

Lehigh Valley Business Coalition on Healthcare

**2016: The Health Care Political and Market
Landscape**

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Robert Laszewski

Health Policy and Strategy Associates, LLC

Washington, DC

Market and Policy Issues

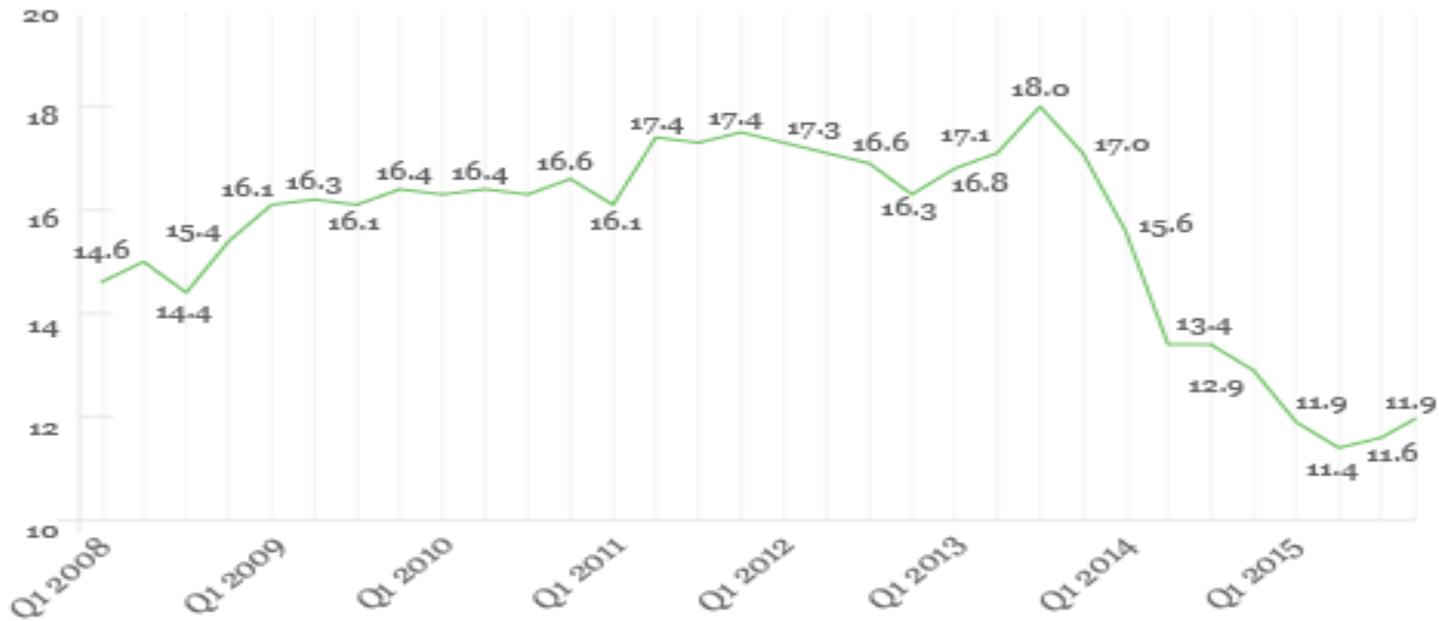
- **Obamacare Six Years After Passage**
- **The Politics of Health Care**
- **The Employer Market**
- **Drug Prices the Issue Du Jour**
- **Big Health Plan Mergers**
- **New Systems of Care and Payment**
- **The Collision of Unsustainable Costs and Traditional Medicine**

The Number of Those Uninsured Initially Dropped But Has Now Plateaued

Percentage Uninsured in the U.S., by Quarter

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

■ % Uninsured



Quarter 1 2008-Quarter 4 2015
Gallup-Healthways Well-Being Index

GALLUP

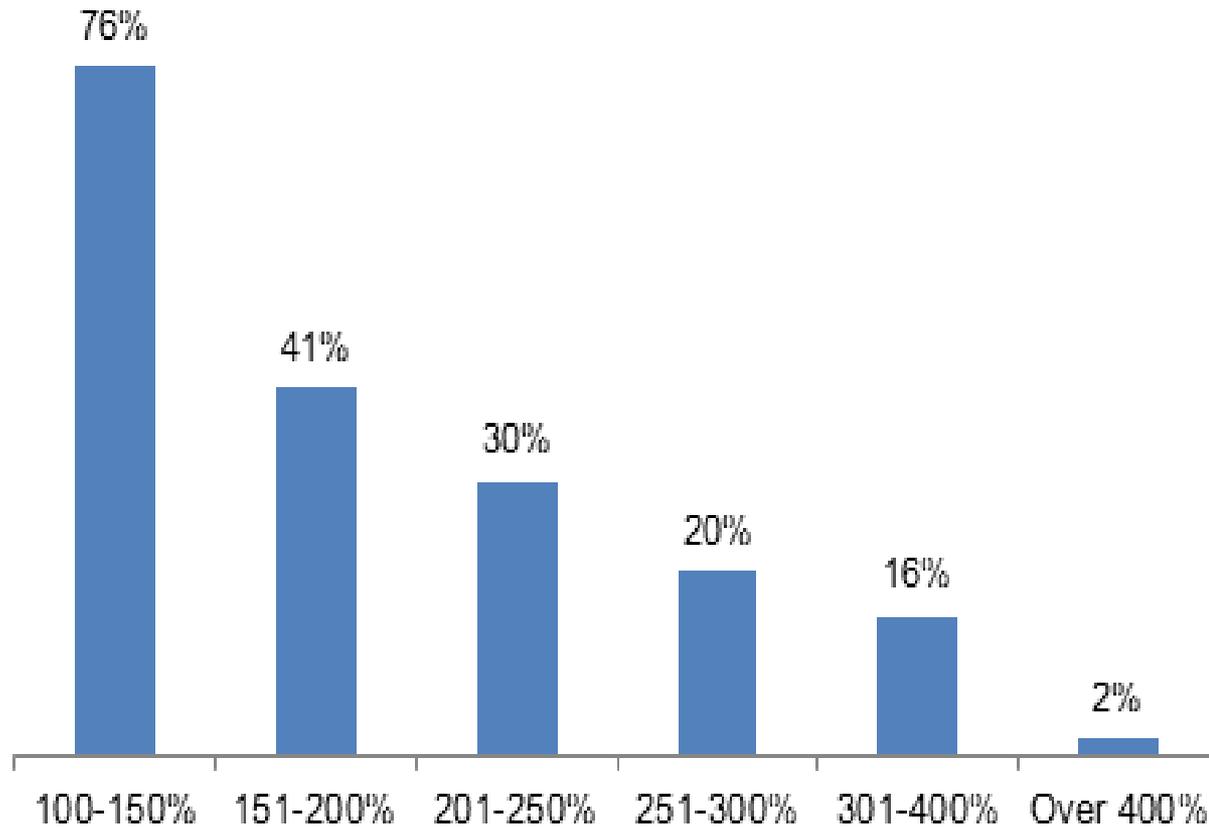
Insurer Obamacare Losses

- **BCBS North Carolina reports losing \$400 million in over 2014 and 2015.**
- **BCBS Tennessee lost more than \$150 million in 2015. “We are not out of the woods yet and as we look out on 2016 we believe no Tennessee insurance carriers will make any money...and in fact we’re all going to lose substantial money.”**
- **UnitedHealth: \$1 billion in losses over both 2015 and 2016.**
- **Health Care Services Corp says it lost \$1.5 billion in 2015 and \$767 million in 2014 in its individual business.**

