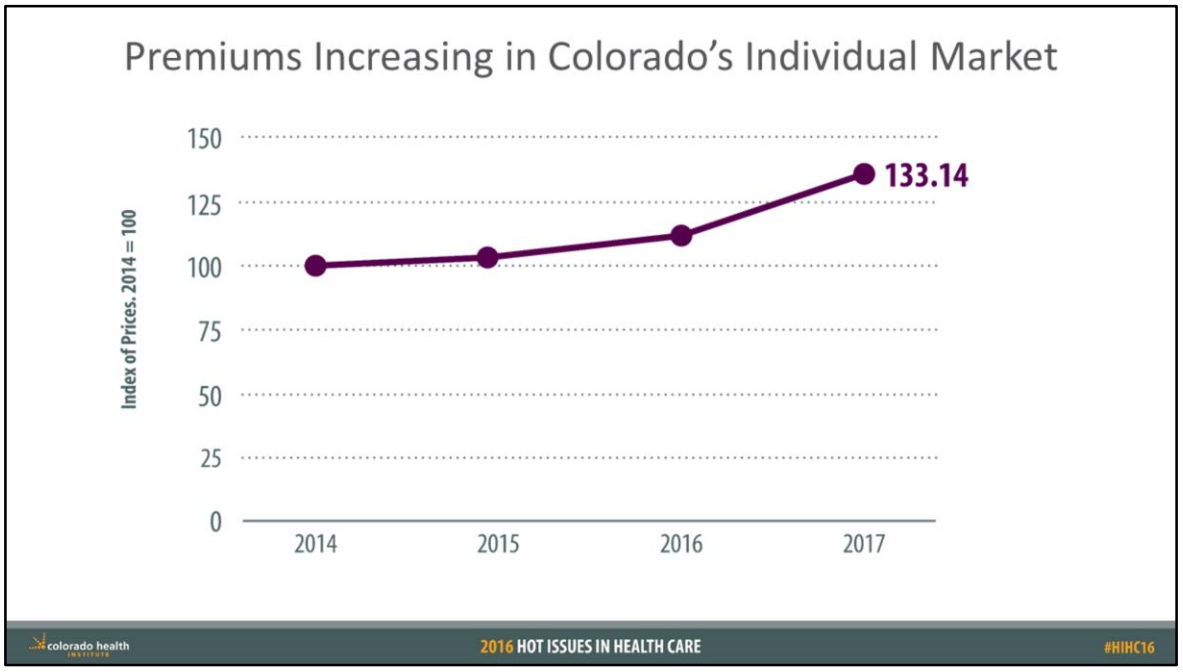
I want to put the ColoradoHealthOP in context because I think it's illustrative of a strategy gone awry.

The health Insurance Cooperative had nearly 60% of the market in 2015 because in had the lowest priced premiums in almost every market in Colorado.

When it first started the Coop had $70 million in capital.

After all that money was gone, and the Coop shut its doors, it outstanding claims from the Coop totaled $100 million. The were expecting around $16 million from the federal government.

Just to put that in context, 80,000 people with $100 million in outstanding claims. That's nearly $1,300 in outstanding claims per person. And I provide you that number because I think it provides helpful context about the extent to which these plans were underpriced.



Fast-forward to 2016. We received news this fall that in 2017 rates in the individual market will increase 20% in Colorado and 25% nationally.

We've indexed 2014 rates to 100 in this graph, and you see how stable they were in the initial year.

