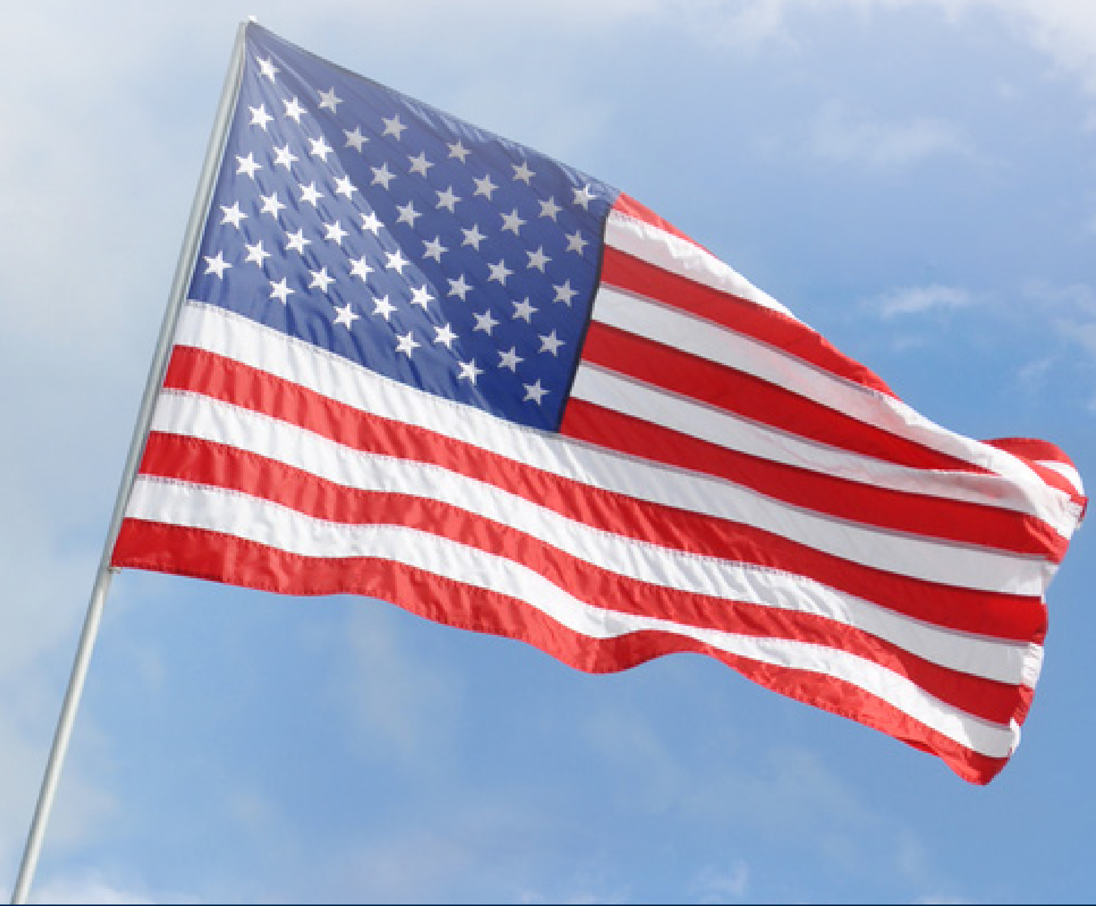
ACRISURE

TRUMP vs. CLINTON:

Where the Candidates Stand on Top Healthcare Issues



WHITE PAPER:

Trump vs Clinton: Where the Candidates Stand on Top Healthcare Issues

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Introduction

THE 2016 GENERAL ELECTION HAS HAD ITS FAIR SHARE OF TWISTS AND TURNS. On the Democratic side, we witnessed a titanic clash in the form of the moderate Democratic candidate, Secretary Hillary Clinton, and the more left-leaning Sen. Bernie Sanders (D-Vt.). Meanwhile, the Republican camp quickly turned into an "anyone's game" situation, out of which emerged one of the most unlikely dark horses in electoral history: Republican presidential candidate Donald Trump.

