



Three Takeaways

- 1 Health policies will dramatically shift, but details not clear.
- 2 Republican plans are likely to benefit healthier, younger, and higher income populations.
- 3 The ACA was neither an epic failure nor an incredible success. It was a debate about values.

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Presentation can be summed up by these three major takeaways.

1. With the new Trump administration, we expect big changes in health policy. Those details are not yet clear. Will talk in broad brush strokes what we expect to see in terms of reforms to Medicare, Medicaid and the private market.

2. Despite what you may hear, there are actually a number of Republican plans to repeal the ACA. I won't go through all of them, but I will talk about some of the common aspects and what you can expect.

3. 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.



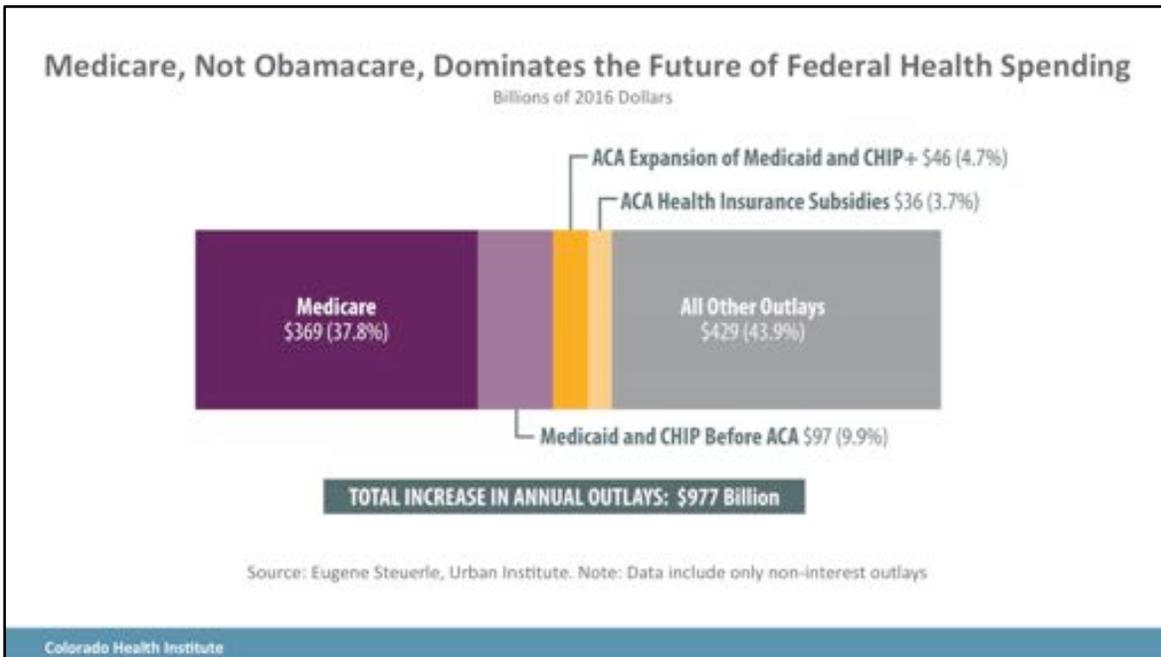
During the election there were a lot of issues that Trump and Republican establishment disagreed on.

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. In Congress, he has regularly introduced legislation to repeal the ACA.

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. Cost sharing, work requirements. 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.



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 in Medicare?

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 and Donald Trump has indicated he doesn't support reforms at least initially. But tax cuts he has proposed will lead the budget to

From Repeal and Delay Back to Repeal and Replace

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What should you expect in the private market?