But now, in 2017, we have

1. Carriers playing catch up for these plans being priced below market the first few years.

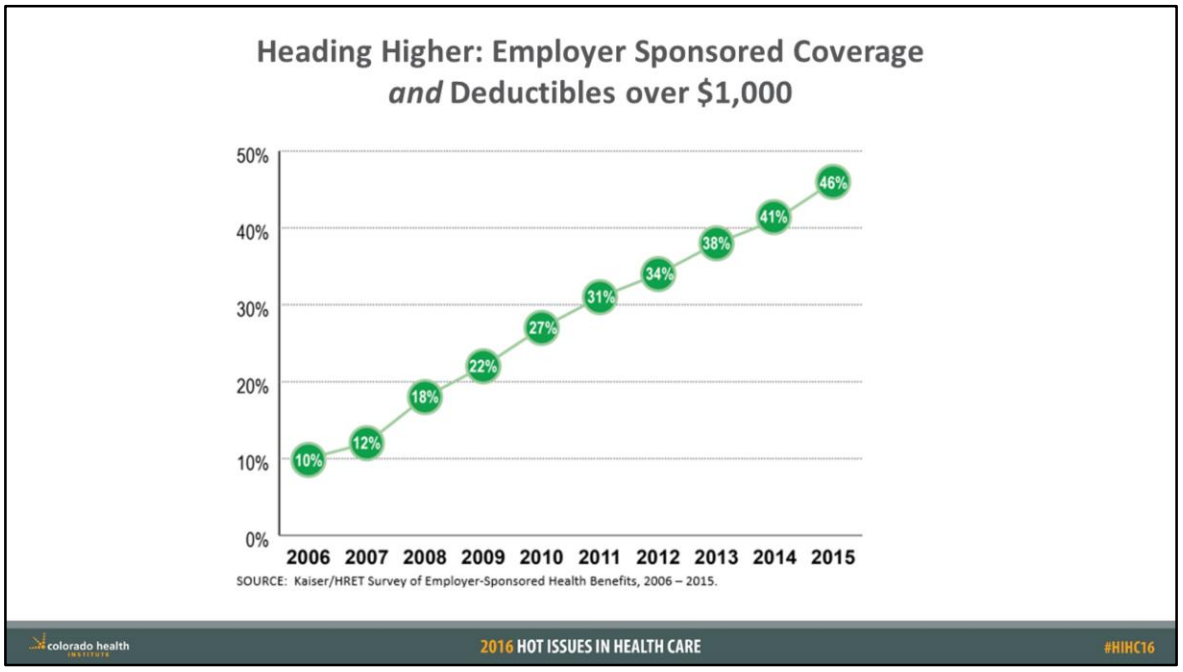
2. Carriers recouping their losses from those federal payments not coming through.

Candidate Trump seized on this rate increases calling Obamacare a disaster.

Even though only about three percent of the population buys insurance in the individual market and isn't protected by subsidies 2017 rates reverberated throughout the news.

Hillary Clinton's lead in late October began to significantly contract the same week as these rates were released.

But despite these recent increases, they are not significantly higher than ESI. An Urban Institute study shows that after taking into account plan design and age, rates in the individual market are actually slightly lower than employer sponsored coverage in Colorado. In fact 2017 premiums are pretty close to what the Congressional budget office predicted back when the bill was passed.



So what happens when the price goes up but you still want something?

Just buy less of it?

How do we do that? Buy a higher deductible plan. That's basically less insurance.

We see that in the individual market, we see that in the employer market.

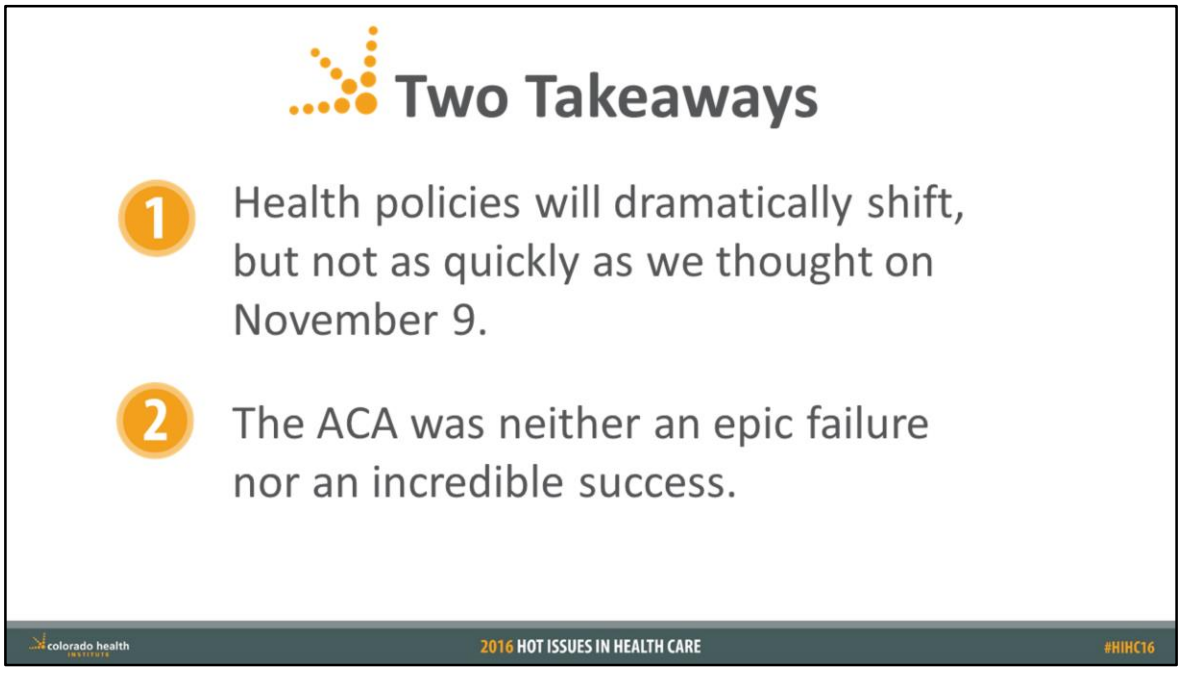
Trump administration with more free market principles with less government regulation, I would expect this trend to continue, the rate of increase to go even higher.

