



OBAMACARE TO TRUMPCARE



What Can We Expect?

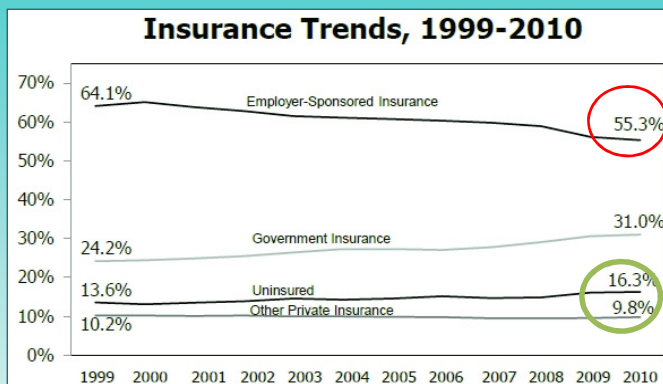
Senior Statesmen of Virginia

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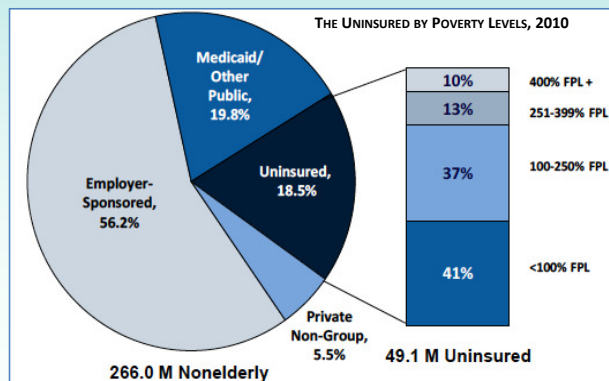
March 8, 2017

WHY THE ACA CAME TO BE

ADDRESSING GAPS IN TRADITIONAL HEALTH COVERAGE



Historically, the majority of the nonelderly in the U.S. received health insurance as a job benefit. The private nongroup market charged higher premiums based on medical history and often excluded specific conditions like maternity care or cancer. In 2008, 29% of individuals 60 to 64 who applied for non-group insurance were denied coverage based on health status.



The number of nonelderly uninsured Americans reached 49.1 million in 2010, amidst rising unemployment rates and a struggling economy. The steady decline in employer-sponsored health coverage since 2000 largely explained the growing numbers of uninsured

<http://obamacarefacts.com/wp-content/uploads/2014/10/kisair-people-without-health-insurance.pdf>; <https://aspe.hhs.gov/basic-report/overview-uninsured-united-states-summary-2011-current-population-survey>

THE ACA PROMISE

CONSUMER PROTECTIONS WHILE EXPANDING HEALTH COVERAGE



HEALTH INSURANCE EXCHANGES (HIX) OR MARKETPLACES

- Ban on pre-existing condition exclusions
- 10 essential insurance benefits
- Income-related subsidies (tax credits) for 100%-400% FPL
- Same consumer protections for all individual insurance



EXPAND TRADITIONAL MEDICAID

- Up to 138% FPL, about \$16,000/person, or \$33,000/family of 4
- 2012 Supreme Court ruling made it optional for states



EMPLOYERS WITH MORE THAN 50 EMPLOYEES HAD TO OFFER QUALIFIED HEALTH COVERAGE OR PAY A PENALTY



YOUNG ADULTS UP TO AGE 26 ALLOWED TO STAY ON PARENTS' HEALTH INSURANCE PLANS

In order to enroll healthy adults and balance the risk pool, the ACA required people to obtain health insurance or pay a tax penalty

A BIT OF HISTORY: THE POLITICS

ACA SURVIVED 4 NEAR-DEATH EXPERIENCES BETWEEN 2010 - 2015



The ACA, President Obama's signature domestic policy achievement passed in 2010 with only Democratic votes, and is the most significant expansion of insurance coverage since Medicare and Medicaid in the mid-1960s.

There is no precedent for Congress to reverse a major program of social benefits once it has taken effect and reached millions of Americans.