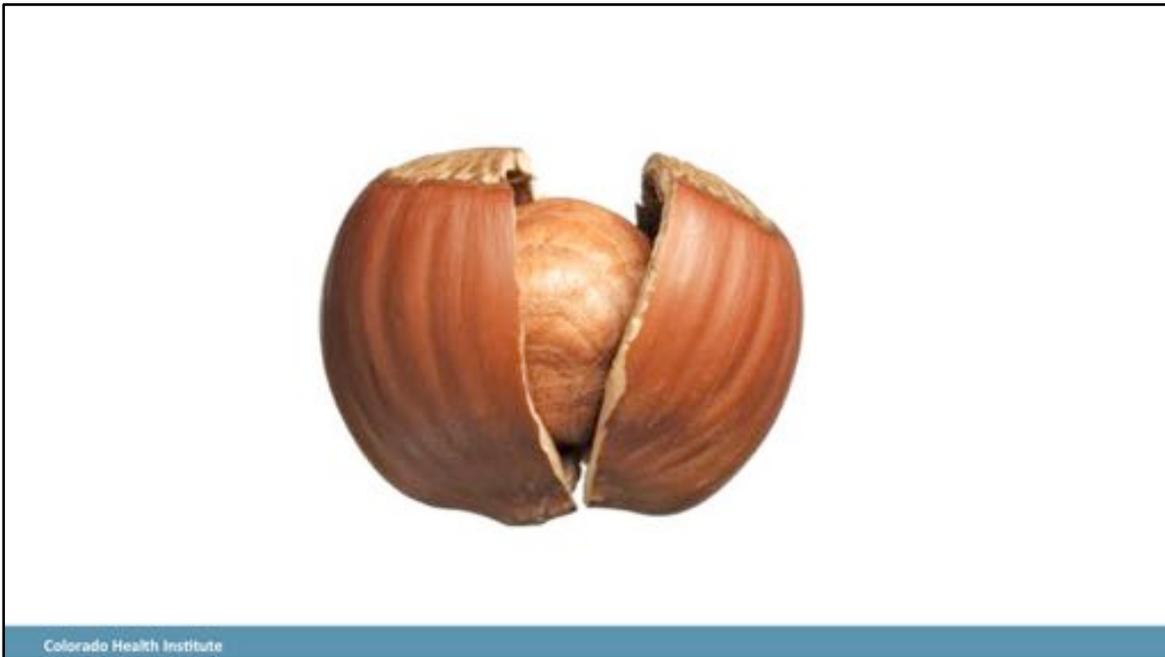
This is where the action will be.

The ACA will be repealed, the big question is will it be replaced simultaneously or will there be a delay?

Republicans have faced significant criticism for suggesting they would repeal and delay any replacement.

Trump has indicated that these two must happen simultaneously, but has given few details on what the replacement plan would look like. It would include insurance for everybody, it would be less expensive and people would have access to care.

Timing: As of a few days ago, the repeal is supposed to be introduced on January 27th a week from today. Political discussions change rapidly. Would not be surprised if this deadline is not met.



What is the replacement plan expected to look like?

Republican plans vary. Interest of time will not go through them.

Rather, my second point, is that in a nutshell:

People who would gain under a Republican plan are likely to be those Americans who are younger, higher income and healthier

People who are likely to be worse off are those who are older, lower income and sicker

In general Republican plans are likely to achieve lower premiums at least on net, This would be achieved by requiring people to have fewer benefits and allow them to have higher cost sharing. In other words, buying less insurance.

Objective:

Abolish individual mandate to purchase health insurance.

Policy:

Rescind penalty for not having insurance.

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Without going through all the details of various plans, going to go through some common features.

Republicans are absolutely opposed to the individual mandate. They feel that it was government overreach. The individual mandate was central to the case against the ACA that went to the Supreme Court.

Their plans abolish the individual mandate by rescinding penalties for being uninsured.

Objective:

Restrict but don't totally ban using health status to set insurance rates.

Policy:

Allow higher premiums for those who don't have continuous coverage. Up to 50% higher premiums for those with a break in coverage. (Price plan)

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One of the things most popular with the ACA is that people can no longer be rejected or face higher premiums because of pre-existing conditions. Called guaranteed issue.

Republicans want to keep some form of guaranteed issue. But here is the rub. The most unpopular aspect of the ACA (the individual mandate) and one of the most popular aspects of the ACA (guaranteed issue) go hand in hand.. The theoretical argument: If you have guaranteed issue without an individual mandate, sickest people come in, but healthy people don't come into the market to offset those costs.

So here is how the Price plan addresses this. Don't have to have continuous coverage. But if you don't, you can have a much higher rate once you decide to come into the market.