2015 Plan Selections by Income

Source: Avalere from CMS Report

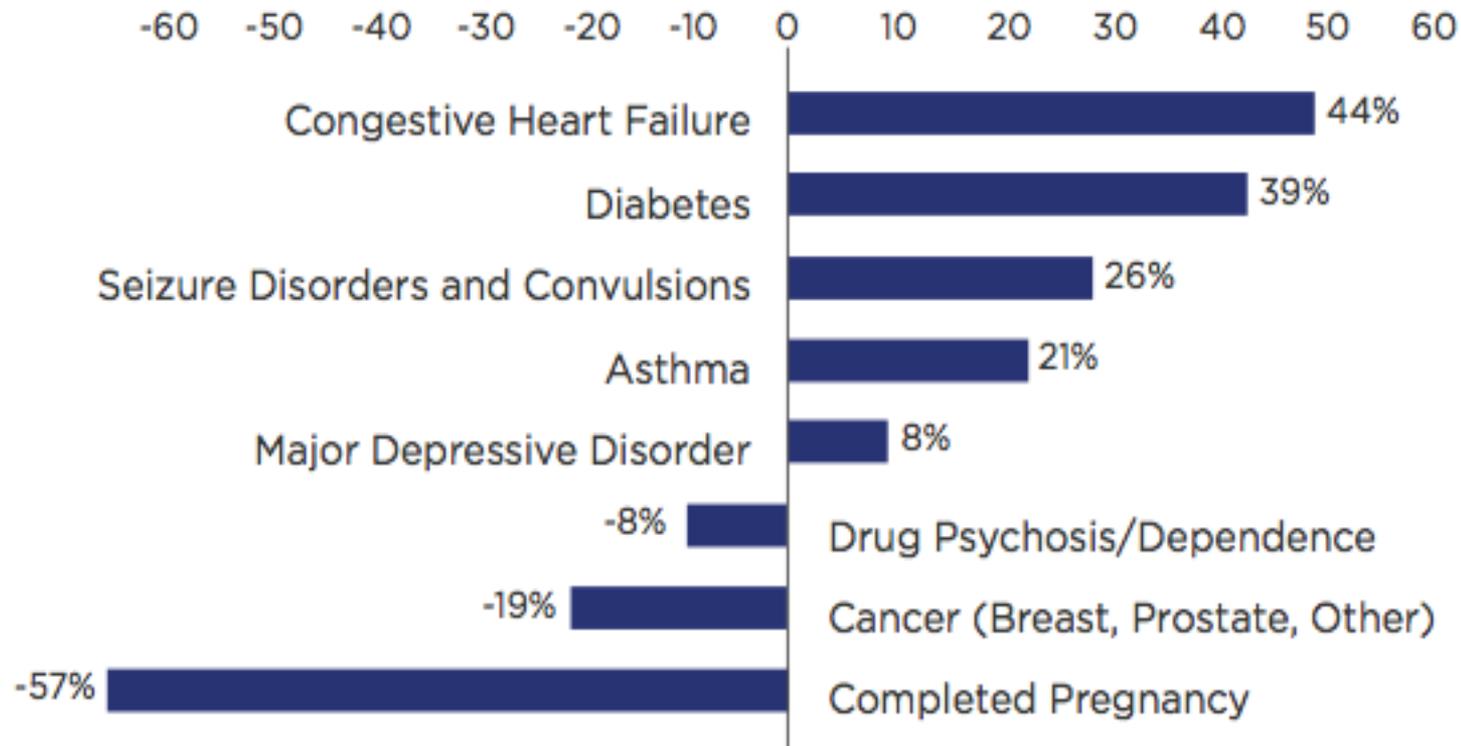
Percentage of Eligible Individuals Enrolled in Exchange Plans, by Income



Compared to the Off-Exchange Market Those On-Exchange “Have a Significantly Higher Prevalence of Common Chronic Conditions”

Source: Truven Analytics

Figure 4: Prevalence Rates of Specific Top Conditions, Exchange Compared to Off-Exchange

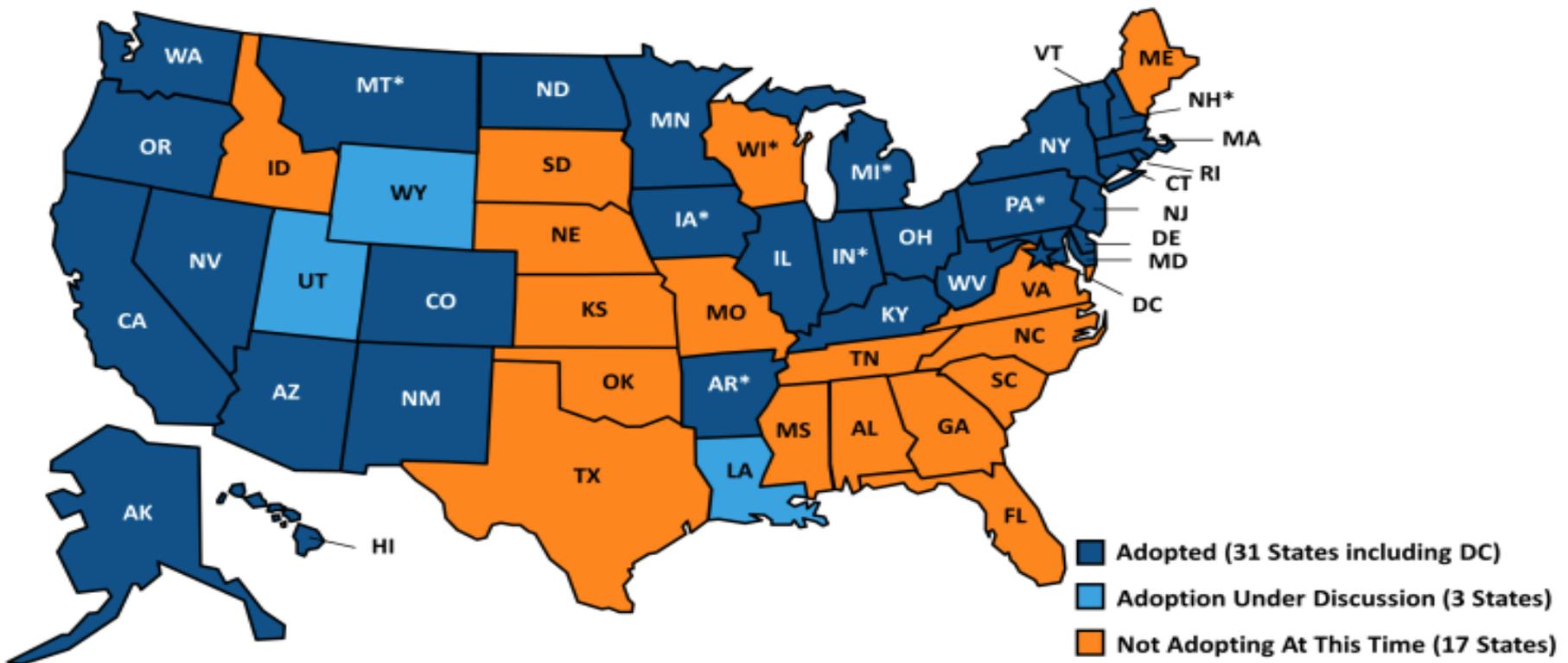


The Year-end Budget and Spending Deal

- **Suspend the “Cadillac Tax” for two years—from 2018 to 2020—for a \$9 billion cost.**
- **Suspend the 2.3% medical device tax for two years.**
- **Suspend the health insurance tax (HIT) in 2017—for a cost of about \$14 billion.**
- **No support for additional funding for the risk corridors.**
- **Republicans believe these moves will now set up a powerful “political cliff” creating an imperative to revisit Obamacare in 2017.**

Medicaid Expansion Up To 31 States

Current Status of State Medicaid Expansion Decisions



NOTES: Current status for each state is based on KCMU tracking and analysis of state executive activity. *AR, IA, IN, MI, MT, NH and PA have approved Section 1115 waivers. Coverage under the PA waiver went into effect 1/1/15, but it has transitioned coverage to a state plan amendment. Coverage under the MT waiver will be effective January 1, 2016. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion. See source for more information on the states listed as "adoption under discussion."

SOURCE: "Status of State Action on the Medicaid Expansion Decision," KFF State Health Facts, updated December 3, 2015.

