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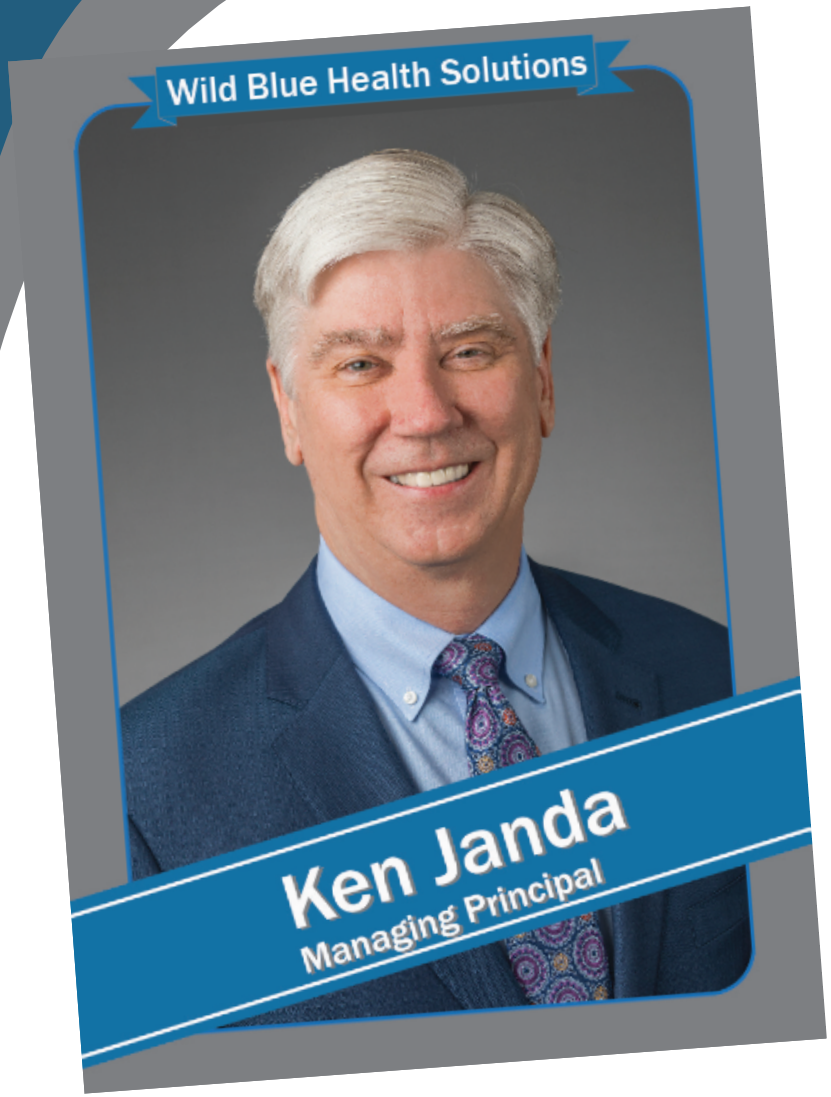
HEALTH CARE FINANCING:

- Understanding the Playing Field
- 2020 Presidential Politics

Ken Janda
September 2019

Slides available at:
Wildbluehealthsolutions.com

About Ken



- Principal, Wild Blue Health Solutions, a strategic consultancy taking on challenges in health care.
- Adjunct professor in Jones Business School, Rice University
- Former CEO of non-profit health insurance company focused on low-income populations
- Over 25 years experience with national health insurers Prudential, Aetna, Humana
- Native Texan…small town roots and values
- B.A. Rice University; J.D. U of H Law Center
- Husband, father of two and grandfather of four
- Community board volunteer (San Jose Clinic, Christ Clinic, Katy ISD Education Foundation, and others)
- Health policy wonk (Rice University, Texas Medical Center, Center for Public Policy Priorities and more)
- Common sense conservative, practical progressive
- *Die-hard baseball fan*

Understanding the Playing Field:

- The current “system”
- What are our goals anyway?

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Why is Health Insurance so important?

Insurance is access to health care providers and care coordination

Expensive and you never know when you'll need high-cost care

Often more for our family than for ourselves

Protect assets
(if you are lucky enough to have assets to protect)

Everyone needs coverage!

Health insurance is important tool, but not the goal.

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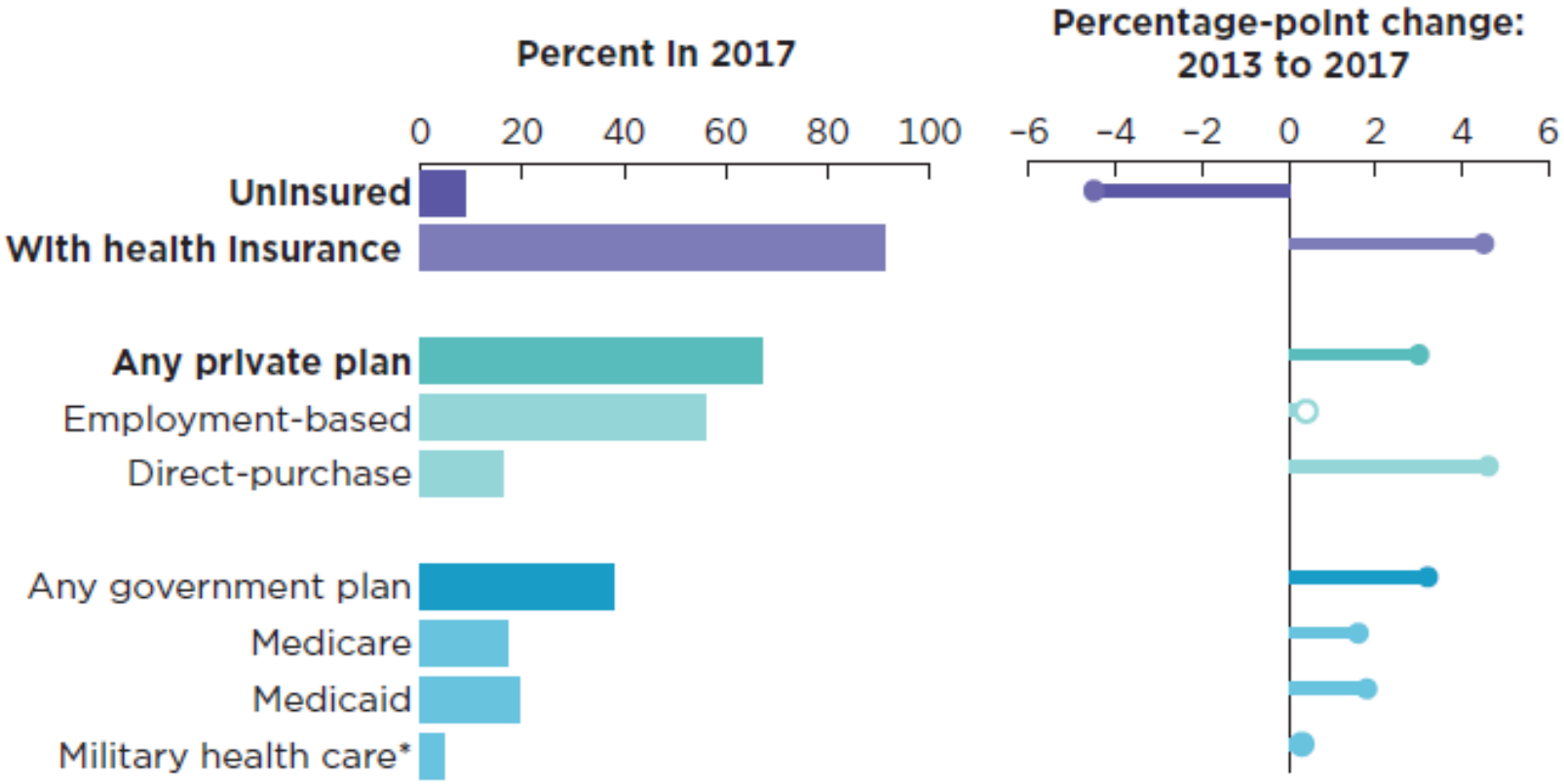
The US Health Insurance Market:
It's Complicated