Objective:

Allow people to buy less insurance.

Policy:

Eliminate or revise essential health benefits, allow for higher deductible plans.

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Another aspect of the ACA that Republicans are opposed to is the government not just requiring people to buy insurance, but requiring them to buy a package that contains the essential health benefits and limits the deductibles that can be charged.

Basically, they want to give Americans the opportunity to buy less insurance than the ACA currently allows for—bring back more bare bones plans.

This will most definitely bring down the cost of insurance because people would get less of it. It's doesn't get at the underlying cost of care though.

Age	Premium for Silver Plan with 3:1 Age Rating (ACA)	Premium for Silver Plan with 5:1 Age Rating (Replacement Plan)	Change in Premium
21 year old	\$2,840	\$2,120	-\$720
64 year old	\$8,510	\$10,600	\$2,090
Weighted average	\$4,340	\$3,920	-\$420

SOURCE: RAND Corporation

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Another big change you can expect to see is to allow insurance carriers greater flexibility in rate setting is how age is considered when setting premiums.

The ACA regulates insurers so that a plan for a 64 year old cannot be more than three times higher than one for an 19 year old. Because the average 64 yo costs more than three times the average 19 year old, we have young people significantly subsidizing older people. We also have fewer young people in the market than was originally hoped for.

Some of the replacement plans relax that criteria so that the differential cannot be more than 5:1. So what happens under a 5:1 ratio? Mentioned @ beginning that changes are likely to be better for younger people. Premiums for younger people go down, premiums for older people go up.

Objective:

Eliminate ACA subsidies based on income.

Policy:

Introduce subsidies that vary by age
but not income.

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So how would Republican plans address increasing costs for older people?

They would continue subsidies, but at much lower rates, for people based on age not income.

The ACA Versus Price Plan: How Tax Credits Would Change

Annual Income for 52 year-old in Colorado Springs	Affordable Care Act – Tax Credits for Silver Plan	Representative Price’s Plan – Tax Credits for Any Plan
\$20,000	\$411	\$250
\$40,000	\$170	\$250
\$60,000	\$0	\$250

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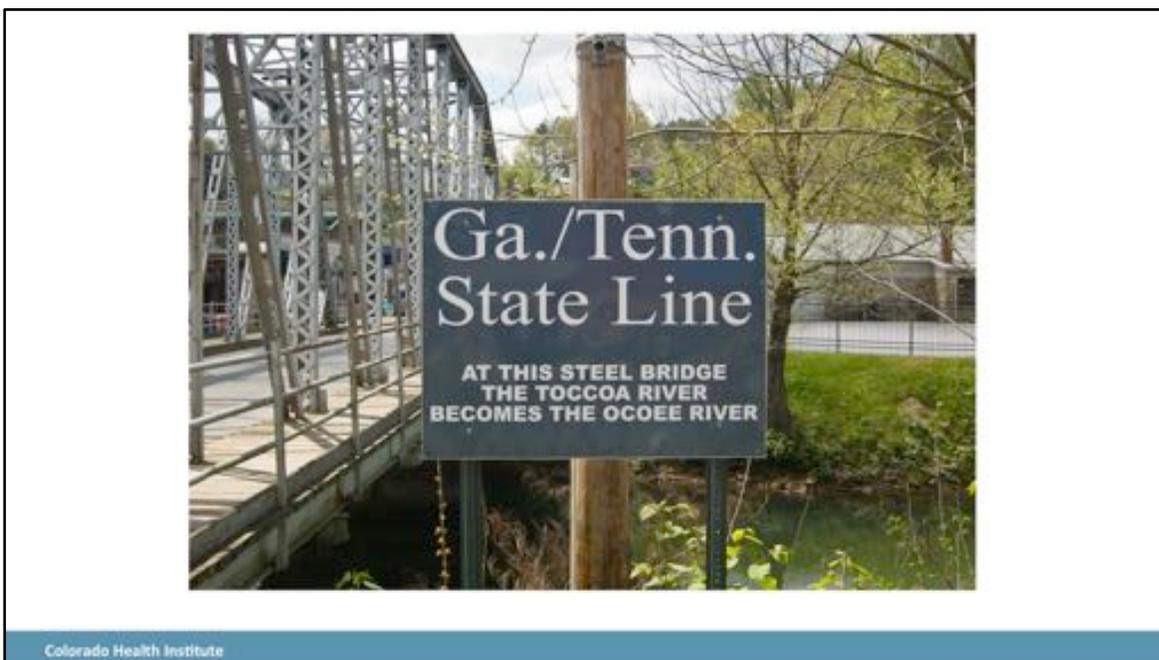
In the ACA, as income goes up, tax credits go down.