In the midst of all of the chaos in the market, what are carriers doing, they are contracting with fewer providers and it is paying off.

Carriers bring their lives to a smaller group of providers in order to get more competitive rates. They leverage their buying power

Analysis by McKinsey shows that those exchange plans which had narrow or ultranarrow networks with hospitals performed had much better financial returns on health insurance exchanges.

Even if the ACA is undone, expect this trend to continue. This strategy transcend politics because it addresses health insurance premium regardless of who is in the White House.



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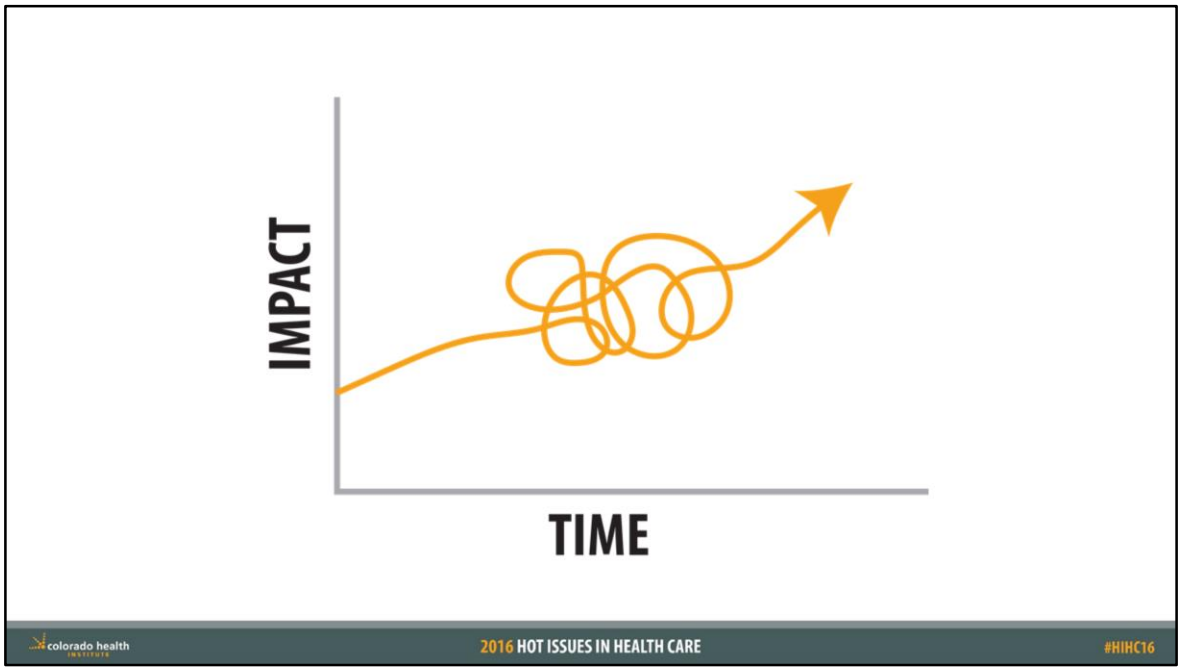
Where do we go next and what does our future look like?

Strong leadership, simple message, importance of controlling the narrative.



What does our future look like?

