ITL INSURANCE THOUGHT LEADERSHIP

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An Open Letter to the Trump Administration

Summary:

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As your transition team morphs into your operations group, I thought I would take a moment to give my thoughts on ACA as a seasoned consultant to this industry. While I hear the blustering about repeal and replace, it is my strong belief that any successful bi-partisan remake of healthcare will need to build from the success of President Obama?s signature legislation. In building consensus, President-elect Trump may wish to throw a bone and acknowledge that reducing the ranks of the uninsured was a win, and it was not the only one. Here is my scorecard for the ACA: **High marks:** Facilitating the shift from fee-for-service to fee-for-value healthcare by supporting the Accountable Care model is important. Comparative effectiveness research, which creates national models for best practices in care delivery, has moved the cost of care, albeit too slowly, in the right direction. For example, a recent study in the Annals of Internal Medicine establishes that reimbursement penalties for hospital readmissions have reduced these by 77 out of 10,000 admissions. Eliminating pre-existing conditions, benefit maximums and coverage rescissions is a critical change effected by ACA that must be retained. If coverage is purchased under the rules as developed, it is unconscionable that an insurance policy can simply no longer respond. ***What Trump Means for Health System***
Average grades: Coverage for all children to age 26 added coverage for millions of our healthiest population. Uniform coverage for children who have yet to be established as adults is important. But to what extent? Should employers also have to cover the non-dependent adult children of their workers? The extended coverage is a generally good idea, but a small tweak would move it to the high marks section: require that the child be a *tax-qualified* dependent no older than 26. We should have a coverage mandate; however, to make this effective it should have teeth. In Australia, the penalty for not having coverage is significant enough that younger adults wouldn?t consider the risk/reward tradeoff of ?rolling the dice? to be a viable option. We should do the same and also provide age-banded rates that are not as punitive to the younger insured. Everyone has to be in the system because opting out has a backstop, too. Even prior to ACA, Americans had a coverage stopgap. If one was sick enough

and needed care, pre-ACA, it would have been dispensed in the hospital. Medicaid expansion is an excellent way to bring basic benefits to Americans who simply can?t afford healthcare. However, any new healthcare initiative has to find a way to mandate national standards for providing care for the indigent. Providing coverage for those with income at 18% of the federal poverty level or less is absurd, yet is a standard in two states for eligibility. Someone at that level can?t even afford food ? there is no way they would pay into a healthcare system. Care should be basic and should have individual accountability built in ? even the poor need to help control healthcare expenditures. Employers should have to provide coverage meeting minimum standards, but the convoluted state-mandated benefits should be simplified and national standards should be established. This would also facilitate selling coverage across state lines and increase competition. **Failing grades:** Community rating makes sense in the small group marketplace. Standardized plans and rates simplify this market. But eligibility leakage such as association plans and PEOs (professional employer organizations), which are allowed to underwrite risk, ?cherry-pick? the risk pool and ultimately create an insurance death-spiral. The Cadillac Tax is a stupid way to finance healthcare change. Instead, the plans should have an actuarial value threshold that sets deductibility limits. If a business wishes to provide a higher level of benefits it should be able to, but the deduction would be disallowed. There is no reason an employer should be taxed for older demographics or a sicker work force that might increase premiums above the ?Cadillac? premium limit. The administrative complexity of ACA has to go. The exchanges are a bureaucratic nightmare. The reporting structure consumes needless resources for very little benefit. Policing the new system would be simple. The states would determine Medicaid eligibility, and the tax reporting system would capture those individuals without coverage. ***See also:*** ***What Trump Means for Healthcare Reform*** **Other suggestions:** Establish price controls on brand name drugs that take into account financial incentives for inventiveness. A single drug available to treat a medical condition is like a monopoly, and it is against public policy for a monopoly to set rates (for example water or electric rates), so why should a drug company set an unconscionable price for a drug that cures hepatitis C or cancer? If one has that condition, he will pay anything to cure it. But it is the employer or the insurance carrier that bears the bigger financial burden. Perhaps there should be a separate award for that inventiveness not paid by the direct users -- instead, a drug and medical innovation tax on insurance policies. Drug price transparency should be immediately introduced. Drug rebates that obfuscate the true cost of medicine and either hide pharma profits or shift money back to the employer or plan administrator are ridiculous. Get rid of them. It is an incredible time to be in healthcare!

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