Regardless of who ends up in the Oval Office next January, this much is certain: there exists a multitude of dynamics that could result in seismic shifts within the US healthcare system.

In this document, we'll look at the key policy issues that have potential to significantly shake up employer-sponsored insurance, and how the candidates have aligned themselves with each issue.

Amendment 69 and Viability of a United States Single-Payer System

AMENDMENT 69 IS A BALLOT INITIATIVE IN THE STATE OF COLORADO THAT, if supported by state voters, could lead to the creation of what the Denver Post refers to as "ColoradoCare" [1]. Under this single-payer system, employer-sponsored insurance and the private insurance delivery system would cease to exist, and would be replaced with a public option funded entirely by state tax revenue. This would require $25 billion in new tax revenues shared by employers and employees alike, effectively doubling the state's current budget. It would also mean that employers and their workers would be weaned off employer-sponsored insurance plans, which could have drastic, unforeseeable implications on corporations, their employees and the overall healthcare delivery system in Colorado.

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The single-payer movement was largely championed by Bernie Sanders, whose campaign had a profound impact on public opinion on the matter. Additionally, strong opposition to the Affordable Care Act from the GOP, specifically Sen. Marco Rubio of Florida, has also had the unforeseen effect of fueling support for a single-payer option. Rubio ardently attacked the Obama Administration's "risk corridors," which according to the Wall Street Journal, would have spread exposure among insurers in the ACA and the government during the first few years of adoption. If insurers ended up with "a healthier-than-expected pool of customers," any surplus from premiums would go to the government, which in turn, would be distributed among insurers that experienced a deficit [2].

However, the viability of the public exchanges, as a whole, has been significantly diminished as a result of the unforeseen and systemic problem left in the wake of the failed risk corridors. Specifically, insurers such as Humana, United, Cigna and Aetna have all withdrawn, in some capacity, from offering individual ACA healthcare plans on the public exchanges due to unsustainable adverse risk. This has left public exchanges, and subsidized healthcare, the very crux of the Affordable Care Act, in a state of turmoil. Because of the resulting lack of plans, carrier competition and options for insured's in many markets, the long-term sustainability of the Affordable Care Act, in its current structure, has been called into question, thus opening the door for proponents of a single-payer system. Now, more than half of Americans support the idea of replacing the Affordable Care Act with a single-payer system. Polls also suggest that the lion's share of the nation's Democratic contingency (81 percent) are in favor of a single-payer regime [3].

Nevertheless, opposition for a single-payer system has recently become much more vocal, and concerns have arisen around the impact the establishment of such a system in Colorado, and more globally, would have, particularly on tax rates, access to quality care, as well as the fundamentals of the healthcare delivery system. Not to mention, this would be the biggest expansion of government in recent times.

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CLINTON

Initially opposed to the concept of a single-payer system, Clinton's stance softened in response to the overwhelming amount of support that Sanders was able to rally during the primary. In a bid to draw more momentum from the left, Clinton proposed a public option in which Americans over the age of 55 could qualify for Medicare [4]. That said, Clinton has not advocated for "ColoradoCare." In fact, statements from a recent batch of leaked staffer emails suggest that Clinton has avoided the issue, which some experts interpret as an indication of opposition [5]. At the moment, Amendment 69 and the single-payer notion as a whole, appear to be remnants from the former Sanders campaign more than initiatives that Clinton intends to stand behind, at least for now. Should Clinton reach the Oval Office, and there is a shake up in Congressional control, we may see the resurgence of HillaryCare, the single-payer option championed by Clinton in 1993.

TRUMP

Trump has not publically commented on Amendment 69, but the Republican nominee has historically shown zero tolerance for the implementation of a single-payer, public health care option. He has stated that he approves of the idea of mandating taxpayers to be insured, but he later contradicted that view, noting that Americans should be able to have a choice on something of that magnitude. Trump also supports the concept of creating increasing competition – which theoretically could lead to lower premium costs – by allowing carriers to sell insurance across state lines. Specifically, Trump asserts that "any vendor ought to be able to offer insurance in any state." [6]

Tax Exclusion for Employer-Sponsored Insurance

U.S. CONGRESS IS UNDER INCREASING PRESSURE TO FIND A WAY TO LOWER CORPORATE TAX RATES. The current cap at the federal level is 35 percent. However, according to the Tax Foundation, the additional 4 percent from local and state taxes raises the rate to 39 percent for many corporations, which is notably higher than the global average of 30 percent [7]. It's likely, then, that legislation addressing the issue will be introduced within the next presidential term.