Middle column shows you the monthly subsidy for a 52 year old living in C. Springs at three different income levels.

Column all the way to the right shows Representative Price’s flat subsidy plan. Regardless of income it’s \$250/month.

Remember how I said higher income are better off.

Under Price’s plan a 20 year old would be eligible for subsidies at \$100 month. So varies by age not income.



Another policy change discussed is allowing for the sale of insurance 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.**



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.



Talking about really big reforms across a number of markets.

Question today is 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 millions of 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.

Survey says . . .

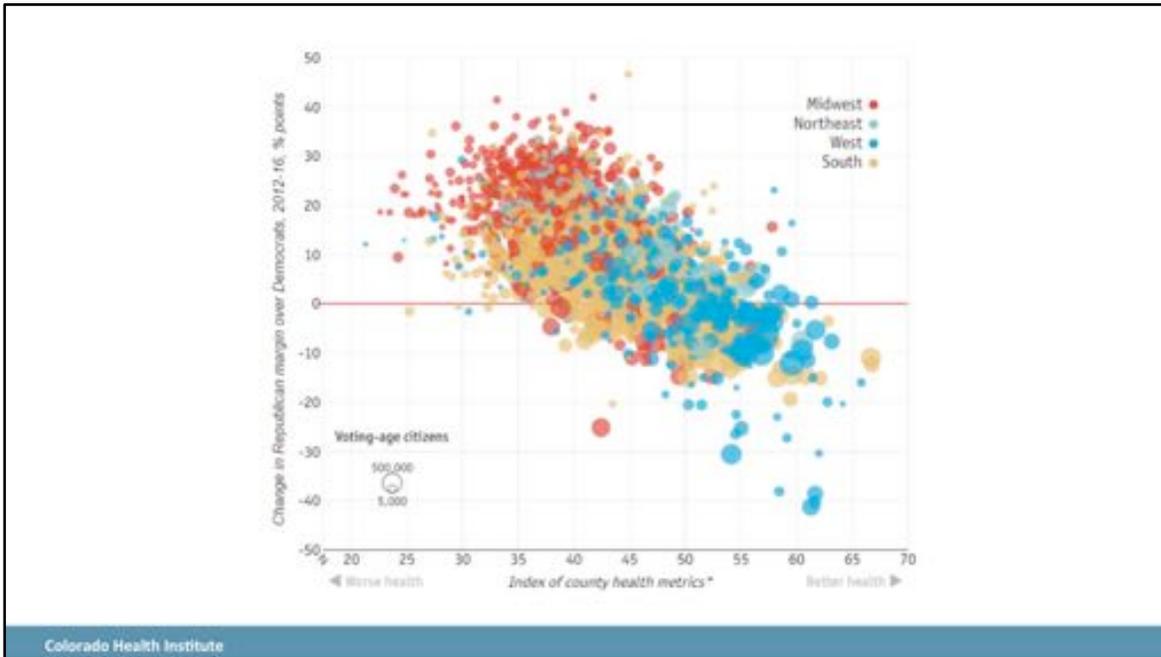
	Clinton Supporters	Trump Supporters
Obamacare Did Not Go Far Enough	78%	18%
Obamacare Went Too Far	13%	82%

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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 where 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?