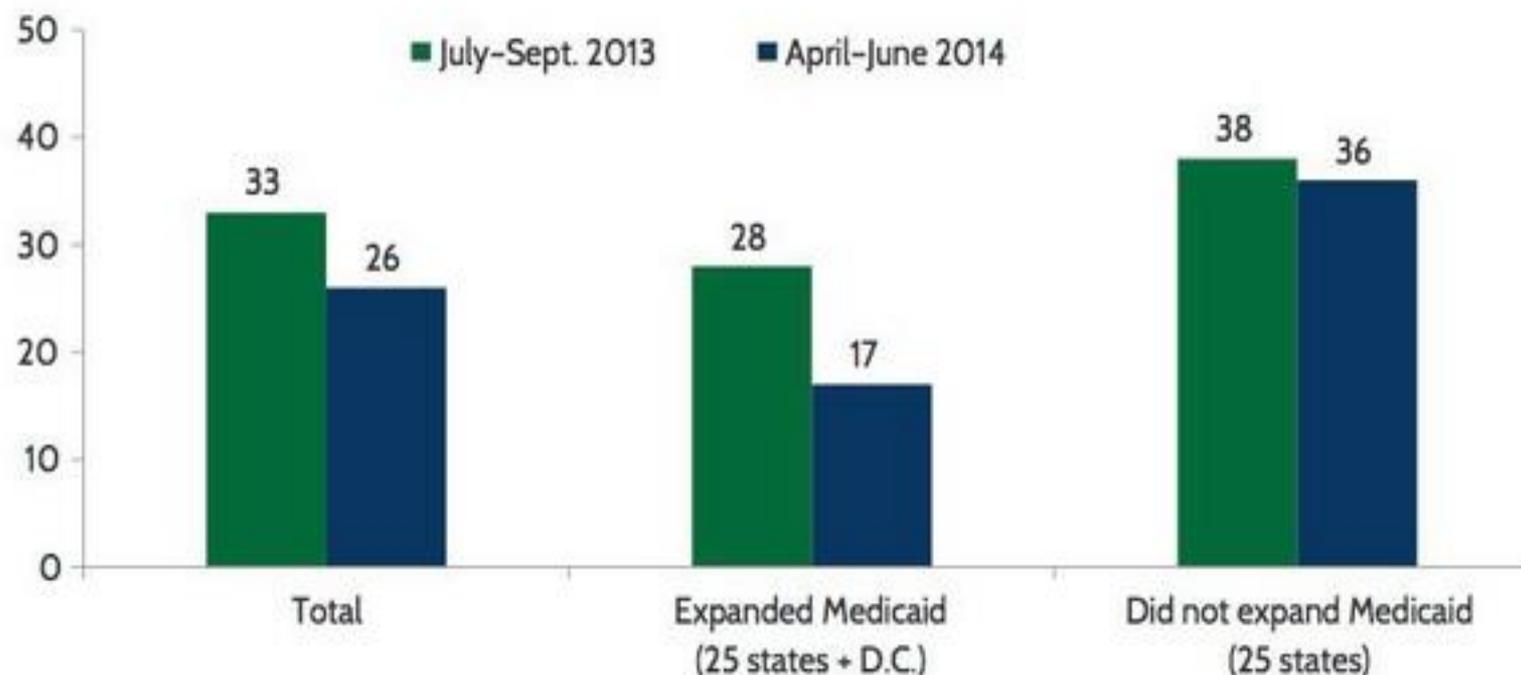
<http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>

The Medicaid Expansion Will Be No Less Controversial

- **Republicans are unapologetic about repealing the Medicaid expansion.**
- **Expansion up to 138% of the federal poverty level – individuals earning up to \$16,242.**
- **Big growth in state rolls where expansion occurred.**
- **Kentucky had biggest growth – 600,000 pre ACA to 1.1 million now.**
- **Indiana waiver: Power Accounts (HSAs) for first \$2,500 of care and required monthly premiums of \$1 to \$27.**

Rate of Uninsured in States That Expanded Medicaid Compared to Those Who Did Not

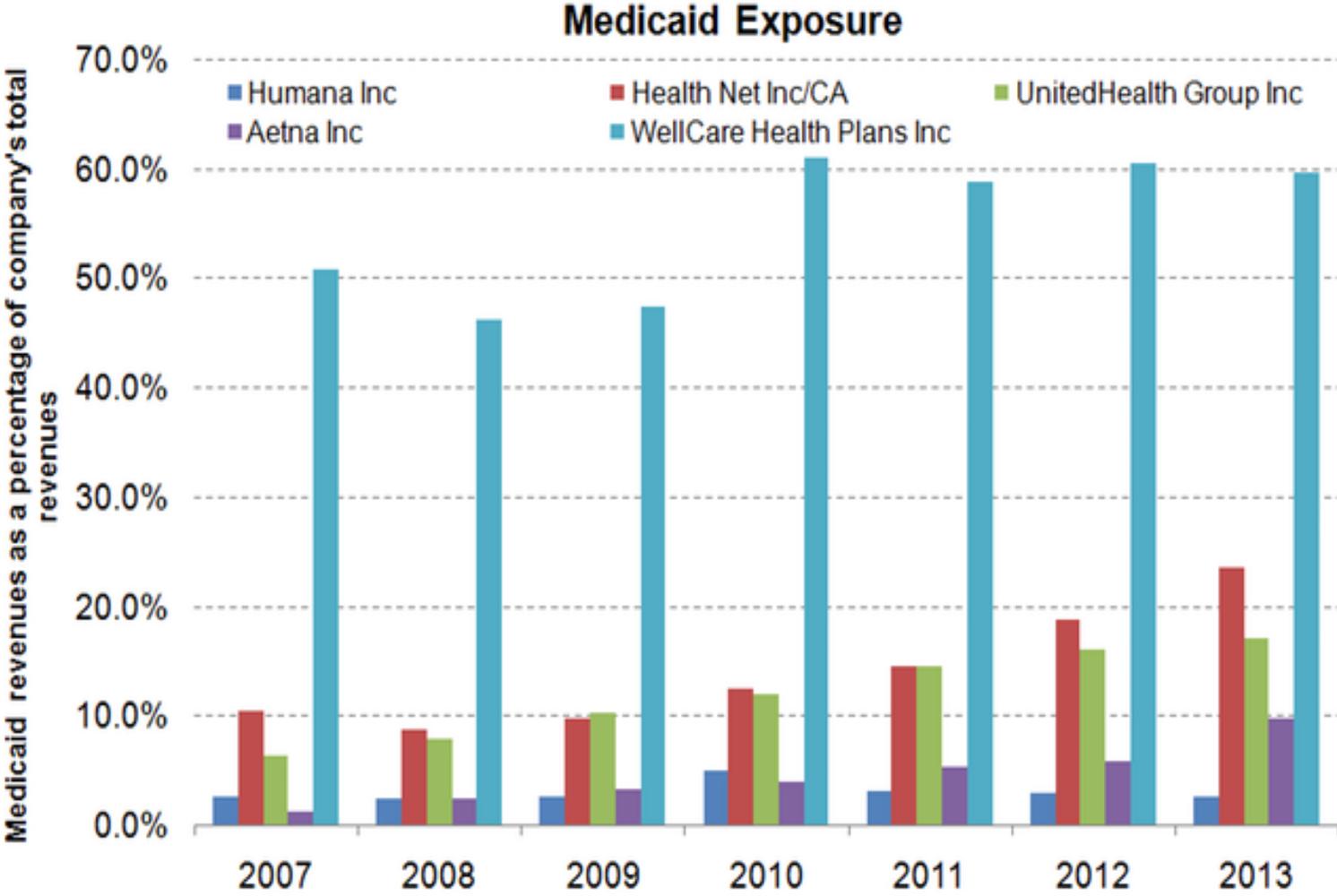
Percent adults ages 19–64 uninsured with incomes below 100 percent of poverty who were uninsured



Note: States were coded as expanding their Medicaid program if they began enrolling individuals in April or earlier. These states include AR, AZ, CA, CO, CT, DE, HI, IA, IL, KY, MA, MD, MI, MN, ND, NJ, NM, NV, NY, OH, OR, RI, VT, WA, WV, and the District of Columbia. All other states were coded as not expanding.

Source: The Commonwealth Fund Affordable Care Act Tracking Surveys, July-Sept. 2013 and April-June 2014.