The main concern facing consumers is that legislators will need to secure a new source of funding if corporate taxes are lowered, and that they may look to employer-sponsored insurance as a possible solution. Current laws provide a tax exclusion for employer-sponsored insurance as a means of encouraging organizations to provide strong benefits plans to their employees, and to incentivize employees to become insured under their employers' plans. Employer-sponsored insurance is one of the leading factors employees consider when choosing where to work. If policymakers repeal this exclusion, it would mean that employer-sponsored insurance would lose its preferred tax status, thus

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abrogating employers' ability to tax deduct the premium contributions they pay on behalf of employees. Additionally, employees could possibly be required to pay taxes on the premium contributions made on their behalf by employers. The overall financial impact of such a policy shift is astronomical.

According to one think tank, the tax exclusion saves American workers $250 billion every year, and reduces the overall cost of health care by 30 percent or more for the average worker [8]. Currently, more than half of all insured Americans are covered under employer-sponsored insurance.

Essentially, abolishing the tax preferred status of employer-sponsored insurance would cause a seismic shift in how health insurance is delivered. Employers would lose out on billions of dollars in tax deductions, which could cause them to reconsider offering insurance to their employees, or at a minimum, cause them to cut the quality of the plans and the amount of money contributed to premiums.

What could lead to more money for the government could have meteoric implications on how the majority of America is currently insured. It is highly likely that abolishing the preferred tax status of employer-sponsored insurance would cause the swift and total demise of the concept, as a whole.

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CLINTON

The Democratic nominee is somewhat of a maverick when it comes to corporate tax rates, claiming that she has no intention of lowering the rate, despite bipartisan support for change. For the time being, none of her health care reform proposals have shown any indication that she intends to support any alteration of the current employer-sponsored insurance tax exemption. Because of her centrist stance, whether or not she would support the repeal of the employer-sponsored insurance tax exclusion in the future is difficult to predict.

TRUMP

Like his Democratic counterpart, Trump's somewhat vague health care proposals don't directly address employer-sponsored insurance, or its current tax preferred status. The only notable difference between the candidates is that Trump claims that he will lower the max corporate tax rate from 35 percent to 15 percent, which could possibly be at the expense of the tax preferred status of employer-sponsored insurance [9]. Based on his general stance regarding taxation, combined with his once-recanted statement of wanting to see an America in which more people are insured, the odds of a Trump presidency affecting the current provisions regarding tax exclusion for employer-sponsored insurance are minimal, at best.

Cadillac Tax Repeal

MEASURE H.R. 4832, WHICH IS COLLOQUIALLY REFERRED TO AS THE CADILLAC TAX, proposes a 40 percent excise tax on health care plan premiums that exceed $10,200 for singles, and $27,500 for families [10].

Under the initial proposal, the tax would have gone into effect as of 2018. However, after being met with strong bipartisan opposition, implementation of the Cadillac Tax was deferred to 2020.

The long-term state of the Cadillac Tax is fairly fluid, with arguments ranging from the repeal of the regulation in its entirety to its immediate implementation. What is known is that the current deferral of the Cadillac Tax is temporary, and the issue is expected to resurface during the next presidential term. The main concern with the measure is that it could lead to employers adopting lower quality plans to keep premiums below the thresholds triggering the tax, meaning employees would have to bear more of their healthcare cost.

