

Trump Card

The Politics of Health Care –
Game Changers

Presidential Election Influence In Texas? (Naah)

- Most of Legislature, Congressional Delegation already in the can
- No Statewides up
- And Statewides are dug in
 - Gov hand picked HHSC successor-openly hostile to Medicaid ,ACA, no health care background
 - Lt Gov hostile to any change
 - Hospitals get stay of execution in waiver

Abbott Doctrine

- “Today (day before Supremes ruled against state suit in King v Burwell) I am calling on my fellow Governors ..and members of Congress..to show some political spine and just say no to Obamacare..No government welfare program has made anything more ‘affordable.’ What Obamacare does do is over-subsidize more people to use more insurance to consume more health care, bankrupting our federal and state budgets...”

And we really mean it

- Attorney General Ken Paxton filed another suit in Oct 2015, post King v Burwell
 - Joins Kansas and Louisiana
 - Contends Insurance Provider Fee constitutes an illegal tax on states , since most states utilize private carriers to medicaid Managed care programs.
 - Almost 90% of Medicaid under private plans, so state is effectively paying the provider fee for those enrollees.

Hospital Waiver Stay of Execution

Serious Game of Chicken

- 15 month temporary extension
- Delivery System Reform Incentive Payment (DSRIP) and Uncompensation Care Pool remain for now (Dec 2017)
- Failure to meet conditions=25% phase down annually of DSRIP starting 2018
- Contingent on 3 conditions by deadline
 - Expand coverage-UC funds not used for what could be covered by expansion
 - Medicaid payments should be devoted to provision of services
 - Provider payments should be sufficient to assure access

Trump vs Clinton Policy

- Clinton-same trajectory as Obama
- Clinton win could translate as shift of R balance in both chambers
- Trump win translation indeterminate-likely be tight margins, federal policies unknown
- Most polarizing race in recent memory
- Whomever elected will be most hated President in recent memory

Voter Uprising?

naaah

- Notwithstanding
 - Polling says huge majorities want same coverage as the politicians (90%)
 - Huge majorities support federal subsidies
 - Over million voters enrolled in exchange are concentrated in R represented districts
 - 1.5 million Texans qualify for expansion
 - 69% in working families
 - 90% no access to employer coverage

Notwithstanding cont'd

- Middle aged adults with chronic conditions with declining health 2x likely to default on mortgage
- Medical Debt largest predictor of bankruptcy
- Federal Reserve Study-
 - 47% say cant cover a \$400 emergency expense
 - 31% report going without medical care in preceding 12 months because couldn't afford

Notwithstanding

- 70% of uninsured Texans (we still rank at bottom w 27%) state reason as unaffordable
- Most in coverage gap (3million) and not eligible for subsidies but 2 million would be under Medicaid expansion
- Texas top 3 in exchange enrollments through 2015

Exchanges Unstable

- “Next wave of rate increases..will be large and will be in the middle of 2016 election...” (16% in Texas over all, pre subsidy)
- Congress stiffens plan on risk corridor \$ (of course plans blame ‘Obamacare’)
- Ramps up plans’ back-to-the-90s cost controls, network thinning
- Blues ‘lose’ \$400 million, drop PPOs for 300k insured (as did Cigna and Humana)
- United bails in multiple states
 - In 30 counties in Texas, million enrollees

But the disenfranchised don't vote

- 14 counties (suburban, relatively affluent) account for roughly 2/3rds of turnout
- The other 240 counties about third
- If for example Harris County voted the throw weight of it's neighboring suburban counties, half of the R seats would flip
- Statewide, translates as 40 R House Seats, about 10 Senate seats

Repeal and Replace non starter

- Clinton won't, Trump not likely either, assuming no gains by Rs in either chamber
- Neither likely to move away from employer based model
- American Academy Actuaries:
 - An immediate or near-term elimination would cause massive disruption in the individual market
 - Dropped coverage means cost shift to remaining insured (death spiral)

Form Follows Function

Game changers and Disruptors

- MACRA and Plan adaptation
- Plan Consolidations
- System consolidations-virtual and real
- Physician migration in house
- Back to 90s cost controls, enhanced by digital tech not around then
- Serious network thinning
- Can exam room productivity tools herd the unaligned (real time prompts, big data links on clinical stds,etc)
- Hybrid Integrations –next generation ACOs
- Pricing scrutiny-‘transparency’

MACRA –fix is already in FFS goes way of dinosaur?