- ✓ **1st NDE:** Scott Brown won Sen. Ted Kennedy's Senate seat in January of 2010, thus robbing the Senate of the 60 votes needed to bring an amended ACA to a vote. Thanks to some legislative shenanigans and a Democratic House of Representatives, the ACA prevailed.
- ✓ **2nd NDE:** The Supreme Court rules 5-4 to uphold the ACA in the summer of 2012
- ✓ **3rd NDE:** November 2012 presidential election reelected the president and maintained a Democratically-controlled Senate to withstand any attempts to repeal or defund the ACA
- ✓ **4th NDE:** 3 years later (2015) the Supreme Court once again "saves" the ACA, this time in a 6-3 ruling to maintain tax credit subsidies in the federal exchanges

ACA NUMBERS TO DATE



20 million Americans who were previously uninsured now have coverage because of the ACA but costs vary widely and satisfaction is mixed

❖ Health Insurance Exchanges (HIX)

- **12 + DC** run State HIX; **38** use Federal HIX
- **2014:** 8 M; 6.3 M net enrolled
- **2015:** 11.7 M; 9 M net — 87% rec'd subsidies
- **2016:** 12.7 M; 11M net — 85% rec'd subsidies
- **2017:** 12.2 M (400,000 in Va); **expected 13.8M**

❖ Medicaid Expansion

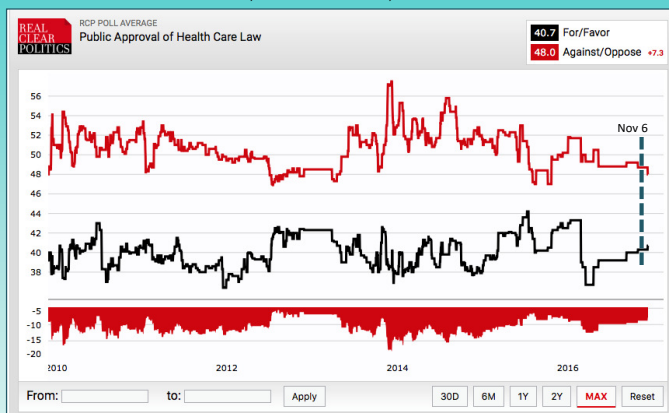
- Expanding program: **31 states + DC**
- **15 million** new sign-ups: 12M previously uninsured; 3M “woodwork”
- **72.4 million** now in Medicaid, 1 in 5 Americans
- **19 states** not expanding — **3 M** fall in “coverage gap”

❖ Uninsured

- **46% reduction**—29M uninsured (9%), 50% subsidy-eligible

AN ENDURING PROBLEM FOR OBAMACARE LEADING UP TO THE PRESIDENTIAL ELECTION

REAL CLEAR POLITICS POLL COMPENDIUM, LAST UPDATE DECEMBER 6, 2016



The ACA created winners and losers

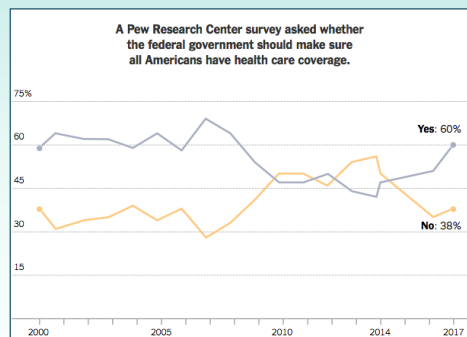
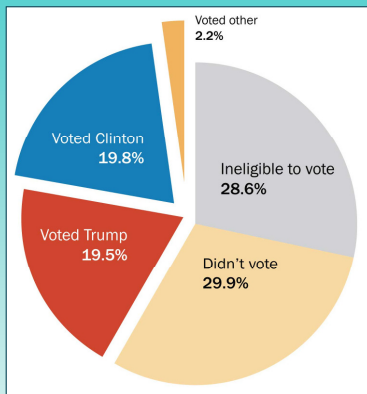
- Subsidies favor low-income
- Individual mandate disliked; protects risk pool
- Benefits make HI expensive but protects
- Guaranteed issue of HI may delay purchase
- Limits on age rating costly for healthy/young

- ✧ ACA benefit mandates doubled or tripled HI premiums for healthy adults w/ less generous plans pre-ACA
- ✧ With premium and cost-sharing subsidies, ACA plans mirror ESI but w/ higher deductibles (\$3000-\$5000 vs \$1300) and narrower networks of providers
- ✧ 85% of uninsured adults who shopped for coverage on the ACA HIX in 2016 but did not enroll said they could not find an affordable plan
- ✧ Low enrollment and adverse selection led to ACA 2017 rates of +25% average
- ✧ Five entire states (30% of counties) have just one carrier in 2017: AK, AL, NC, OK, WY