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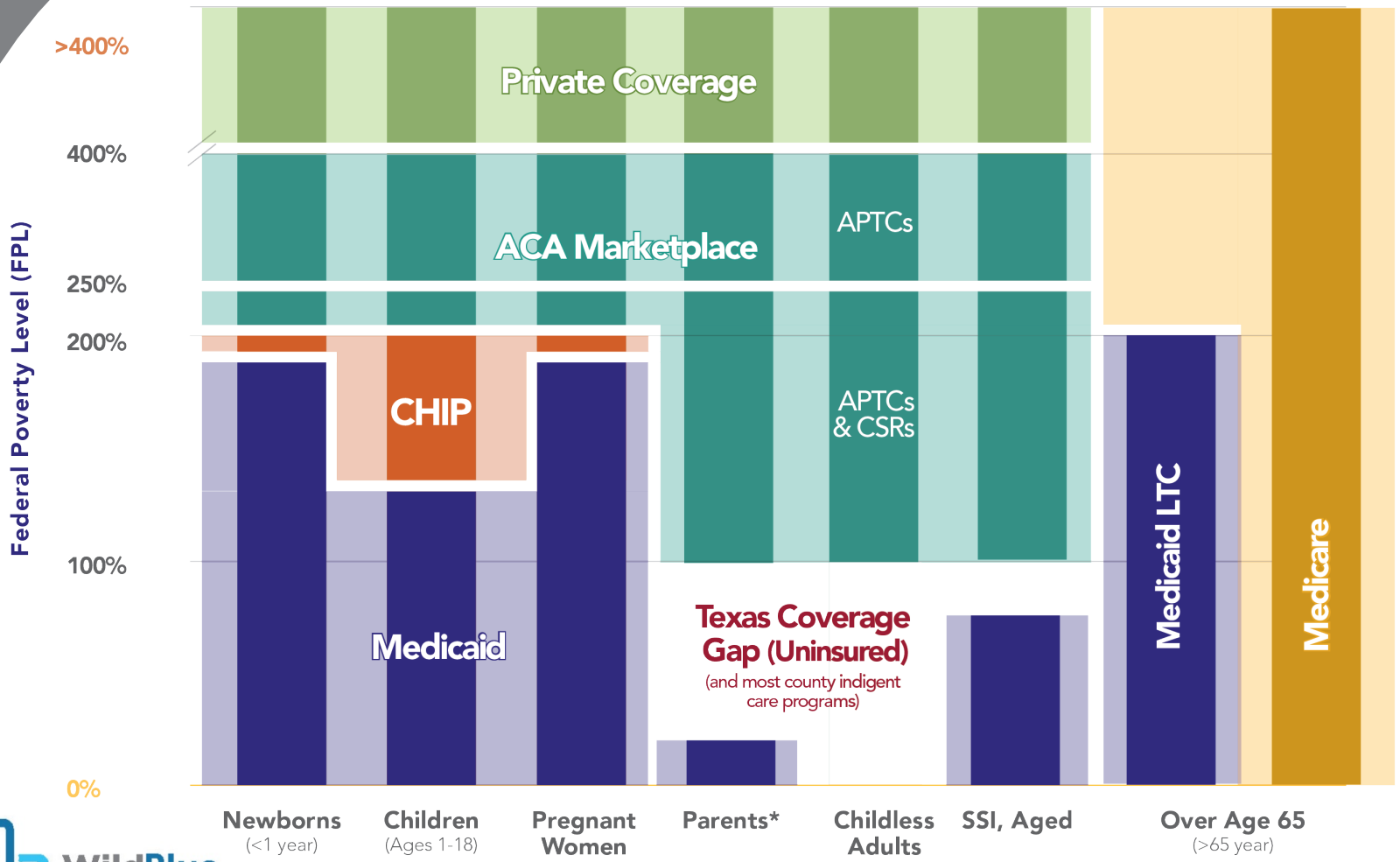
Source: https://www.census.gov/content/dam/Census/library/publications/2018/demo/p60-264.pdf

Predominant Coverage Type by Age and Income (Texas)



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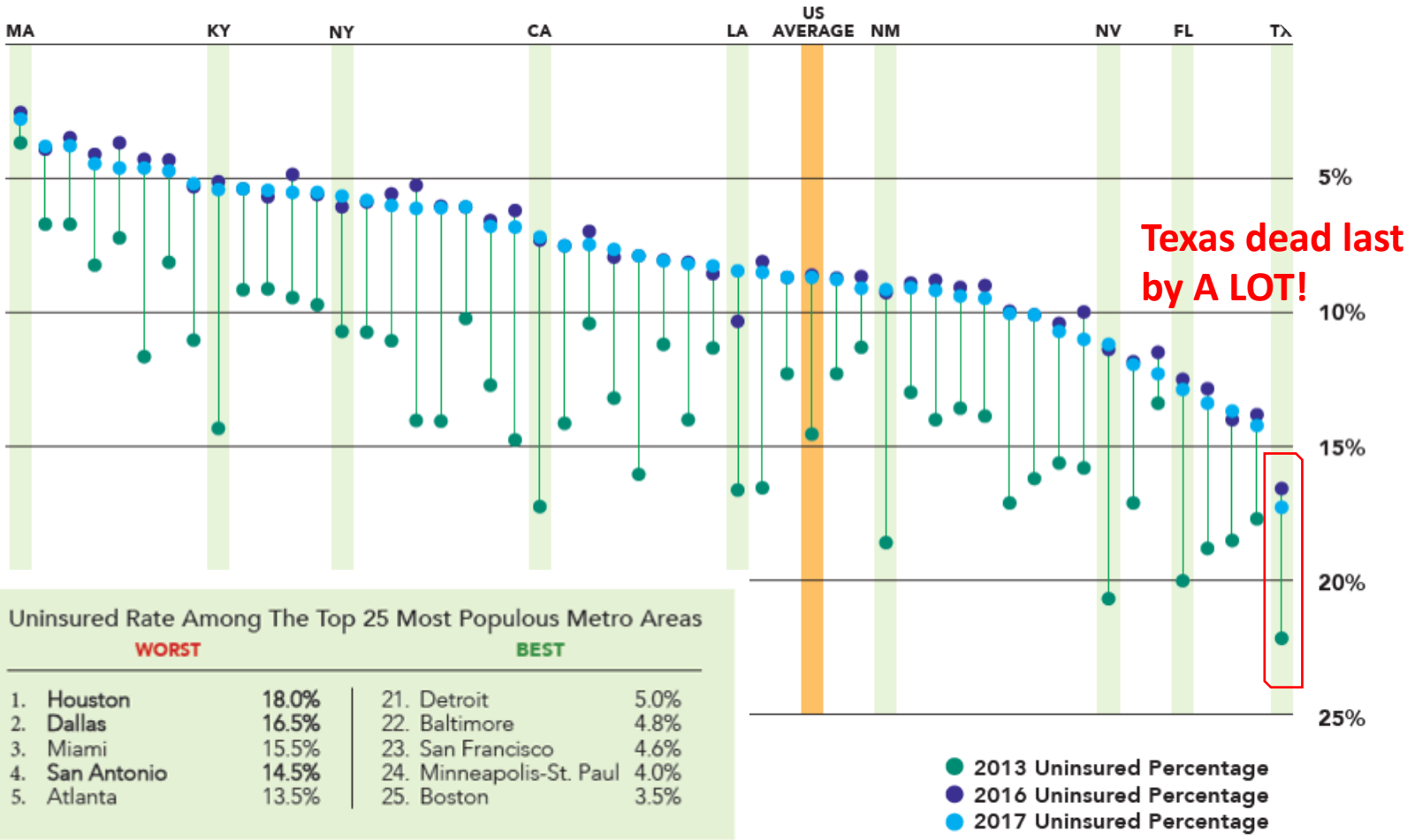
Uninsured Rates Vary by State