The Medicaid Business is a Smaller But Growing Business for the Health Plans

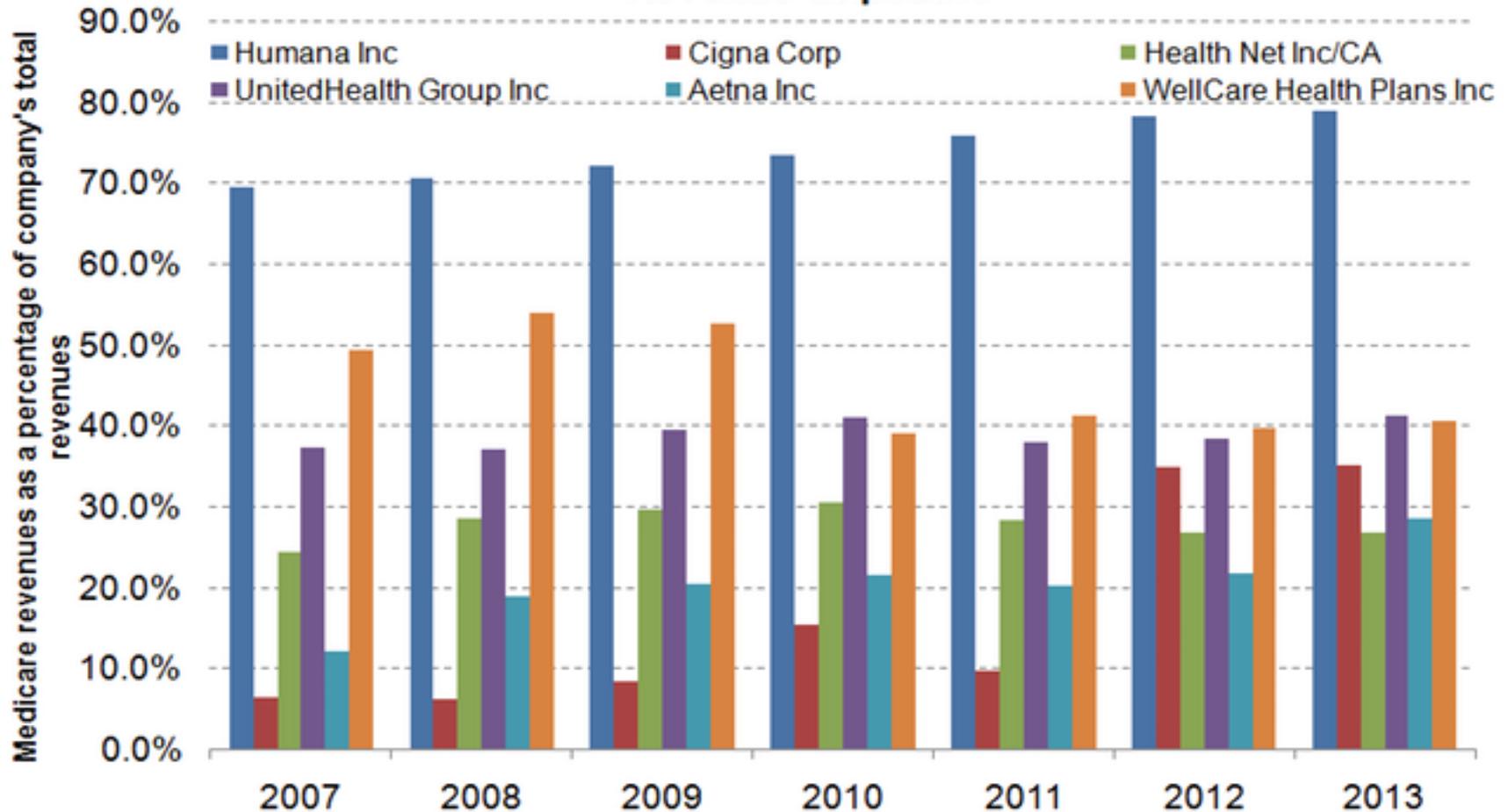


Medicare Advantage

- **While the Obamacare insurance exchanges have become problematic Medicare Advantage (MA) is growing and driving insurer profits.**
- **The feds pay insurers an average of \$10,000 toward private senior Medicare coverage—a total of more than \$170 billion annually.**
- **By contrast insurers generally get \$3,000 to \$5,000 each year for exchange subsidies.**
- **As of February 1, MA enrollment stood at 18.2 million, a net gain of 926,000 since last year.**
- **33% of the 55 million now in Medicare are enrolled in a MA plan.**

Medicare is the Big Source of Revenue for Health Plans

Revenue Exposure



The Politics of Health Care

Bernie Sanders

- **A “Medicare for All Approach.”**
- **No deductibles and co-pays and coverage to include dental and long-term care.**
- **Eliminate private Medicare coverage.**
- **Claims he would save \$6 trillion over the next ten years by eliminating “expensive and wasteful private health insurance.”**
- **Individuals would pay a 2% of taxable “premium tax while employers would pay a 6.5% payroll tax.**
- **Those making over \$250K would see their marginal bracket rise to 37% and the top bracket at \$10 million would be 52%.**

Partisan Views Vary on Medicare-For-All

Now, please tell me if you favor or oppose having a national health plan in which all Americans would get their insurance through an expanded, universal form of Medicare-for-all?



By Political Party ID

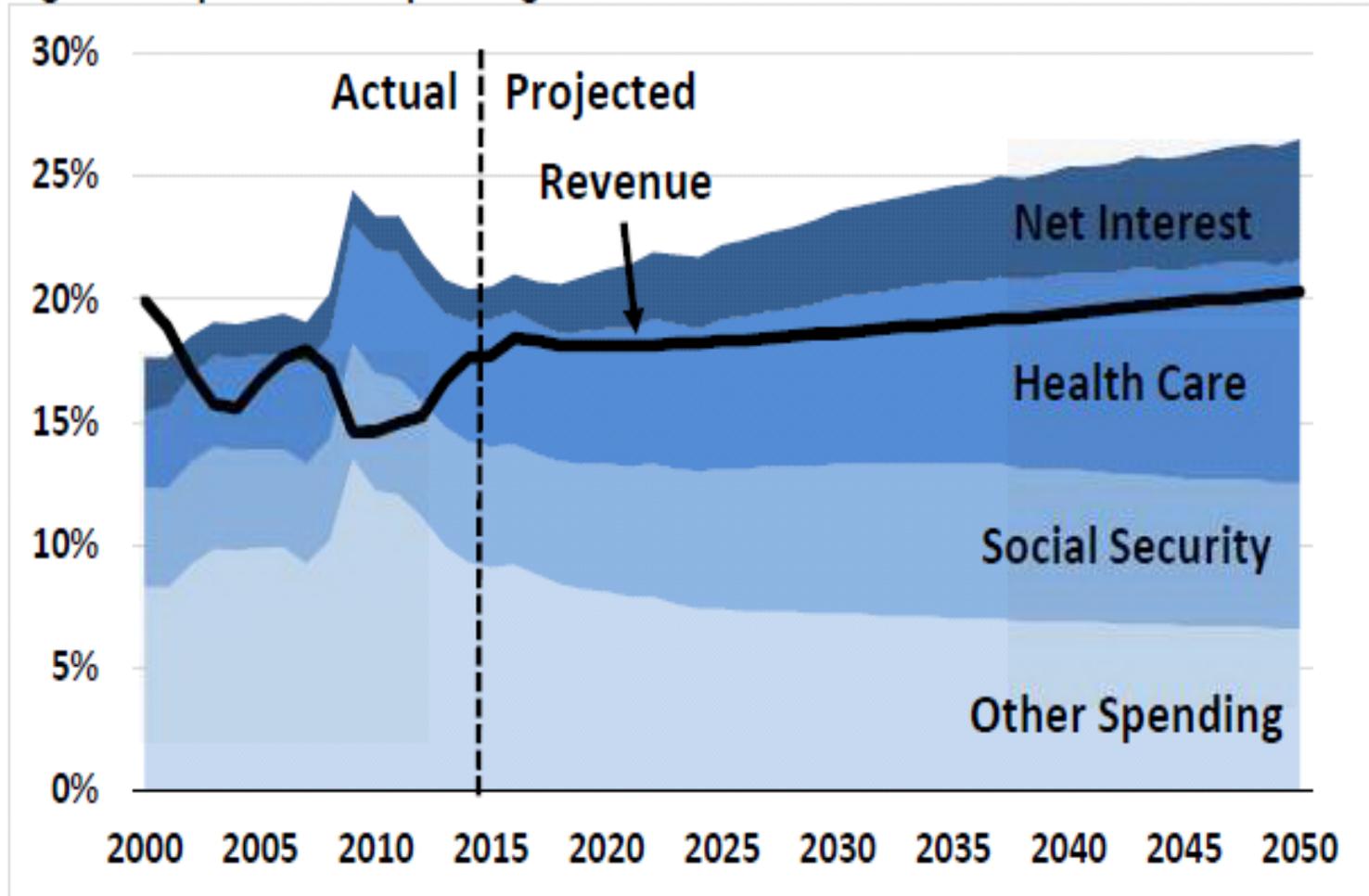


NOTE: Don't know/Refused responses not shown.

SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted December 1-7, 2015)

The CBO's June 2015 Long-Term Budget Outlook

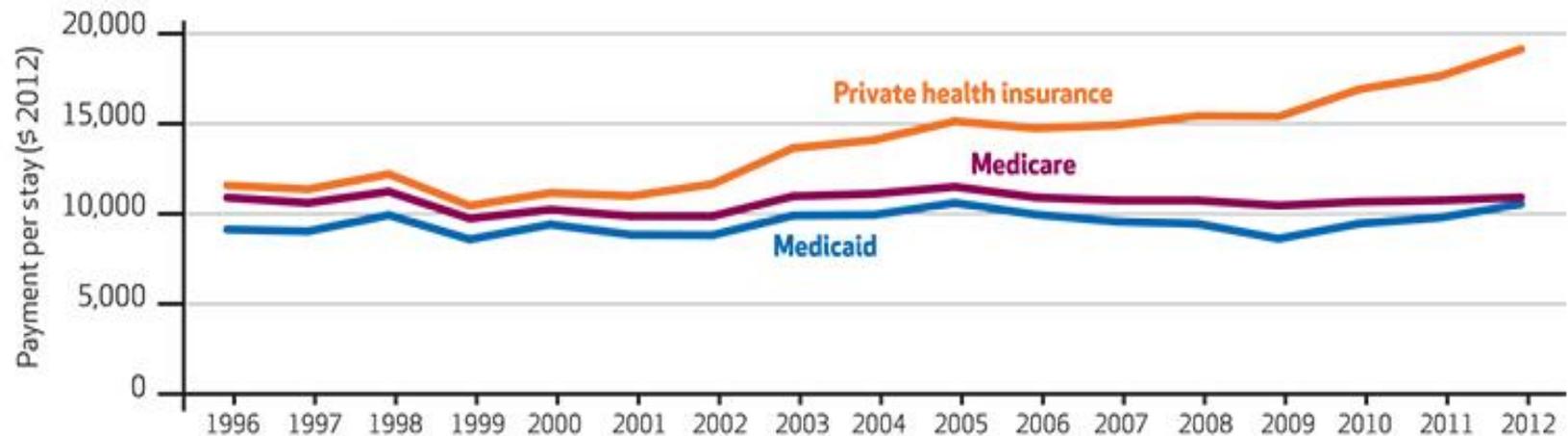
Fig. 3: Composition of Spending and Revenue as a Percent of GDP



This is Why A Single-Payer Health Solution is Not in the Cards

Source: CMS MEPS Survey

Average Standardized Payment Rates Per Inpatient Hospital Stay, By Primary Payer, 1996-2012



SOURCE Authors' analysis of data for 1996-2012 from the Medical Expenditure Panel Survey. **NOTES** The average payment rates were computed as if each primary payer paid for all nonmaternity adult stays in a given year. Payments were adjusted for inflation and standardized across payers in terms of patient's age, sex, race/ethnicity, geography, household income as a percentage of the federal poverty level, conditions, charges, length-of-stay, and whether or not a surgical procedure was performed. They were not standardized for changes over time in the bundles of treatments and services provided during inpatient stays. Estimates and standard errors can be found in online Appendix F and Appendix Table F.1 (see Note 9 in text).

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Hillary Clinton's Health Proposals

- **"I will defend the Affordable Care Act, but as president I want to go further," Clinton said. "I want to strengthen the Affordable Care Act, because the truth is, it couldn't and it didn't solve all of our problems."**
- **Lower the ACA's out-of-pocket costs by providing three sick visits not subject to deductibles.**
- **A refundable tax credit of up to \$2,500 individual/\$5,000 family for out-of-pocket costs that exceed 5% of their income.**

Clinton...

- **Provide states that don't have the power to regulate insurance rates a federal regulatory fallback.**
- **Vigorously enforce antitrust laws to protect consumers against health industry consolidation and mergers.**
- **Continue the shift away from fee-for-service toward value based care that would include incentives for providers and payers to coordinate care (ACOs) as well as bundled episodes of care.**
- **Allow Medicare to negotiate drug prices.**

Clinton...

- **Deny tax breaks to drug companies for consumer advertising and require those getting federal funds to reinvest a minimum amount in research.**
- **Encourage generic drugs by lowering the amount of time companies have patent protection.**
- **Cap out-of-pocket drug costs at \$250 a month for what insurers can charge consumers for chronic or serious conditions.**
- **Allow Americans to import drugs from abroad.**
- **Repeal the “Cadillac Tax” on high cost health plans.**

Republican Proposals

- **Full repeal and replace.**
- **Repeal Medicaid expansion.**
- **End insurance exchanges.**
- **Require continuous coverage to avoid pre-existing condition limitations.**
- **State-based risk pools for people unable to get coverage with a pre-existing condition.**
- **End Obamacare benefit mandates.**
- **Either tax credits by age or tax deductions for health insurance costs.**

Republican Proposals ...

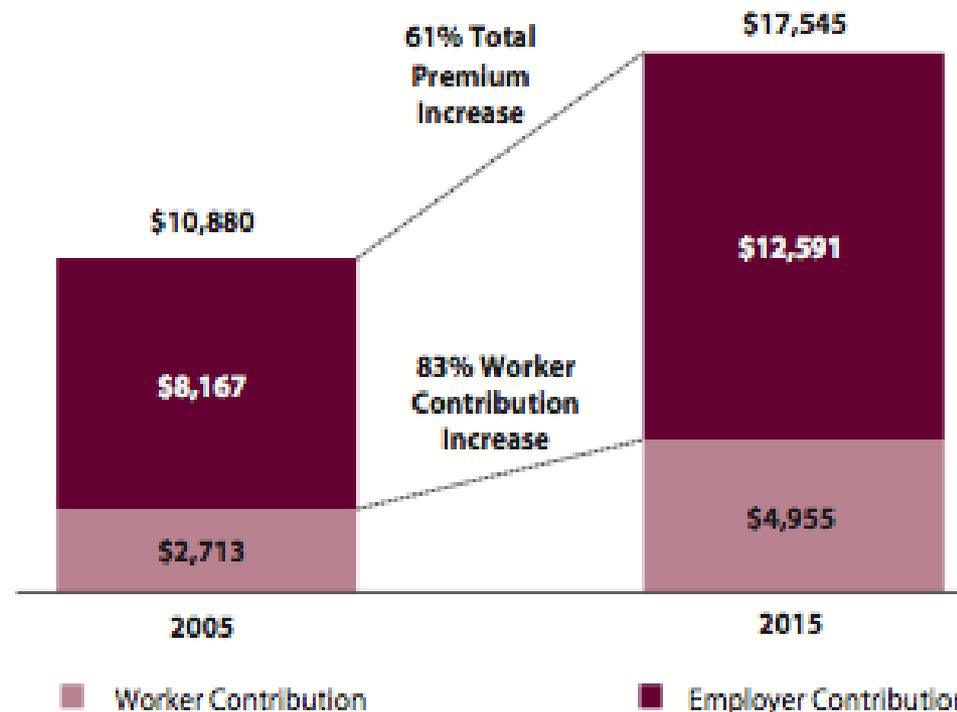
- **Cap the tax exclusion on employer provided health benefits**
- **Selling insurance across state lines and association health plans.**
- **Medical malpractice reform.**
- **Support the growth of value-based systems such as Accountable Care Organizations.**

**The Employer Market:
Continued Shifting of Costs to Consumers**

Average Family Premium Under an Employer Plan Now Over \$17,000 a Year

EXHIBIT A

Exhibit A: Average Annual Health Insurance Premiums and Worker Contributions for Family Coverage, 2005–2015



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2015.

More Consumers Have a Deductible of at Least \$1,000

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of \$1,000 or More for Single Coverage, By Firm Size, 2006-2015



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: These estimates include workers enrolled in HDHP/SO and other plan types. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2015.