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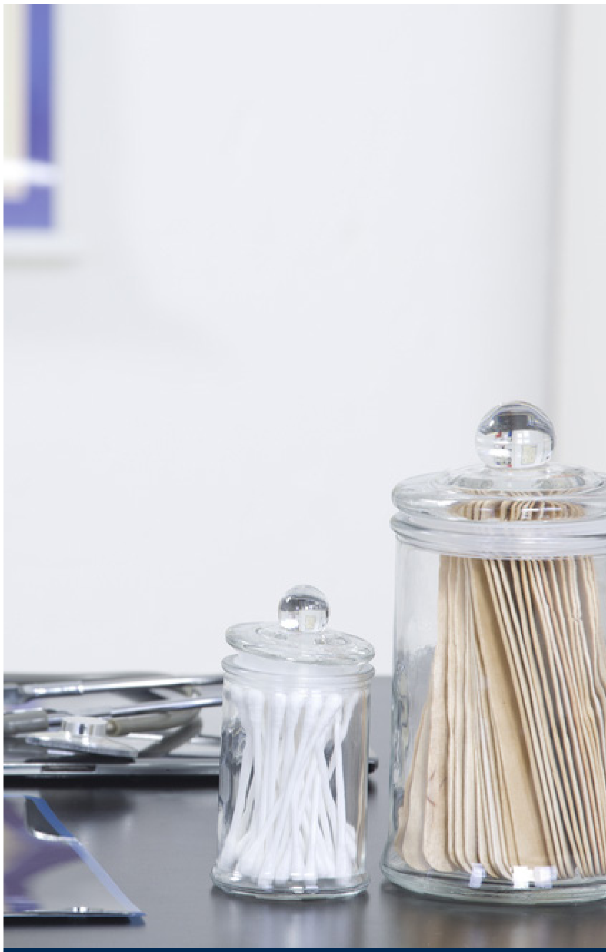
Assuming bipartisan opposition in Congress doesn't shift based on the outcome of the presidential election, the long-term viability of the Cadillac Tax is questionable, at best.

CLINTON

The Democratic nominee has been in strong favor of repealing the Cadillac Tax since 2015, having made the following statement: "Too many Americans are struggling to meet the cost of rising deductibles and drug prices. That's why, among other steps, I encourage Congress to repeal the so-called Cadillac Tax, which applies to some employer-based health plans, and to fully pay for the cost of repeal." [11] Her stance on the issue has not shifted; however, some economists have argued that the expected revenue from the tax will need to be replaced, and it's not clear where this money will come from. While Clinton's position seems to heavily favor repealing the Cadillac Tax in its entirety, the candidate has remained mum as to a strategy to replace the lost revenue that would have been generated by the Cadillac Tax – revenue that is vital for the long-term sustainability of the ACA.



TRUMP

The Republican nominee is also strongly in favor of repealing the Cadillac Tax. As far as finding a source of revenue to put in its place, Trump has not provided any explicit alternatives. Like his opponent, many of his reforms fail to provide a clear, substantive strategy for generating enough revenue to perpetually sustain the Affordable Care Act. In Trump's case, this is likely due to his fervent support for the immediate and decisive repeal and replacement of the Affordable Care Act. Stated differently, he likely isn't concerned with replacing the lost revenue that would have been generated by the Cadillac Tax since Trump's position is that there would be no need for such revenue once the ACA is repealed.

Some are concerned that Trump's strategies could increase the federal deficit in a not so insignificant amount. In addition to deficit increases resulting from his proposal to nearly halve the corporate tax rate, Trump's intended repeal of the ACA could have the potential impact of further increasing the federal deficit by as much as $33 billion [12], not to mention the unintended practical consequences that would result by implementing such a decisive "rip the Band-Aid off" strategy. While the candidates, and the majority in Congress, share their disapproval of the Cadillac Tax, the bigger question is, how does the Affordable Care Act, in its current structure, remain viable long term?

Escalating Rx Costs

WITH MEDICAL COSTS RISING, it's difficult to envision a reality in which health insurance premiums for consumers aren't increasing, as well, during the next presidential term. The Congressional conversations are shifting toward the increasing costs of prescription drugs. From the start of the year, brand-name drug list prices have increased by an average of 12 percent, according to The New York Times [13]. These spikes would be even higher if it were not for the evolution and implementation of aggressive cost containment measures by pharmacy benefit managers and consultants.