2013-2017



Uninsured Rate Among The Top 25 Most Populous Metro Areas

WORST			BEST	
1.	Houston	18.0%	21. Detroit	5.0%
2.	Dallas	16.5%	22. Baltimore	4.8%
3.	Miami	15.5%	23. San Francisco	4.6%
4.	San Antonio	14.5%	24. Minneapolis-St. Paul	4.0%
5.	Atlanta	13.5%	25. Boston	3.5%

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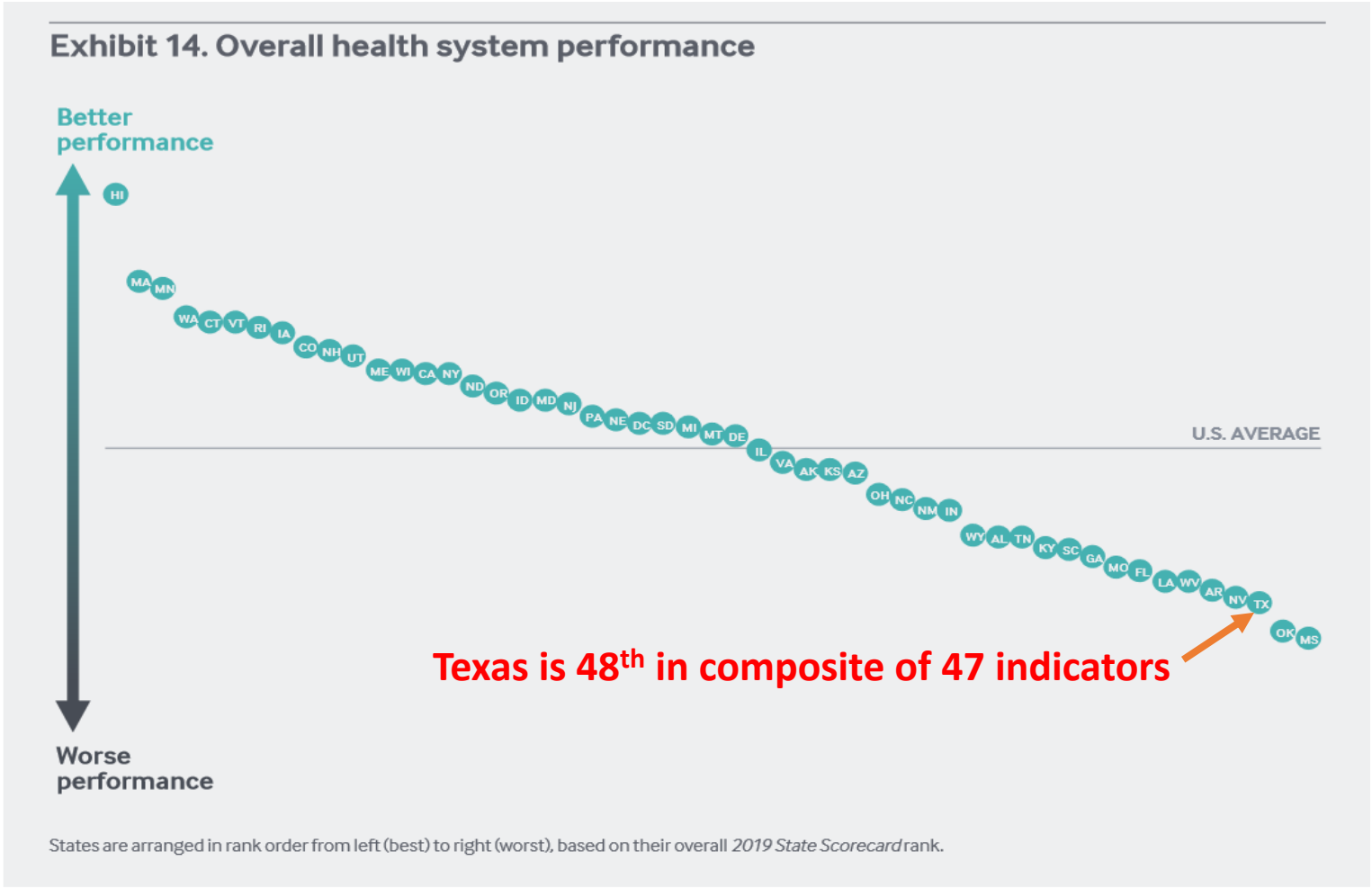
Source: https://www.census.gov/content/dam/Census/library/publications/2018/demo/p60-264.pdf

Why it Matters: Health Outcomes by State



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Source: Commonwealth Fund 2019 State Rankings on Health System Performance

Almost Everyone's Health Insurance is Subsidized

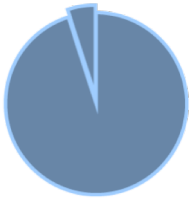
Employer-sponsored Insurance

Employer 70%, employee 30%, paid with pre-tax dollars

Direct Purchase

BASED ON INCOME:

Individual 0-100%, Federal government 0-100%



Medicare

95% Federal Government, primarily employer/ employee payroll taxes

5% individuals for Parts B and D

Military

100% Federal Government for VA services, 90% for Tricare

Medicaid

- 100% State and Federal Government

<- - - - less subsidy - more subsidy - - - ->

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Medicare: It's Complicated

Program	What's Covered	Financed By
Part A (Hospital Insurance Trust Fund)	Inpatient care at hospitals, short stays in SNFs, hospice, home health care	• Payroll tax of 2.9% of earnings on employers and employees. • Income tax on SS benefits for high earners. • Interest on Trust Fund
Part B (Supp Medical Ins Trust Fund)	O/P hospital care, physician services, preventive services, lab, x-ray, DME, etc.	• General revenue • Premiums deducted from SS
Part D (Prescription Drug Benefit)	O/P prescription drugs through private health plans	• General revenue • Beneficiary premiums • State payments
Medi-Gap (Medicare Supplement Policies)	Highly-regulated supplements to meet various "gaps" in coverage or cost-sharing, through private plans	• Beneficiary premiums
Part C (Medicare Advantage Plans)	HMOs/PPOs that replace all Medicare-covered benefits and supplements (private plans)	• Medicare funding from A, B, D above • Beneficiary premiums for extras

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Medicaid: It's Complicated

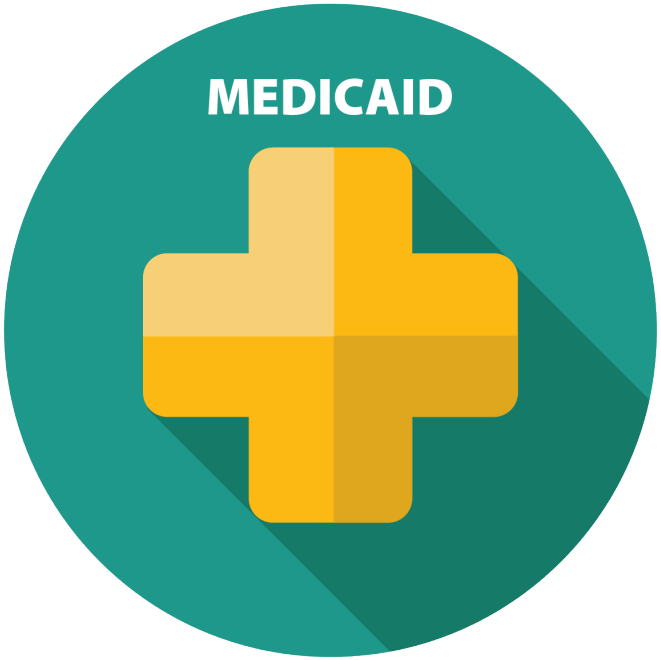
Medical Coverage to Low-Income and Disabled Individuals

- Federal program initiated in 1965 (at the same time as Medicare).
- Funded jointly by state and federal governments, administered by states.
- Eligibility and benefits vary by coverage class and state.

Children

Pregnant Women

Parents of Dependent Children (limited)



People with Disabilities

Seniors in Nursing Homes

A note about CHIP: Children's Health Insurance Program is very similar to Medicaid for children in low-income families making slightly above Medicaid eligibility.

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Employer-Sponsored Coverage:
It's Complicated

Different laws, rules, regulations and approaches apply in different segments

Small Employers
(under 50 ees)

Mid-Market
(50 – 250 ees)

Large Employers
(250-500 ees)

Jumbo Self-funded Employers
(500+ ees)

Unions
(bargained benefits)

MEWAs
(associations)

Employment based coverage leads to "churn" as workers change jobs and employers change insurers/administrators.

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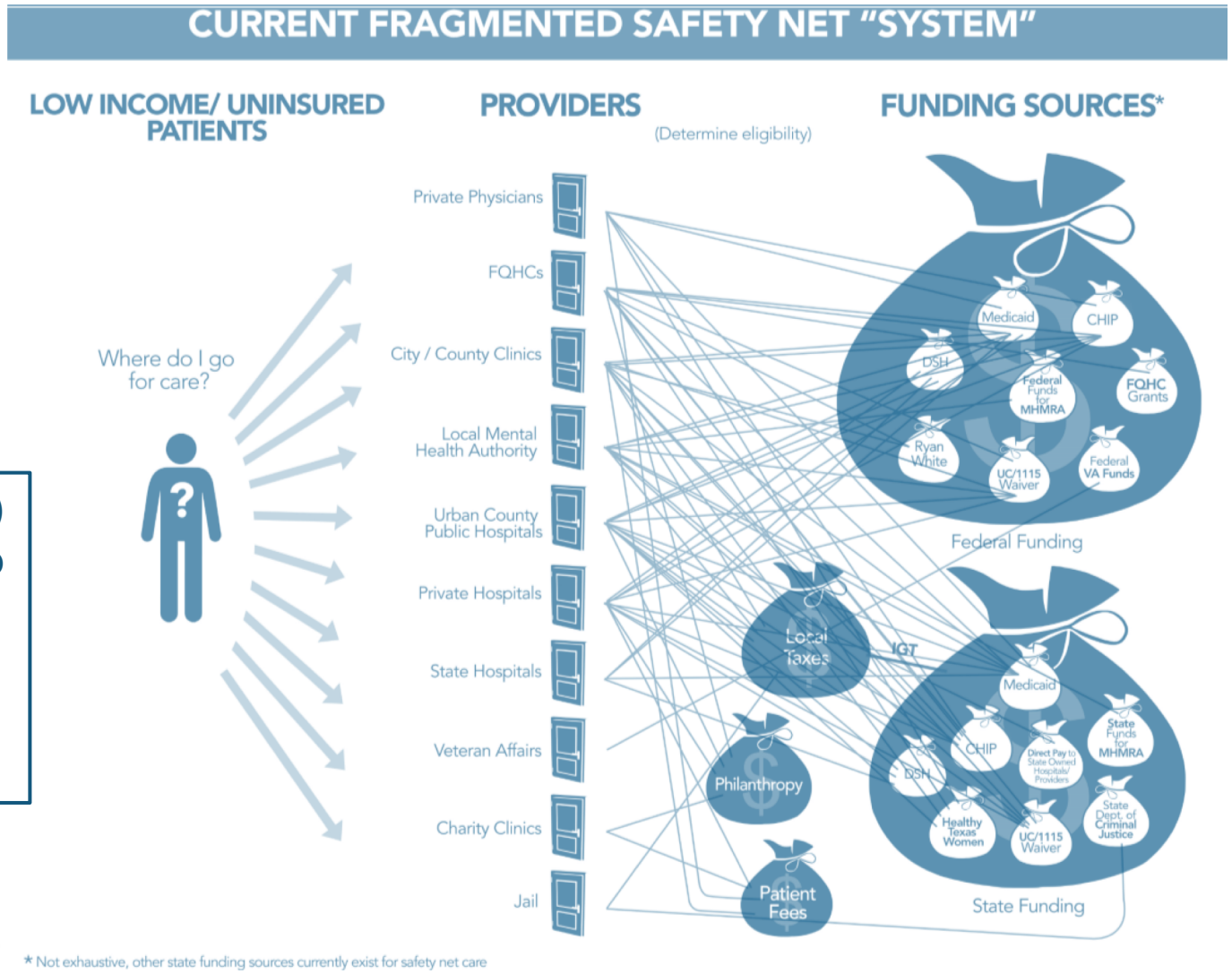
We Pay for the Uninsured:
It's a Mess (Coverage is Better)

EMTALA (1986) Created right to health care in emergency rooms, but nowhere else.