National Business Group on Health Employer Survey

- **Private exchange concept waning?**
- **By 2016, only 3% of large employer respondents will have moved their active employees to a private exchange.**
- **While 24% of employers reported this year that they are considering a private exchange, last year 35% were considering a private exchange.**
- **Private exchanges are growing when it comes to retirees—24% of employers say they will use them in 2016 compared to 10% in 2013.**

Specialty Drug Costs Are Quickly Becoming the Health Care Issue Du Jour

The Cost of Pharmacy Continues to Grow as an Issue

- **Drug spending rose 12.6% in 2014.**
- **Drug spending rose about 2% a year between 2008 and 2012.**
- **CMS had estimated that it will rise an average of 7.3% annually between 2013 and 2018.**
- **Specialty drugs are the driver.**
- **The Kaiser tracking poll found that 77% of those surveyed said making sure the cost of high cost medications are affordable should be a top priority.**

Health Plans Challenged by Specialty Drug Costs

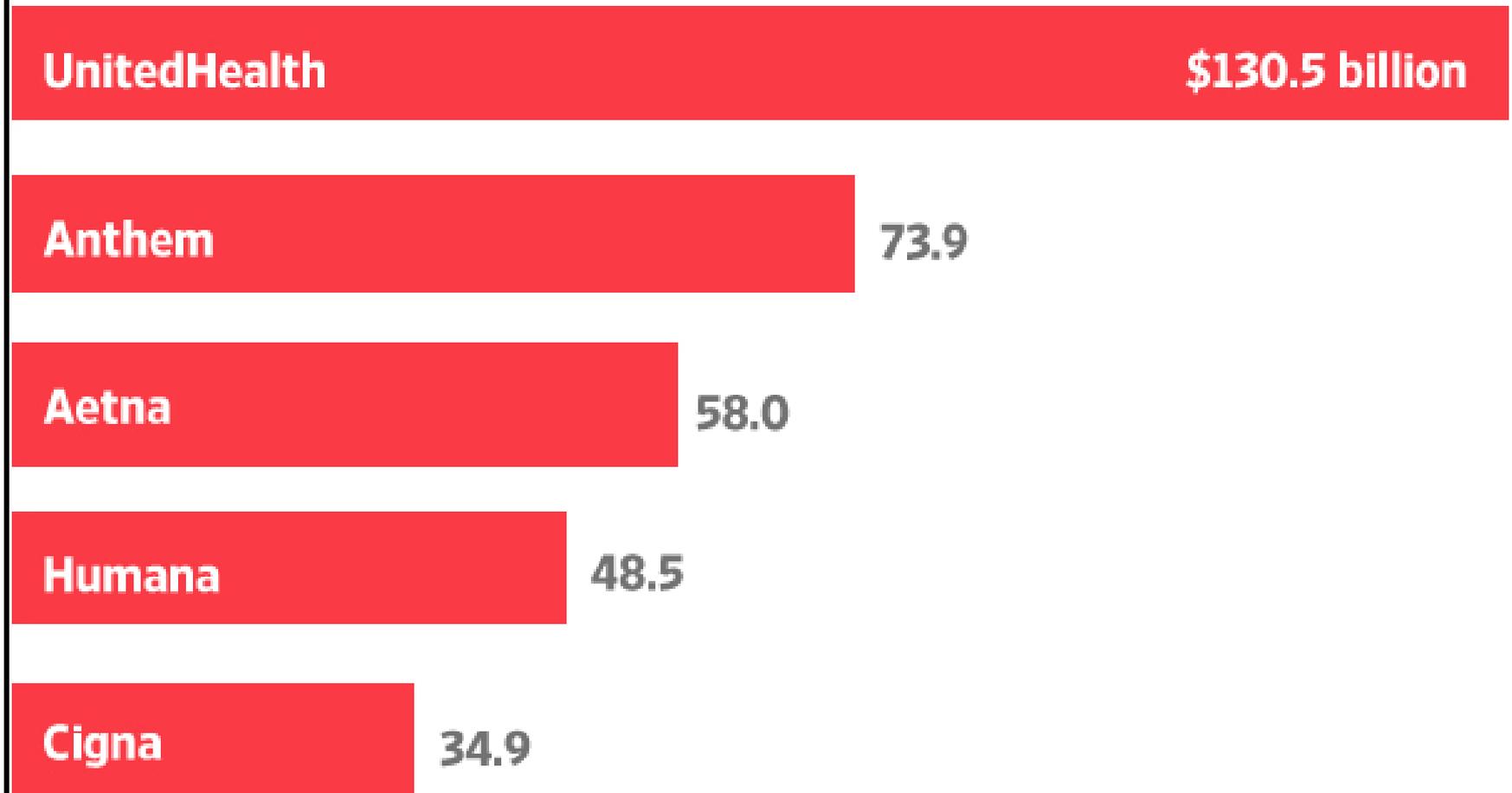
- Specialty drug costs total 35% of pharmacy costs and that is expected to grow to 50% in two years.**
- 500 oncology drugs in the pipeline 90 of which are for multiple myeloma.**
- Health plans can't refuse to cover medically necessary care.**
- Health plan covers the expensive drug subject to acceptable pathways and waits for a similar drug to create competitive pressure.**
- Little so far in the way of transfer of risk to the provider or the drug company.**

Employer Drug Formularies Also Shrinking

- **PBMs are more and more often dropping name brands if they don't get a lower price.**
- **"This year, more than half of all people with insurance will have some medications excluded from coverage" – Ronny Gal, a drug industry analyst at investment firm Alliance Bernstein in New York.**
- **"Drug companies have been pricing their drugs largely along the lines of, you know, whatever you can get away with and still have the patient get the drug," Gal says. "This year exclusion will become a standard feature of the industry, which is actually quite a shocker for a lot of patients."**

Health Plan Consolidation

U.S. health insurers by 2014 revenue



Note: Includes revenue from businesses other than insurance

Source: S&P Capital IQ

Current Level of National Medicare Advantage Market Concentration

Herfindahl-Hirschman Index As Calculated by the Commonwealth Fund

Level of market concentration	Number of counties	Percent of all counties nationwide	Percent of MA plan enrollees	Percent of Medicare beneficiaries
Nonconcentrated (HHI < 1,500)	1	–	1	1
Moderately concentrated (HHI = 1,500-2,500)	80	3	22	15
Highly concentrated (HHI > 2,500)	2,852	97	77	84

American Hospital Association Criticism of the Anthem/Cigna Merger

- **The merger would reduce competitors ability to compete with all Blues plans causing prices to rise.**
- **Anthem and other Blues plans already cover 105 million and Cigna would add 14.7 million more to the Blues networks (+14%).**
- **This increase in market clout will only increase the already daunting barriers to enter the health insurance market.**
- **Anthem's acquisition would have the effect of causing Blues plans where Anthem does not operate to have increased bargaining power with providers.**
- **"Most Blue plans do not compete [between each other]...and it is very unlikely that...Cigna will compete against non-Anthem Blue Cross plans.**

Stock Market Not Convinced the Humana and Cigna Deals Will Close

- **On July 3 Aetna – Humana deal was announced for \$230 a share.**
- **Aetna's share price dropped 7% on the announcement.**
- **Humana has generally traded in a \$180 to \$190 range since the announcement.**
- **On July 24 the Anthem Cigna deal was announced for \$188 a share.**
- **Anthem's share price dropped 3%.**
- **Cigna share price fell 5.6% to \$145 and has generally held at that level.**

New Forms of Integrated Delivery of Care and Payment Systems

The Medicare Doc Fix

- **July 2015 through December 2015: Medicare physician payments increased by 0.5 percent.**
- **2016 through 2019: Medicare physician payments increase by 0.5 percent each year.**
- **January 2019: Based on eligibility, physicians enter either the Alternative Payment Model track or the Merit-Based track.**
- **2020 through 2025: Medicare physician fee-for-service payments remain at 2019 levels with no updates.**