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

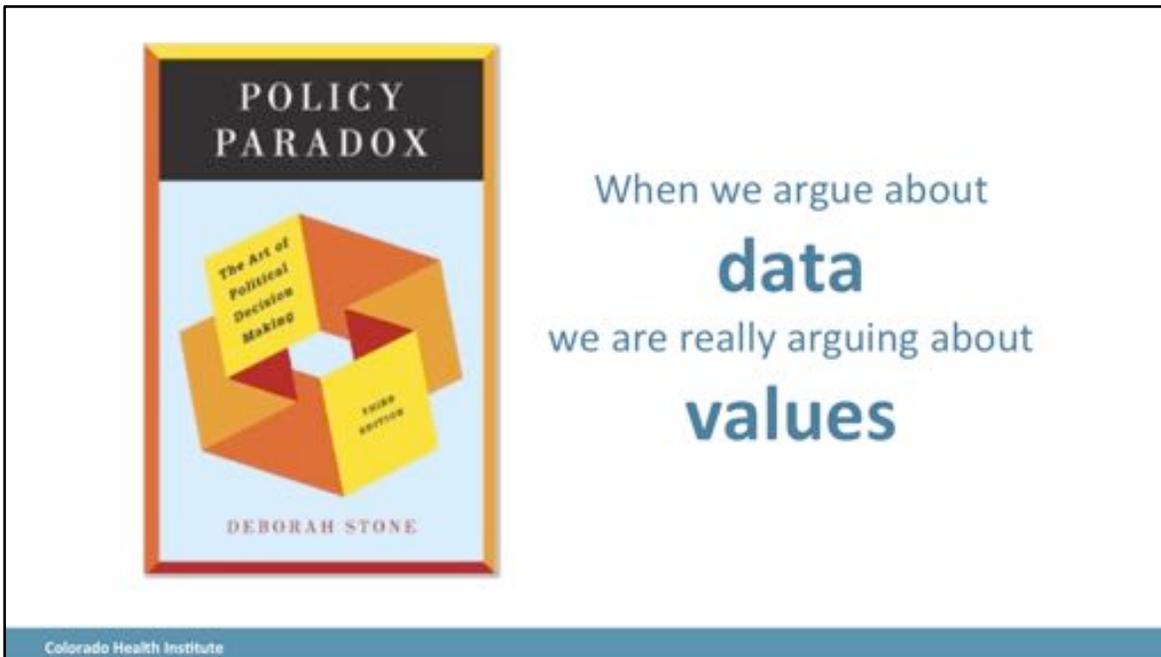


What are some of those exaggerations and falsehoods?

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

According to Sarah Palin, 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?



While there may have been debates about facts and numbers, the underlying issue between the two sides was ideological and not factual.

Deborah Stone, writes that when we argue about data, what we are really arguing about are values.

What we are still learning is that data and values are inseparable.

Data include – sound analysis, disciplined research and the counting up of things.

Values are big lofty societal goals, equality, liberty. Values include whether we think individual responsibility is the key to solving problems or is the government's role to solve problems and which ones?

I would argue that 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?