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The ACA was Health Care Financing Game Changer

Despite the bad rap, the ACA has been great for Texas

Elimination of pre-existing condition exclusions

Covering dependents to age 26

Preventative and other Essential Health Benefits

Income-based subsidies

Simplified eligibility for Medicaid

Billions of Federal dollars brought back to Texas

Positive financial impact on all providers

Reduction of uninsured in Texas by over 1 Million

Adults with low wage jobs not offered employer-sponsored Insurance

1099 and part-time workers

Pre-65 retirees losing COBRA

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ACA was great for patients, insurers and providers…but not for many employers.

Challenges with the ACA:
Adding complication to a complex system

Small Employers:

- Community rating **increased cost** for many small employers
- Tax incentives were complex and insignificant
- SHOP not effective as an alternative market

Individuals:

- Initial rates set too low resulting in **big rate increases**
- Sabotage by Congress and the current Administration
- Lack of support from state of Texas
- New age bands raised rates for younger adults

Large Employers:

- Increased benefits and take-up rate **added cost**
- Complex calculation of number of employees, hours worked, etc.
- Penalties hurt service industries
- Cadillac Tax and resulting mitigation strategies
- Affordability calculation…family glitch
- Lots of new rules but **no help to slow cost increases**

Tax Payers:

- **Worried about cost** of subsides and Medicaid expansion

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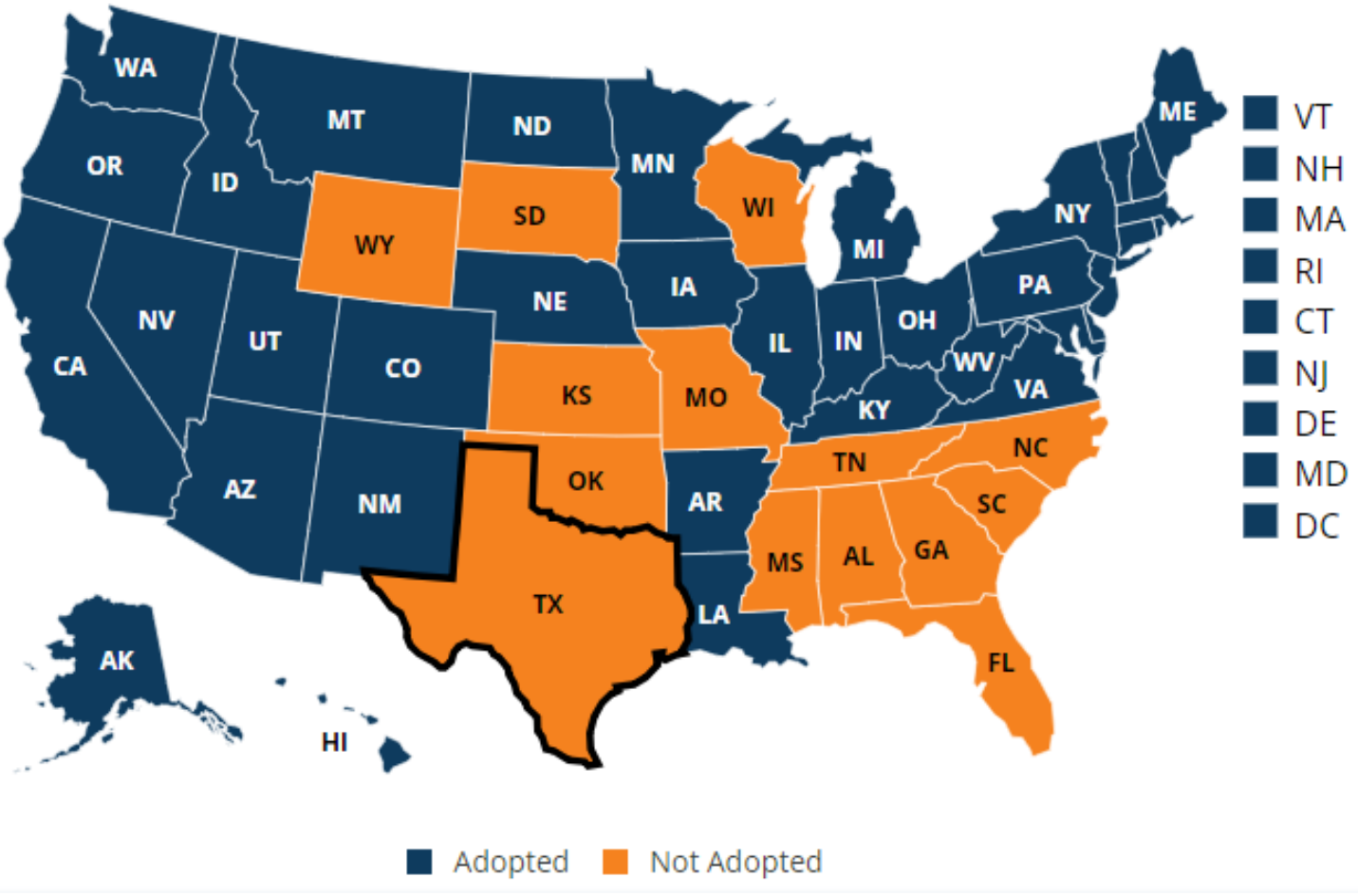
Texas did not Expand Medicaid Under the ACA