**Are the ACA's Accountable Care Organizations
the Answer to Controlling Medicare Costs and
Improving Quality?**

Early Accountable Care Results

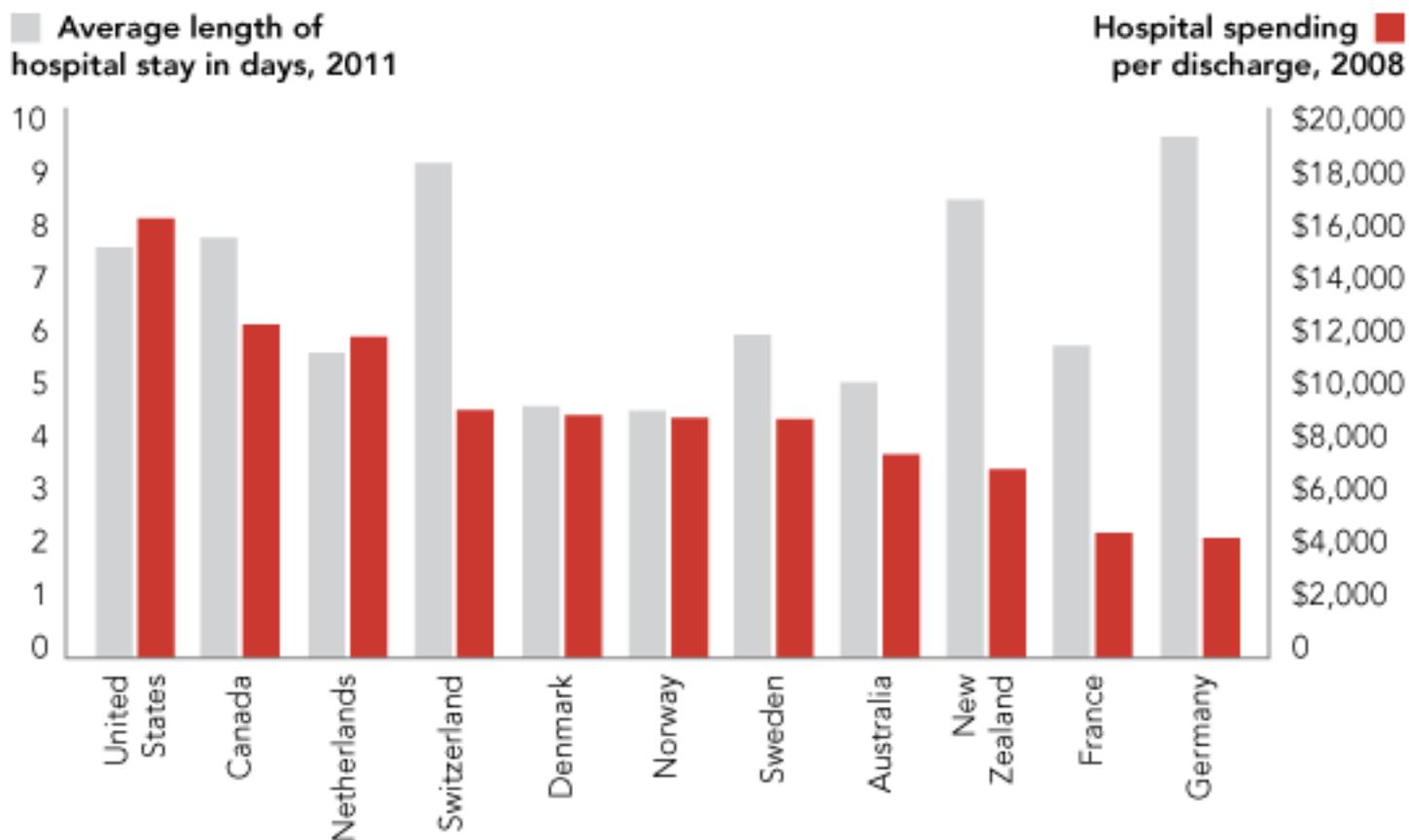
- **The Obama administration has set a goal of having half of Medicare spending tied to performance systems by the end of 2018.**
- **In 2014, Medicare paid \$60 billion to 353 ACOs covering 6 millions seniors.**
- **45% of ACOs cost the government more than their budget.**
- **After paying bonuses to the ACOs that saved money, the program cost \$3 million more than projected.**
- **Only 7% of ACOs were willing to go at risk for being over budget in 2014.**

ACOs...

- **New England Journal of Medicine, April 2016**
- **“Early Performance of Accountable Care Organizations in Medicare”**
- **Using Medicare claims from 2009 through 2013.**
- **Measuring 220 ACOs comparing claims inside and outside the ACOs.**
- **In 2012, spending was \$144 less per beneficiary (1.4% savings).**
- **In 2013, spending was only \$3 per beneficiary less.**

Is it still, “The Prices, Stupid”?

Hospital stays in the U.S. aren't long but cost more than those in other countries.



Notes: Acute care is curative care generally provided in a hospital (as opposed to long-term care, which is generally provided in a nursing home). Data is from 2008 and 2011 or nearest year.

Sources: OECD Health Data 2010, OECD Health Data 2013, Congressional Research Service, The Commonwealth Fund

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Despite high spending, Americans don't go to the doctor very frequently.