In fact, an IMS Health report specifically attributes some of the varying successes of cost containment to "more aggressive efforts by health plans and pharmacy benefit managers to limit price growth." [14] Nevertheless, The Times noted that drug manufacturers can still use high list prices to have greater leverage

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over what they charge less "sophisticated" retailers and insurers. So while some insurers and pharmacy benefits managers have become savvier to how manufacturers drive pricing, others have not.

What's more, these efforts have not been enough to abate the increasing price of drugs, which directly impacts the cost of health insurance. In 2016, premiums rose, on average, 8 percent over the previous year [15]. As a result, some insured consumers are paying more out of pocket for certain drugs, while uninsured Americans are often forced to pay full list price, and as a result, are suffering the most.

All of this leads us to the contentious matter of regulating drug prices. It's a subject that, at the very least, will be heavily discussed during the next few years. The question is, where will each of our candidates stand on the issue?

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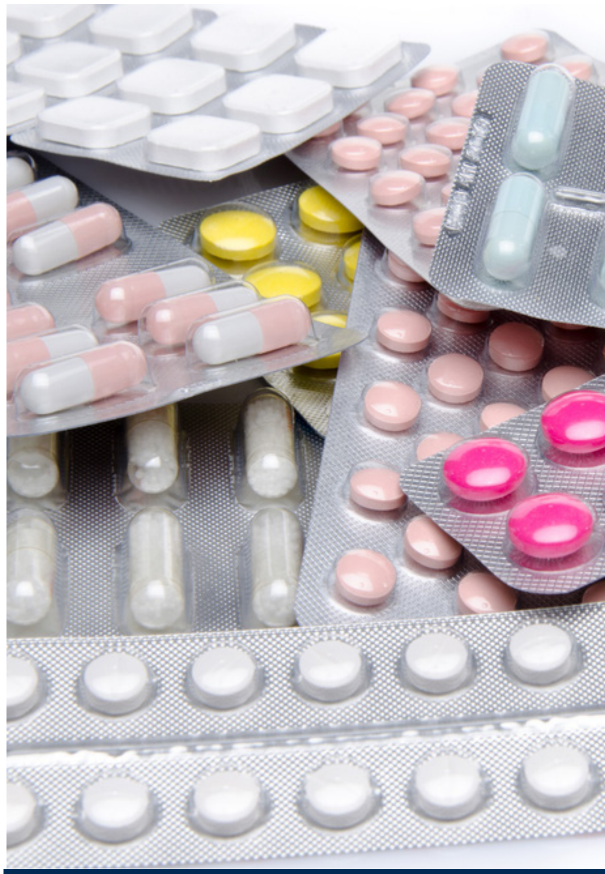
CLINTON

Clinton believes that the government should start regulating drug prices. She has said that she's dedicated to creating penalties for what she refers to as unjustified price increases. She intends to help enforce these by eliminating "pay-to-delay" policies that keep generic drugs off the market, clearing out the FDA generic backlog. Additionally, she intends to protect consumers by putting a $250 cap on the total out-of-pocket expense of prescription drugs for insured Americans [16]. This would alleviate patient expenses; however, it would shift the cost burden to insurers and employers.



TRUMP

Trump is in favor of regulating prices for life-saving prescriptions. He also believes that Medicaid should start negotiating drug prices, a view that his opponent also shares. That said, the total extent to which he feels prices should be regulated is unclear. Notwithstanding, Trump supports creating additional competition through importing prescriptions from foreign manufacturers. Specifically, he states on his website that "allowing consumers access to imported, safe and dependable drugs from overseas will bring more options to consumers." This strategy is designed to force domestic Rx manufacturers to lower their prices as a result of new competition, which in turn, provides a form of consumer protection that is not centered on controlling prescription costs through increased government regulation.

Conclusion

ELECTION DAY IS LESS THAN ONE MONTH AWAY, and while this document covers the key issues surrounding the current health care debate, it only scratches the surface of what promises to be a very robust discussion that will continue to evolve in the weeks, months and years to come. We encourage our readers to stay abreast of the issues, and to begin planning for both possible outcomes on Election Day 2016.

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