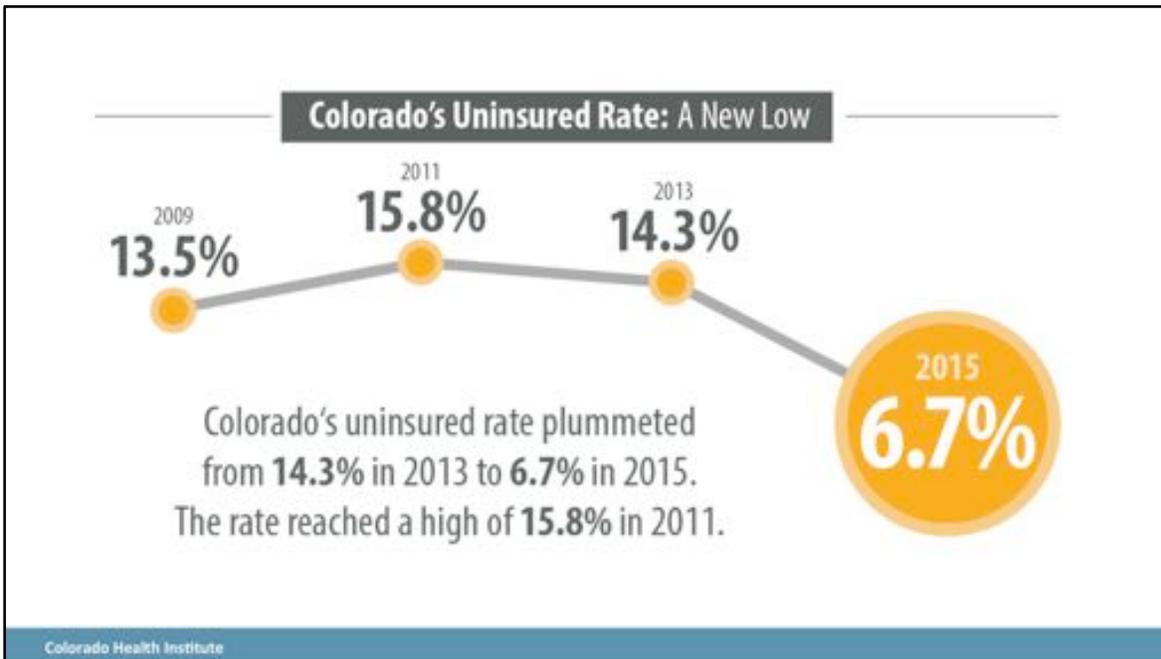
**“The Facts, Ma’am.
Just the Facts.”**



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So beyond the values what are the facts?

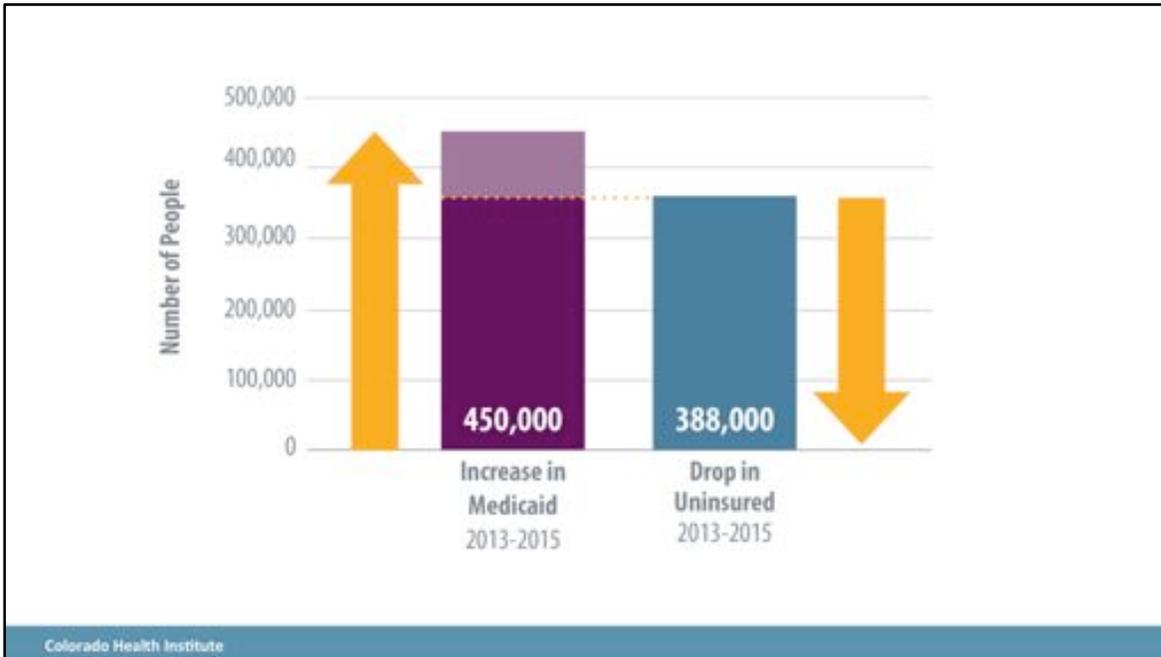
This brings me to my third point. The ACA was neither an huge failure or an incredible success.



The ACA was successful 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.

Medicaid Expansion: Hasn't Depleted the General Fund

FY 2016-17 Colorado State Expenditures

Welcome Mat (General Fund): **\$46 million**

Newly eligible population (Hospital Provider Fee): **\$37 million**

Total Cost of Medicaid Expansion in Colorado: **\$83 million**

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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 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.