[http://www.bloombergview.com/articles/2015-03-06/supreme-court-can-i-save-obamacare:](http://www.bloombergview.com/articles/2015-03-06/supreme-court-can-i-save-obamacare)
[http://www.realclearpolitics.com/polls/other/obama_and_democrats_health_care_plan-1130.html:](http://www.realclearpolitics.com/polls/other/obama_and_democrats_health_care_plan-1130.html)
<http://content.healthaffairs.org/content/early/2015/04/11/hlthaff.2015.1313.full.pdf+html>; <http://content.healthaffairs.org/content/35/10/1825.abstract>

THE 2016 PRESIDENTIAL ELECTION

A DIVIDED COUNTRY AND UNCLEAR MANDATE ON THE ACA

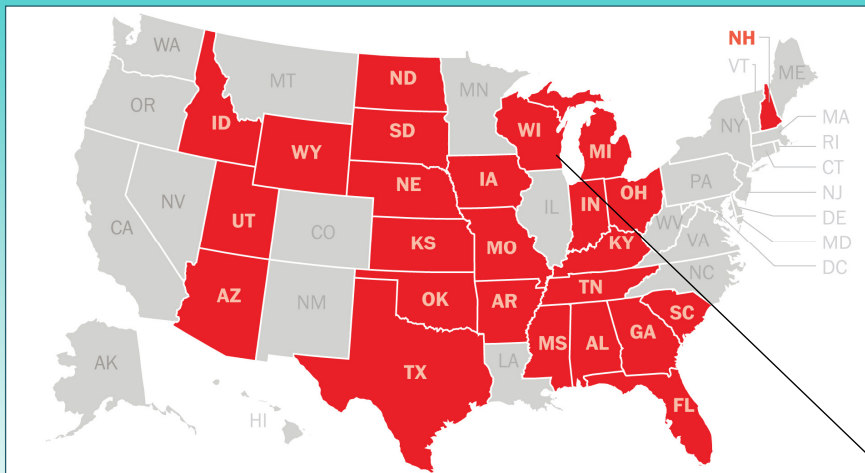


- ✧ Donald Trump won the election by a slim margin in the Electoral College, carrying FL, MI, PA and WI by 1% or less (75 votes)
- ✧ Republicans have lost the popular vote in 6 of the last 7 presidential races.
- ✧ 4 different polls (NBC/WSJ, Fox, Morning Consult, Pew) in Jan 2017 reported that for the first time in 6 years more voters favored keeping the ACA than want to repeal it
- ✧ Public opinion appears to be shifting away from being anti-ACA toward a growing recognition that 20M working Americans could lose health coverage without the help of government subsidies

Data from U.S. Election Project, Dave Wasserman, Census Bureau; <http://www.usnews.com/opinion/articles/2016-11-28/how-trump-lost-the-popular-vote-and-won-the-2016-election>; https://www.nytimes.com/interactive/2017/02/01/us/politics/obamacare-approval-poll.html?mcet=1&_r=0

BE CAREFUL WHAT YOU WISH FOR

25 States with a Republican governor and legislature



Of the 12.2 million enrolled under the ACA HIXs for 2017, almost 8M came from states voting Republican in 2016. The repeal of the ACA could threaten insurance coverage for 6 out of 9 Trump voters

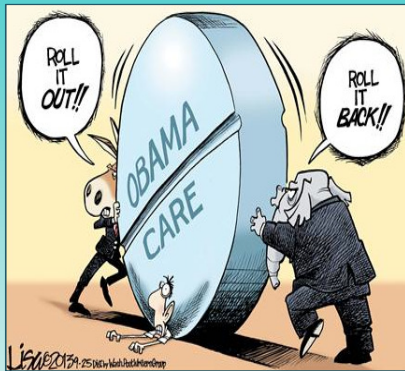
Republicans control all the levers of power in Washington and in a majority of governors' mansions and state legislatures. Republicans have not dominated so many state governments in close to a century. This has emboldened the Trump Administration to unravel many of President Barack Obama's signature policies -- on immigration, on trade, on health care.