- SGR ‘fix’ a bait and switch to radical payment realignment
- Inconsequential fee updates thru 2019
- Consolidates current performance programs, sunsets end of 2018
- Merit Based Incentives after 2019
 - Quality
 - Resource use
 - Clinical practice improvements
 - Meaningful use

MACRA dissing from health economists

- “...is a mess. It is extremely difficult to comprehend, it is based on assumptions that defy commonsense and research, and it may raise costs..”
- “a Rube Goldberg device..”
- “Measuring the unmeasurable”
- “If CMS cannot detect differences at the individual physician level for 80% or more , it seems likely that the pay for performance scheme (Congress) had in mind for (them) wont have any effect .

Economic challenges that work against cat herding

- Two Economic Laws that work against regulators and policy reformers, regardless
 - Gresham's Law-on uneven field, bad money drives out good
 - Baumol's Law (cost disease)—the handicraft nature of personal services arent scaleable
 - Power Curve—fraction of patients account for overwhelming percentage of expenditures

Can Policy Reforms Level the Field?

- 2/3rd of all Texas Political Contributions come from about a dozen sources
- Similar distortions on federal level, plus Super PACs
- Can health sector advocates move the needle in the election cycle with grassroots activism?

Political IQ

Can you hit above your weight?

- Voted last primary, runoff
- Know casually any of your legislators
- Volunteered in a campaign
- Contributed or raised \$ for a campaign
- Hosted an event, reception, coffee, block walk
- Know any of your legislators well enough to call them by their nickname
- Lobbied any of them

Provincialism index

- Identify exclusively with one party
- Never split ticket
- Never support a candidate or incumbent if 'wrong' on most important, non health care related issue
- Have to like the incumbent-candidate in order to support
- Has to be someone you could bring home to meet your mother, 'have a beer with'

Can Technology Scale Baumol

- Big Data and big analytics
 - Watson and Explorys
 - RAF tools in real time
 - Referral steering based on performance metrics
 - Rx real time prompts re clinical and value metrics
 - Real time merging of in and out patient charges
 - Tracking epidemiology of readmits, infection plumes, et al

Can Technology Inform Patients? (move the needle on adherence)

- Uwe Reinhardt “you can’t invoke caveat emptor because the emptor doesn’t know how to caveat”
- (Edmund Keumpel “If a frog had a back pocket it would carry a pistol and shoot snakes”

The Mega Mergers

- Anthem and Cigna, Aetna and Humana
- 15 states where concentrations have drawn DOJ scrutiny
- Texas' risk of monopsonistic influence obviously involves Aetna deal not Anthem
- Aetna presses case they need to be able to counter monopolistic power of big hospital systems
- Long fuse due to legal and market complexities

System Consolidations

Next Gen ACOs

- Hospital based models mostly flat or lost money
- Of the few successful ACOs , most were physician led
- Plans struggling with cat herding-how to optimize unaligned physician productivity
- Virtual ACOs backed by a health plan on drawing boards
- One VC backed narrow network hybrid plan coming to Texas, looking at statewide PCP network—a sort of ACO

Physician Migration to In-House

- CMS tweaked RBRVS and sent most cardiology into employed relationships
- Most unaligned small group-solo lacks resources to meet performance criteria now and emergent
- Survey of Tx FPs-high job satisfaction with employed relationships
- Not necessarily uniform experience-#s fall off when contracts term and incentives, gainsharing, hold backs kick in and reality of non competes

Pricing Transparency

- Pharma pricing going through proverbial ringer, federally(and multiple states), thanks to Shkreli – Turing, Valeant raider schemes
- Hospitals should kiss Shkreli for distracting from charge master scrutiny, though it is a stay of execution
- Plans more aggressive on multiple cost fronts
 - OON charges
 - Pharma pricing
 - Charge master

Network Thinning

Adverse Selection via Provider

- With backing of employer customers, plans trimming or chainsawing networks, focus on more expensive patients, provider outliers
- Renews DOIs' interest in how to set 'network adequacy'
- Plans pounding OON exploiters, multiple state proposals to cap at % medicare, ban balance billing , create fraud cause of action for failure to disclose, arbitration by pass for disputes.

Conclusions

‘Future Aint What it Used to Be’

- Texas’ political climate indifferent to hostile and not facing political consequence for that indifference this cycle
- Presidential outcome also a wash in most respects
- Market innovators driving ‘reform’ in many respects
- Market disruptions will provoke litigation, short term imbalances , risk of zero sum competition
- Texas’ outlook dismal to precipitous in terms of infrastructure investment