Supreme Court decision in June, 2012 made Medicaid expansion optional



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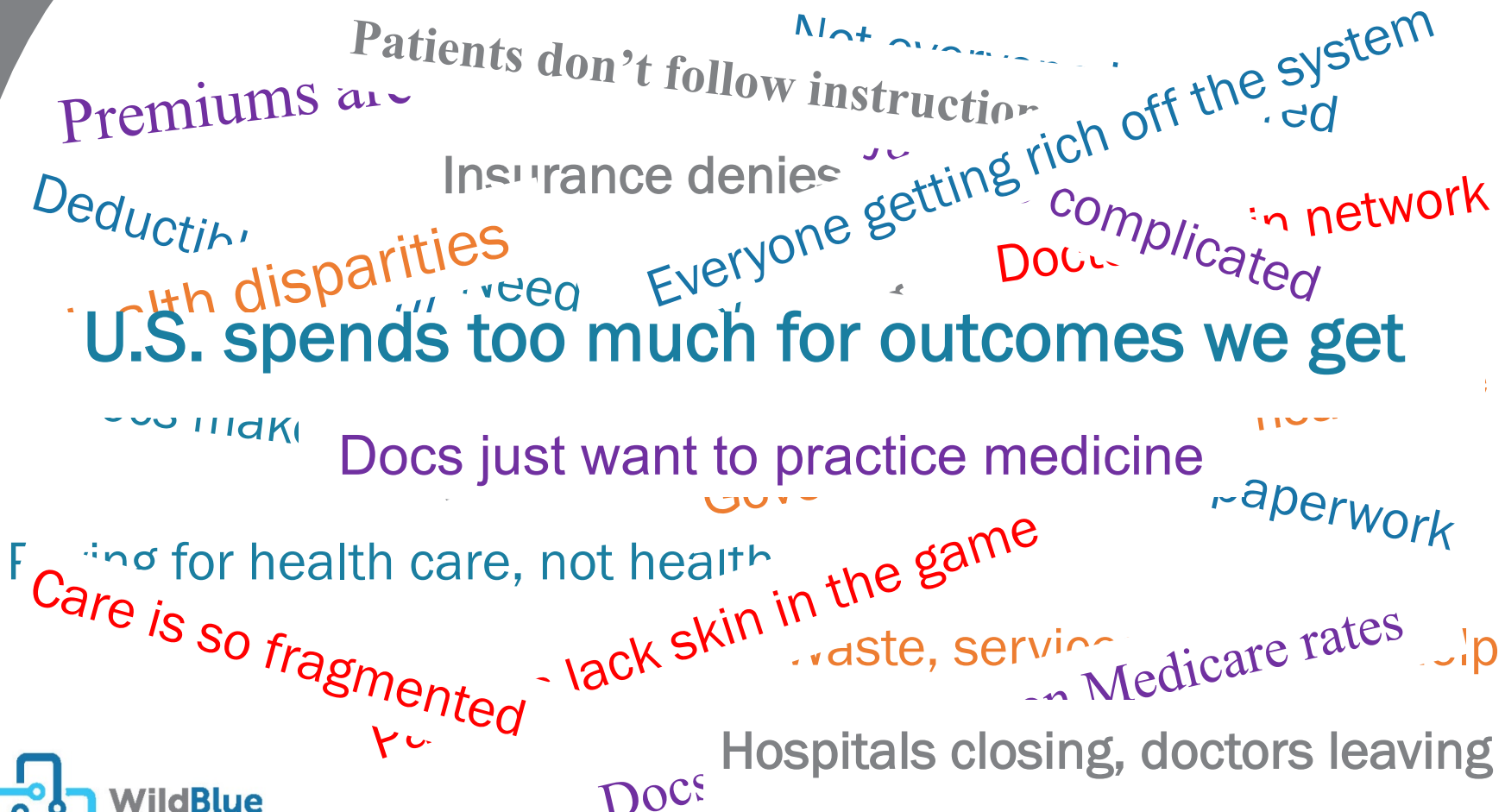
What's the Problem We are Trying to Fix?



U.S. spends too much for outcomes we get

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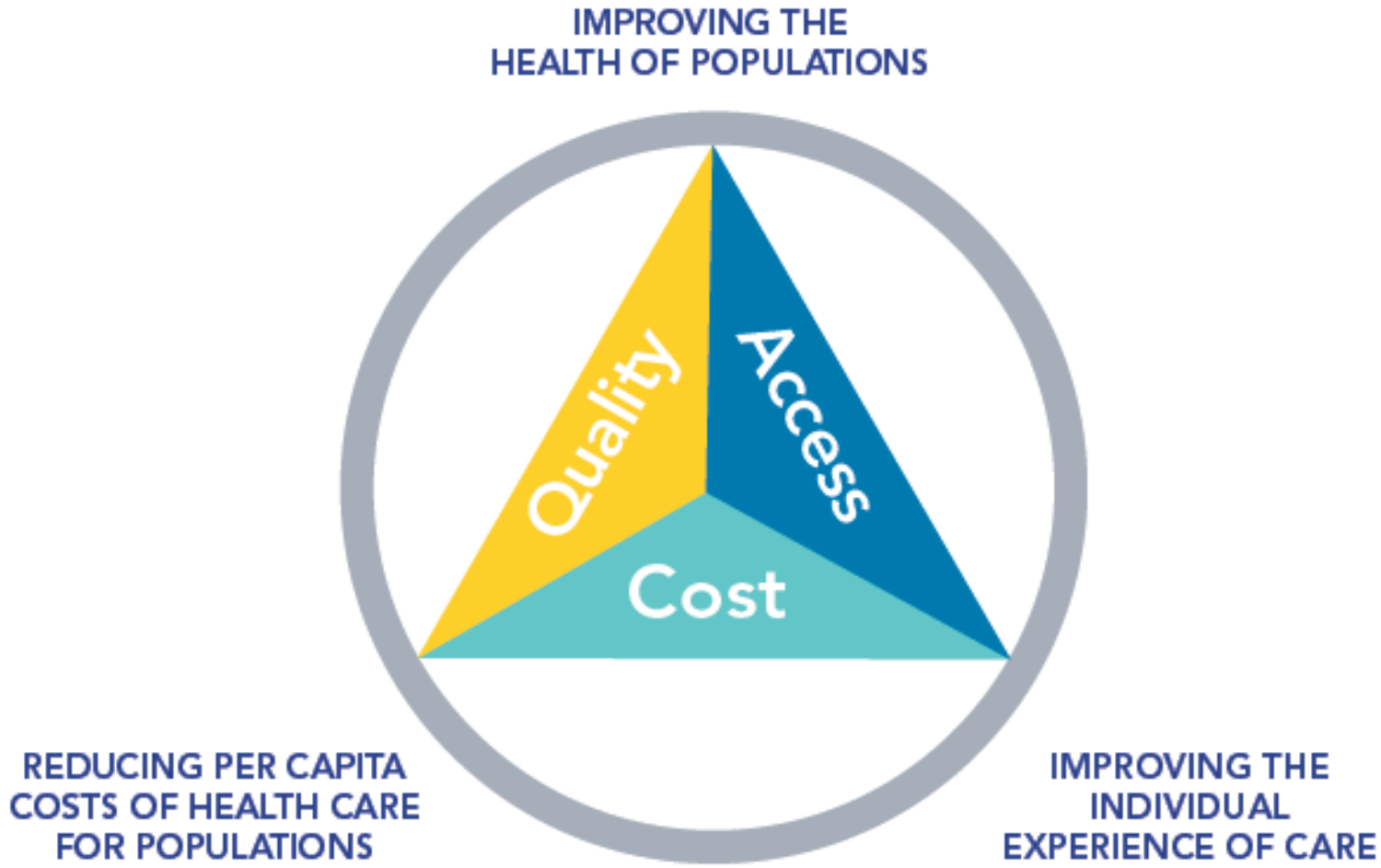
The Health Care Triple Aim:

The ball we want to "knock out of the park"