The uninsured rate in Speaker Paul Ryan's district fell by 45% b/c of the ACA

<http://thehealthcareblog.com/blog/2017/02/12/aca-enrollment-final-numbers-for-2017-a-cautionary-tale-for-trump-and-republicans>

THE POLITICS OF HEALTH CARE

HEALTH REFORM IN THE TRUMP ADMINISTRATION



Partial repeal of the ACA via reconciliation promises less costly health insurance for the younger and healthier, but reduces coverage overall and shifts costs to states, to the older and sicker, and to providers – uncompensated care estimated +\$1.1T/10y

THE REPEAL/REPLACE/REPAIR/REBUILD/DELAY DEBATE

- ✧ **What Republicans passed in 2015 Reconciliation Act** (vetoed)
 - ✓ Repeal ACA taxes, subsidies, and Medicaid Expansion
 - ✓ Eliminate individual and employer coverage mandates
 - ✓ Repeal Public Health Prevention Fund
 - ✓ Initial estimates = 20-30M lose coverage (CBO 2017)
- ✧ **Republican “Replacement” Ideas** (many need 60 votes in Senate)
 - ✓ Allow insurers to charge older enrollees 5x more
 - ✓ Shift to state grants for Medicaid (repeal of expansion)
 - ✓ Tax credits or deductions rather than direct subsidies
 - ✓ Make sick pay more for HI unless continuously covered
 - ✓ Use federal grants for state “high risk” pools for very sick
 - ✓ Remove ACA-required “essential benefits” in HI plans
 - ✓ Cap tax exclusion for employer-sponsored coverage
 - ✓ Empower interstate insurance markets
 - ✓ Expand use of Health Savings Accounts with HDHPs

WILD CARDS ON THE ROAD TO TRUMPCARE

RECONCILING THE “MATH OF INSURANCE” WITH REPUBLICAN GOALS



THE GOP CONUNDRUM:

Keeping ban on preexisting conditions requires healthy people to purchase insurance; healthy people need subsidies to afford insurance; subsidies need new taxes so as not to increase the federal deficit

- ✧ The GOP draft plan floated this week eliminates ACA taxes, substantially cuts funding to states that expanded Medicaid, reduces financial assistance for low-income, and offers new financial benefits for richer Americans, including subsidies to help them buy health insurance
- ✧ It is part of an overall strategy to “deliver” an ObamaCare repeal, to eliminate gov’t taxes and mandates, and to give states more regulatory authority over insurance in order to stabilize the individual insurance market
- ✧ Insurers must declare in June 2017 whether they will participate in ACA HIX for 2018; uncertainty could drive away insurer participation in the individual market altogether (20M enrollees) and push millions into the ranks of the uninsured just in time for the 2018 elections
- ✧ The bill is a political gamble for House Republican leaders

TAKE HOME MESSAGE: *History suggests it is much harder to take away an entitlement than it is to introduce it.*

THE POLITICS OF HEALTH CARE

CAMPAIGN PROMISES MEET THE REALITY OF GOVERNING



The proposed GOP legislation creates a new tax credit tied to an individual's age and income. Compared with the ACA's subsidies, the tax credits would go to more people but provide less financial help to lower-income people

- ✧ **PRESIDENT TRUMP & CONGRESS** “own” ObamaCare in 2017
- ✧ **ANY SUCCESSFUL GOP BILL** must address concerns of both conservatives worried about the cost of the overhaul and that it might enshrine a new federal entitlement, as well as more moderate members who want to ensure their constituents retain access to affordable coverage, including those with Medicaid coverage under the ACA
- ✧ **31 GOVERNORS (INCLUDING 16 GOP) + 20 Republican Senators and 120 House members** may balk at absorbing the 15M people in their states covered under the Medicaid Expansion and giving up over \$40 billion/year in federal \$
- ✧ **WHAT IS THE GOAL?** In post-election focus groups, Trump voters stated they were anxious about rising premiums, deductibles, copays and drug costs – they said insurance was too complex and they feared they would be unable to afford coverage for themselves and their families.

https://www.nytimes.com/2017/01/05/opinion/the-health-care-plan-trump-voters-really-want.html?_r=0

BACK TO THE FUTURE: COMPETING PHILOSOPHIES AS TO THE FUNDAMENTAL NATURE AND PURPOSE OF HEALTH INSURANCE



- ✧ The traditional Democratic philosophy favors a comprehensive **medical payment structure** with government subsidies to encourage preventive care and to protect against financial exposure to high medical costs due to illness.
- ✧ The traditional Republican philosophy favors a market based **traditional insurance structure**, with high deductibles, catastrophic protection, and routine costs paid out of pocket. Relying on taxpayer-subsidized health care for others is anathema to Republicans.

In many ways, ObamaCare has become the “new normal.” The political battle now is WHO will pay to help keep Americans insured and HOW it will be paid



Questions?