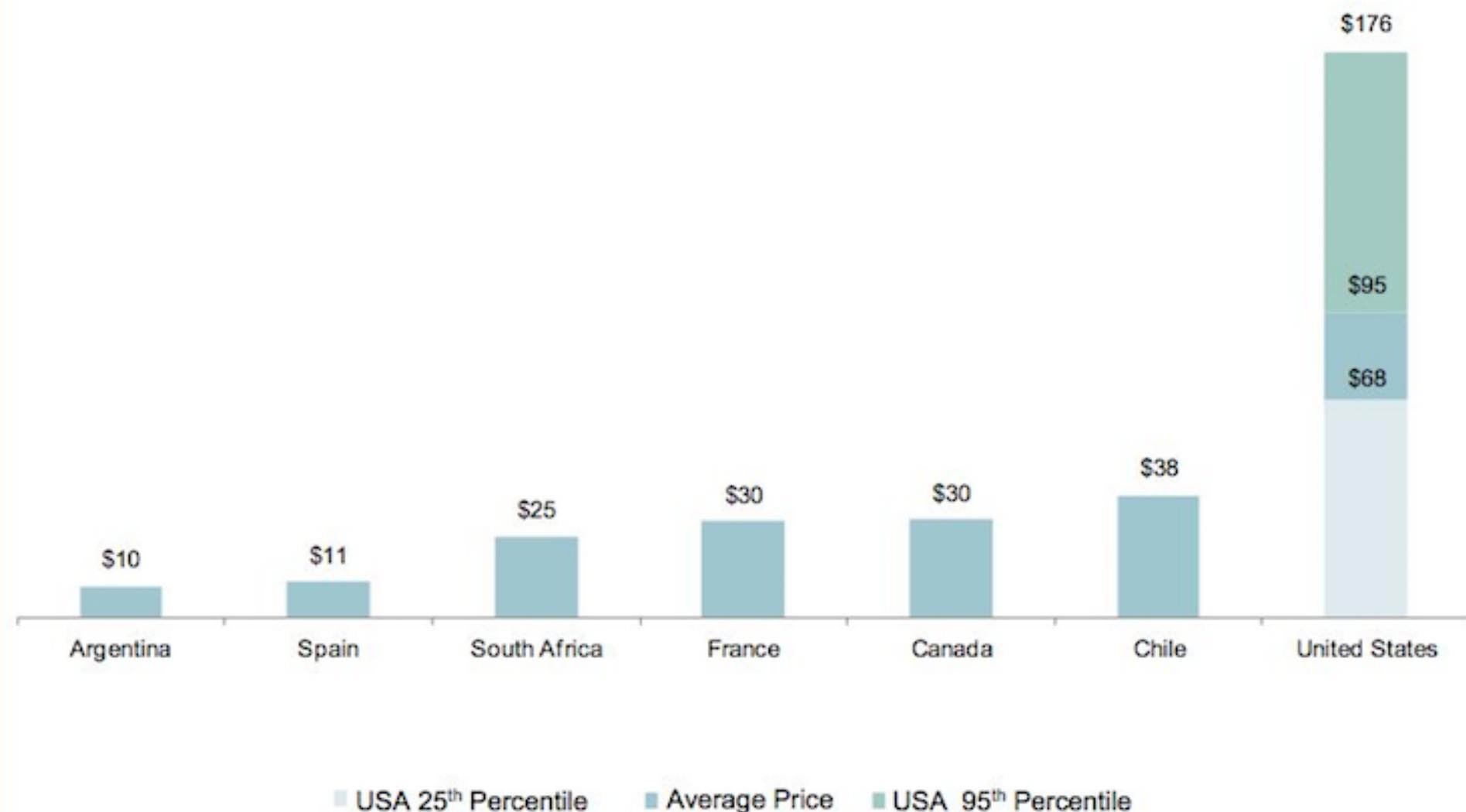


Doctors consultations per capita, 2011

Notes: Data is from 2011 or nearest year.
Source: OECD Health Data 2013

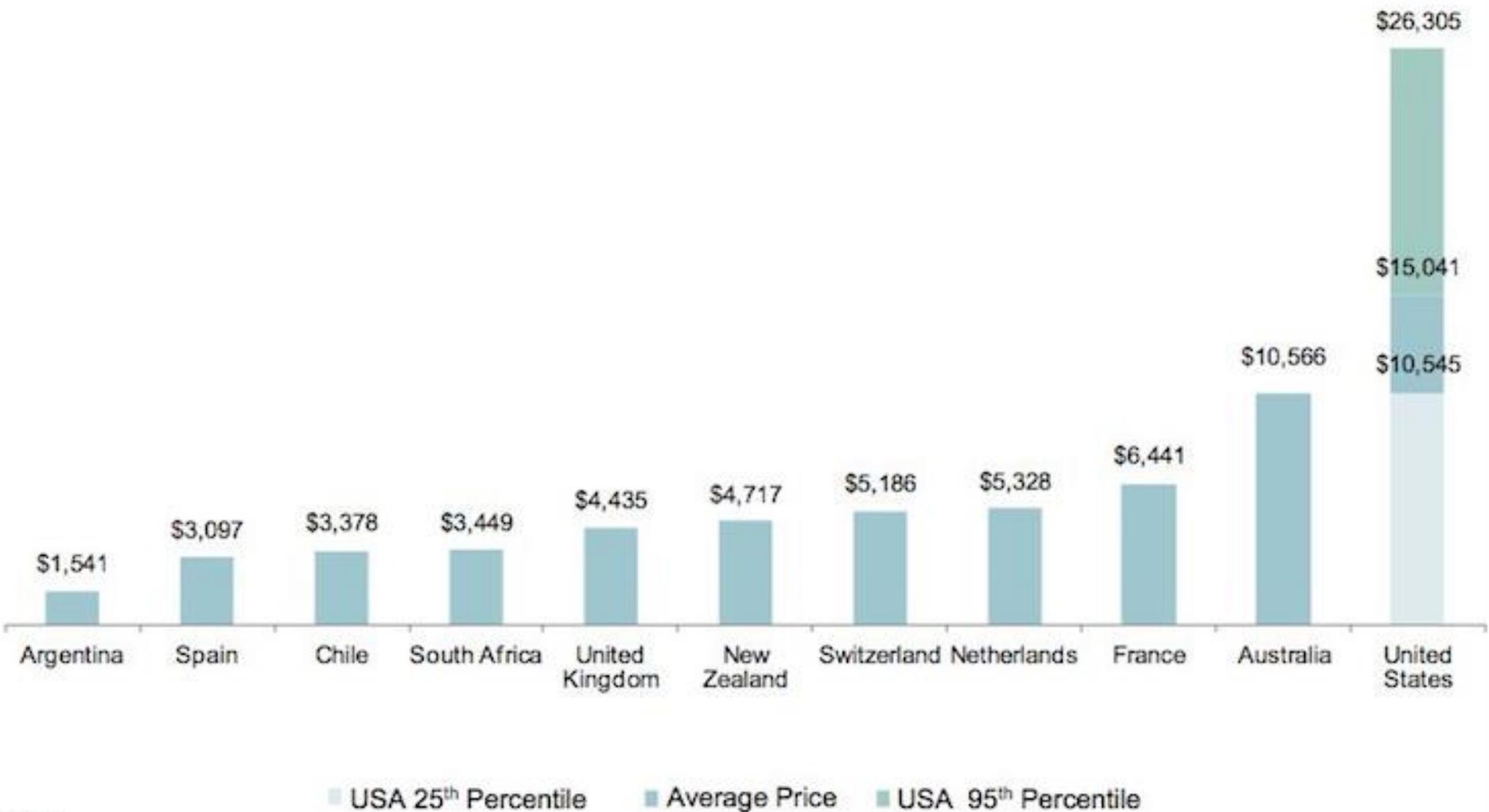
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2012 Physician Fees: Routine Office Visit



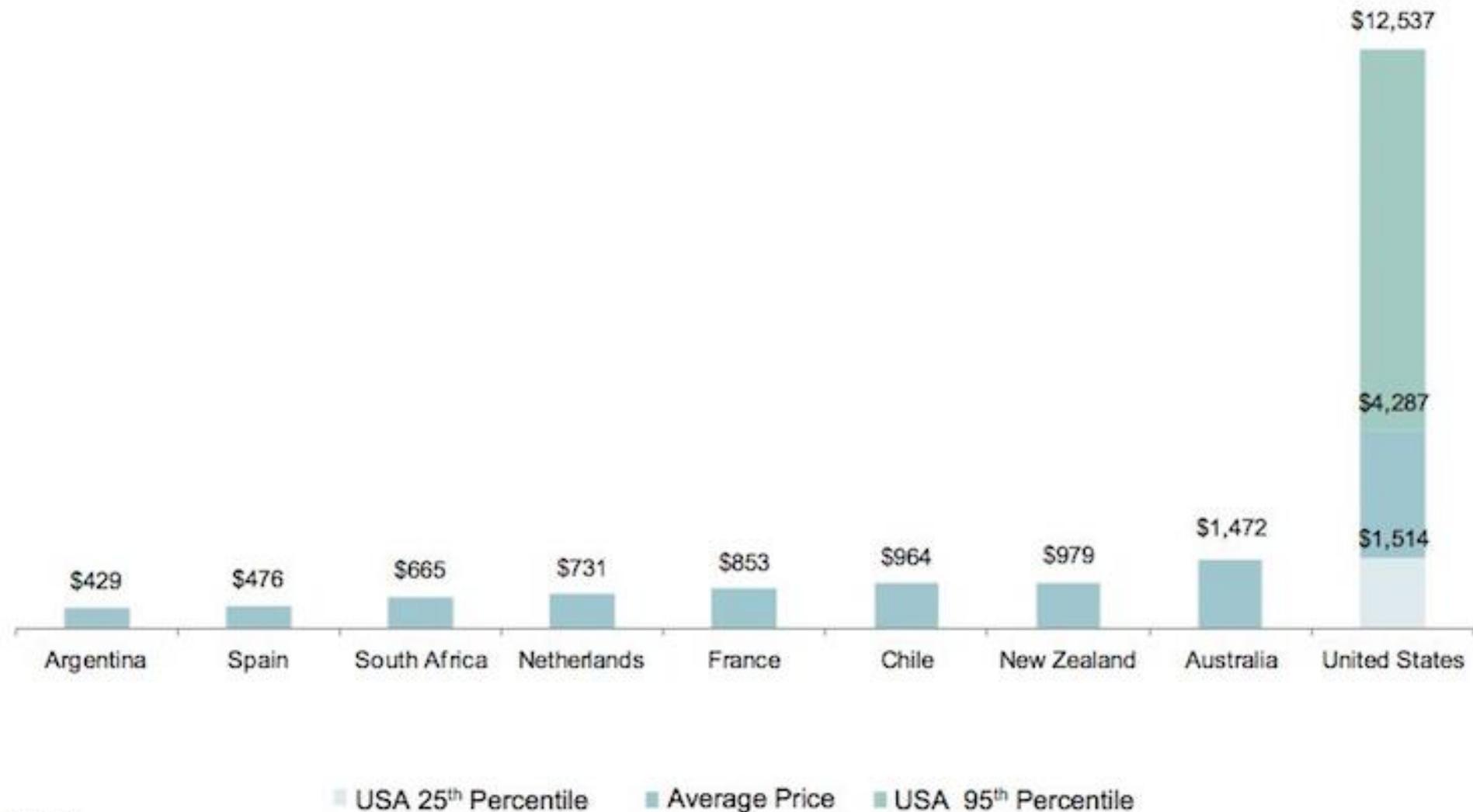
(\$ USD)

2012 Total Hospital and Physician Cost: C-Section



(\$ USD)

2012 Cost Per Hospital Day



(\$ USD)

Market and Policy Issues

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