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.



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,

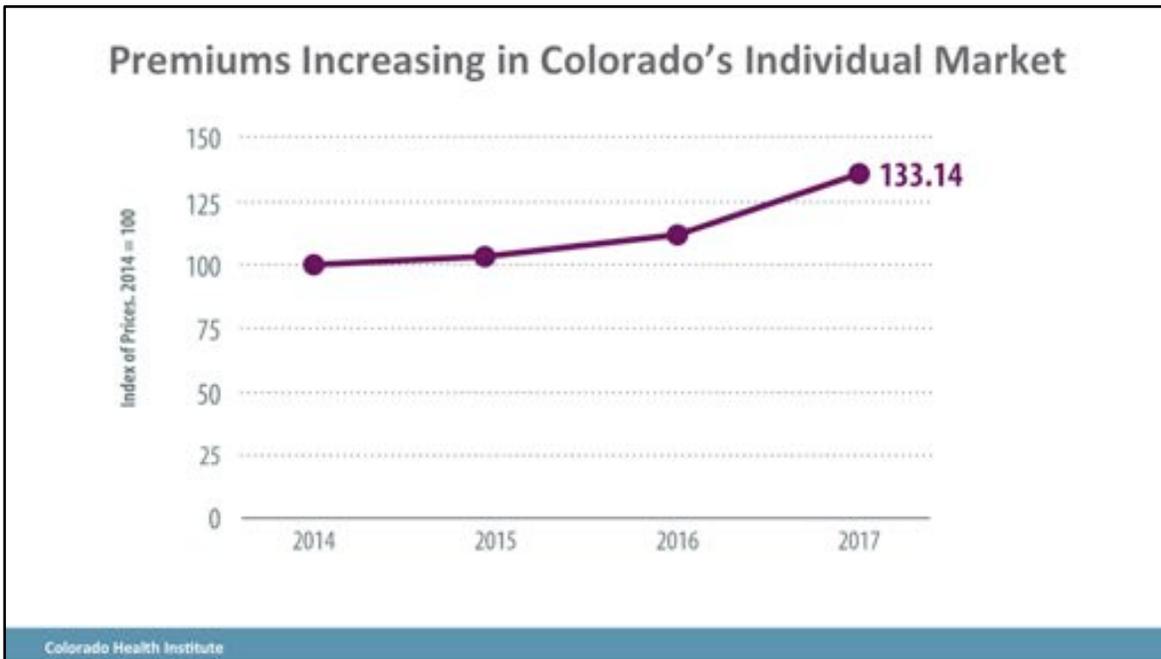
I want to put the ColoradoHealthOP in context because I think it's illustrative of a strategy gone awry.

The health Insurance Cooperative had nearly 60% of the market in 2015 because it 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, its outstanding claims from the Coop totaled \$100 million. They 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.