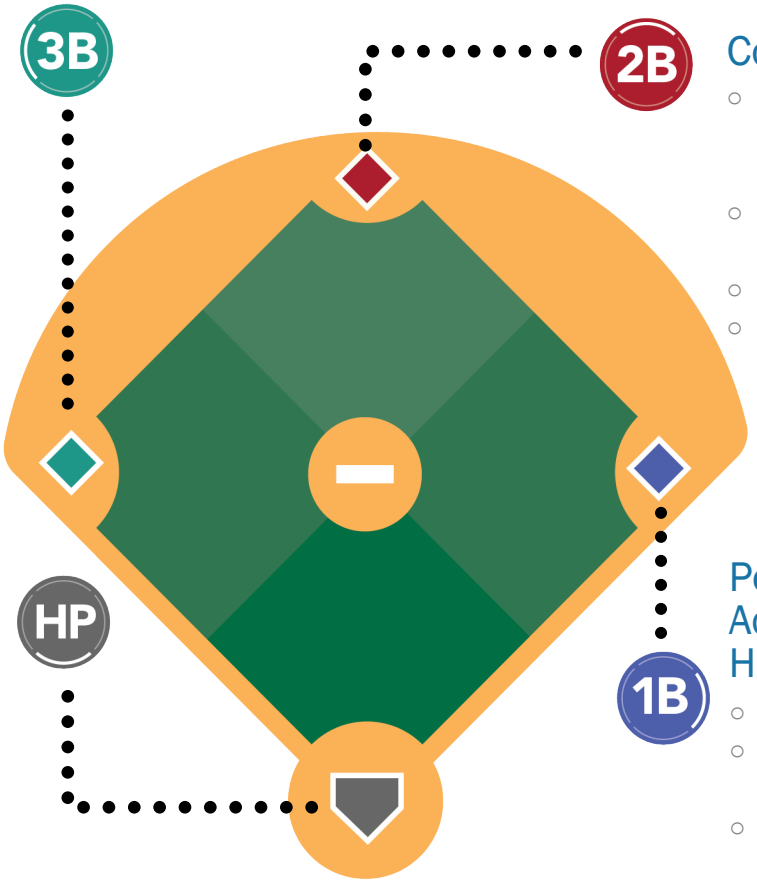


What Are Our Goals?

A Health Policy Home Run

Simplify Funding and Administration of Programs

- Reduce administrative burden through consistent program administration across Medicare, Medicaid, and private plans
- Eliminate complex supplemental provider funding in government programs



Coverage for Everyone

- A basic benefit plan for all based on age, income, disability
- Ability to "buy up" for additional services
- Individual mandate
- Subsidies based on age and income

Slow Health Care Cost Increases through Provider Payment Reform

- Encourage coordinated, less fragmented care (medical homes, ACOs, etc.)
- Restructure provider payments to reward efficiency and quality (value-based payments)
- Assure fair payment rates across programs and providers

Personal Accountability for Health

- Healthy behaviors
- Transparency and consumerism
- Everyone pays something: based on income
- Choices of plans and benefits

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The 2020 Political Playing Field:

- Republican plan
- Medicare for All
- Medicare for some more, all who want it
- Fixing the ACA
- How do we evaluate?

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The Republican Plan

- Repeal ACA and… (oh crap, we don't have a replacement)
- Sabotage ACA

- Really, we have a plan, we just can't tell you what it is. Really, it's a great, beautiful plan.

- *Universal coverage is not a goal*

…but some R Senators working on efforts to hold down Rx costs, surprise billing

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Democratic Health Insurance Proposals
116th Congress or Presidential Candidates

- Protect and build on the ACA, add a public option *(Biden, Klobachar)*
- Medicare for All *(Sanders, Warren)*
- Medicare for All with Medicare Advantage Option *(Harris)*
- Medicare for All who Want It *(Buttigieg)*
- National health insurance with opt out if covered by employer *(O'Rourke)*
- Medicare buy-in for adults over age 50
- Medicaid buy-in if State agrees

ALL Democratic plans share common goal of universal coverage

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Protect, Build on the ACA:
Tweaks and add a public option

- Reverse Republican sabotage measures
- Add a public option like Medicare
- Access to premium free public option in states that did not expand Medicaid (e.g. Texas)
- Increase subsidies
- Efforts to hold down costs
  - Surprise medical bills
  - Pharmaceutical costs
- Ensure access to women's health services, including abortions, reducing maternal mortality

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Medicare for All

- Single federal program with comprehensive benefits for all US residents
- Tax financed (no premiums, limited cost-sharing)
- Replaces all private insurance, Medicare, Medicaid, CHIP
- Also covers dental, vision, hearing and more
- Payments to doctors and hospitals at current Medicare rates?

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Big Questions on Medicare for All

- How much will it cost in total? $32 trillion?
- Displacing 160 million people with employer-sponsored coverage (Sanders already wavering on unions)
- Converting from employer/employee expense to new federal taxes
- Converting joint federal/state Medicaid programs. Texas is going to give $25 billion every year to the Feds?
- How much will doctors, hospitals, other providers get paid? Can they survive if 100% of patients at current Medicare rates
- Feds would have to build infrastructure to replace private insurers who administer much of current Medicare, add 250 million enrollees
- Eliminate an entire health insurance industry employing 500,000
- The health industry lobby… insurers, doctors, hospitals, pharma… is VERY powerful, and they are all opposed

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Medicare for All
with Medicare Advantage Twist

- Single federal program with comprehensive benefits for all US residents, similar to Sanders
- Tax financed, very limited cost-sharing
- Option to keep a Medicare Advantage plan (private market partially preserved)
- 10 year transition, rather than 4 in Sanders plan

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Medicare for Anyone

but OK to keep your employer plan

- Single federal program with comprehensive benefits for all US residents (Sanders?), but
- Option to keep your employer-sponsored plan if you and your employer want that
- Medicaid and ACA Marketplace folded into Medicare
- Variations on the theme depending on candidate

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All the Above

- Improve the ACA
- Keep your employer-sponsored plan if you and your employer want that
- Public option
- Expand Medicaid eligibility
- Medicare for All

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Evaluating the Field:

Where the Democratic Candidates Stand on Health Care *(Washington Post)*

	Biden	Booker	Buttigieg	Castro	Harris	Klobachar	O'Rourke	Sanders	Warren	Yang
Support some version of Medicare for All	N	Y	Y	Y	Y	N	N	Y	Y	Y
What should happen to private insurance (G=Gone, KFN=Keep for Now, K=Keep)	K	K	KFN	K	K	K	K	G	G	KFN
Public option, Medicaid Buy-in	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Cover undocumented immigrants	Y	Y	Y	Y	Y	?	?	Y	Y	Y*
Medicare Buy-in Age 50-64	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Federal government allowed to negotiate drug prices	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Federal government allowed to produce and sell generic drugs to lower prices	U	U	U	U	U	U	U	Y	Y	Y