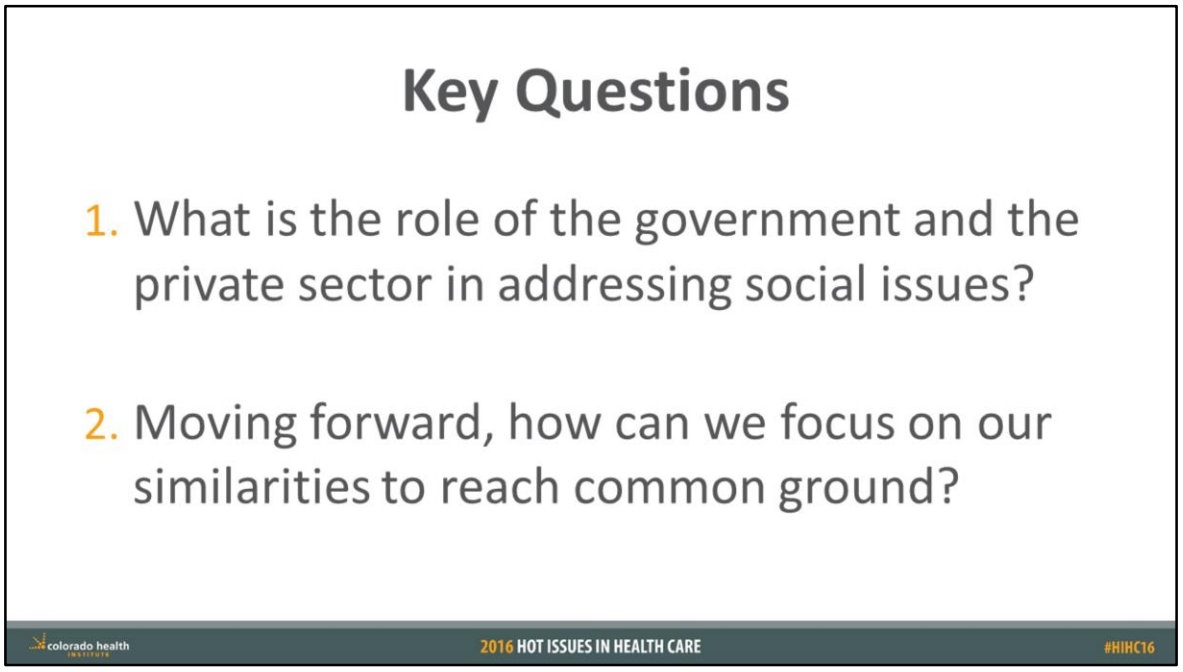
I'd like to say it looks something like this. My job would be pretty easy.

ANIMATION:

But any big changes, regardless of political party, regardless of administration, usually look something like this.

We have been through a lot of chaos over the last seven years, we're likely to see more chaos.

Now, more than ever, objective analysis and clear communications are essential for informing our collective future.



I leave you with key questions that I hope you'll think about that I think are critical for our future and the upcoming policy debates.

1.

I do not have a clear answer to this, but our lack of consensus is at the core of not just our health policy disagreements, but at the heart of the debate across the policy spectrum.

2. How can we focus on our similarities instead of our differences to reach common ground? This task will be crucial to attaining any sort of bi-partisanship to move our country forward.

And here's a sneak peek at some of the exciting changes in store for the Colorado Health Institute in 2017.

Watch for our new website to launch at the end of January. We've collaborated with Open Media Foundation to refresh the design and make it even easier to find our great research, analysis and data.

And be on the lookout for our new logo created by Creative Services Director Brian Clark. We will unveil it at the same time as the website.

UP NEXT: Working for Colorado's Health: Big Ideas and On-the-Ground Efforts

Sessions with Colorado Health Analysts and Community Partners 10:45 a.m. – 11:45 a.m.

CHOOSE ONE OF THREE

1. It Takes Two to Tango Healthier Parents and Healthier Kids

CHI Analyst: Tamara Keeney,
Policy Analyst

Community Partner: Lisa Jansen Thompson,
Executive Director, Early Childhood Partnership of Adams County (ECPAC)

Location: Arkansas/Platte

2. Home Is Where the Heart Is: The Case For Aging in Place

CHI Analyst: Natalie Triedman,
Policy Analyst

Location: Grande/Gunnison

3. From the Ground Up: Improving Health at the Local Level

CHI Analyst: Sara Schmitt,
Director of Community Health Policy

Community Partner: Jeff Zayach,
Executive Director, Boulder County Public Health

Location: White River