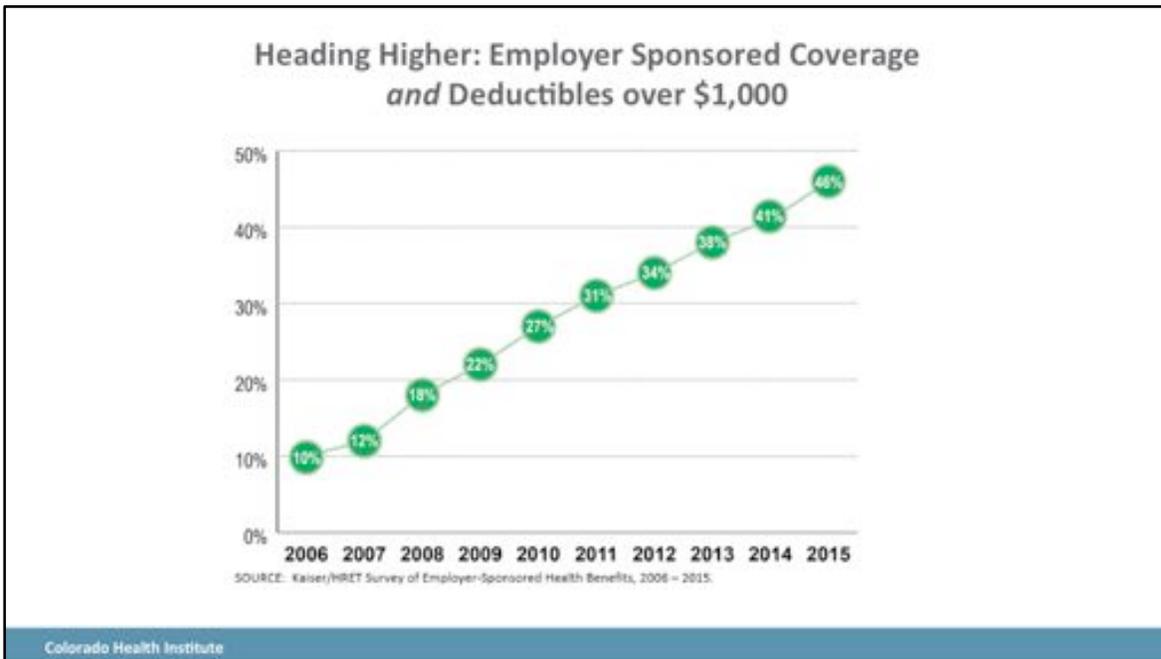
We've indexed 2014 rates to 100 in this graph, and you see how stable they were in the initial year.

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.



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.

From Broad to Narrow Networks



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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.



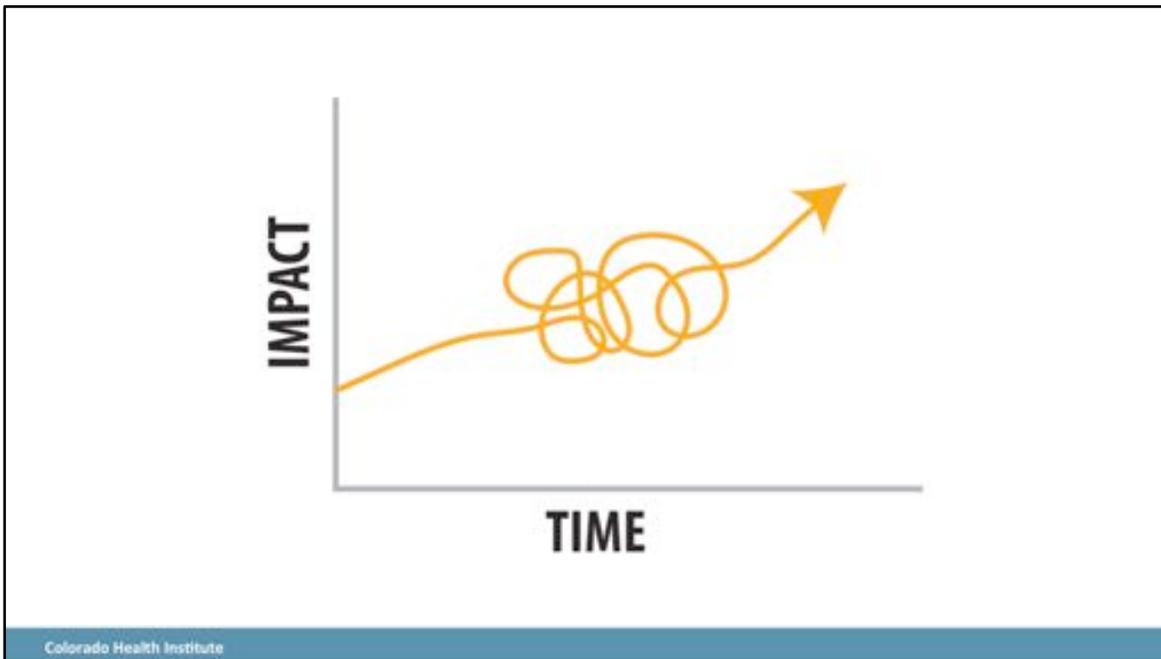
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Three takeaways.

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.



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.

Our debate will continue to look a lot like this until we decide:

1. What is the role of the government and the private sector in addressing social issues?



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