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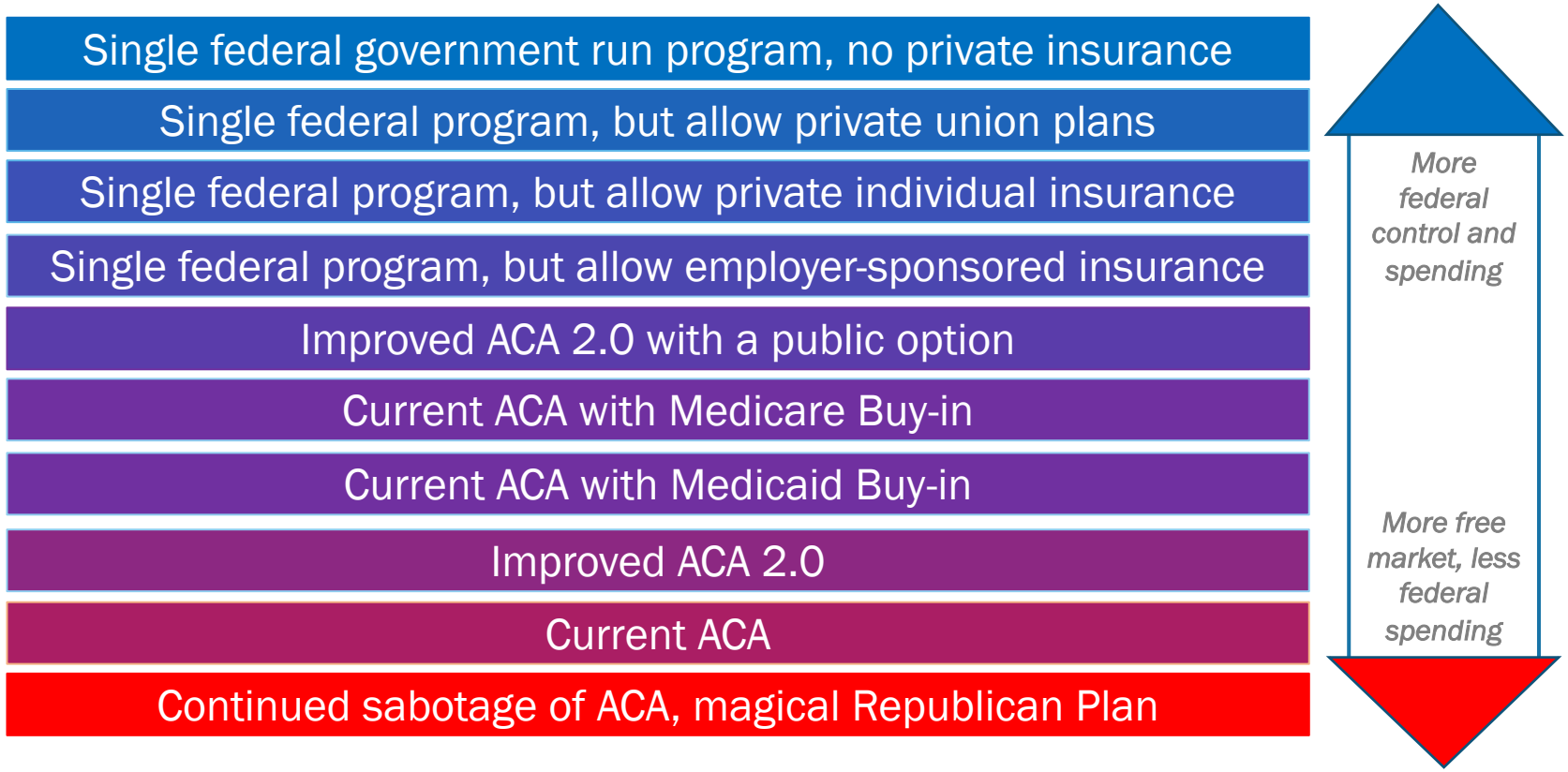
A Framework for Considering Health Insurance Proposals



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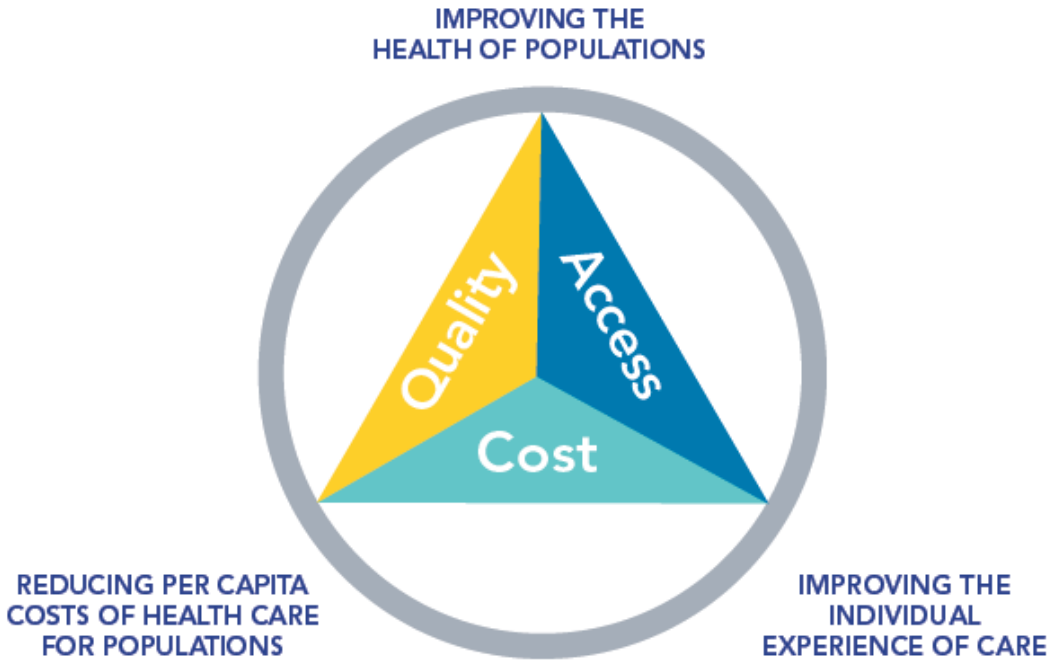
Evaluating the Field:

- Goals: The Triple Aim

- Running the Four Bases



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Running the Bases:
How do the plans compare

- Rs (and most providers) see personal accountability as imperative.
- Ds not talking about it. They need to!

- All D plans include universal coverage, but concern about cost of broad services with limited/no cost-sharing
- Rs support for junk insurance or no insurance makes no sense; can't get to 3B, and certainly not HP without universal coverage

- Medicare for All could be the big winner here. Others need to think about administrative and financial simplification.
- Rs complain but no answers

- Ken thinks private market will beat government control for most price and utilization issues, but govt. controls essential for some health costs… price gouging in emergency and non-consumer events

Don’t leave us stranded on 3B

Cost is a Big Issue for Everyone

… and you can’t slow cost growth unless everyone is covered

- Payment reform: pay for value, not volume
- Encourage insurers to compete on premiums in all segments
- Recognize that market forces can’t do it all: Regulate Rx drug prices, hospital-based physicians
- Administrative simplification and standards across segments
- Simplify financing and increase transparency to reduce provider cost-shifting (price discrimination)

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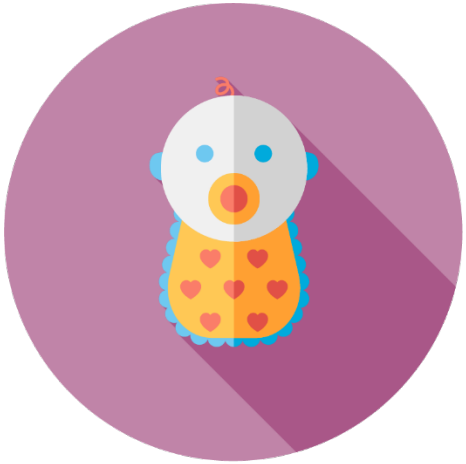
HP

Final Thoughts…



Thank you.

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