Transcending Obamacare

A Patient-Centered Plan for Near-Universal Coverage and Permanent Fiscal Solvency

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What Health Spending Slowdown?

- Health care remains the driver of the fiscal crisis

Congressional Budget Office: Extended Alternative
2014 Long-Term Spending Projections

- Interest on the Federal Debt
- Federal Health Care Spending
- Everything Else
ACA Has Increased Govt. Spending

Federal Health Care Spending, 2011-2022 ($Billions)

- New Obamacare spending
ACA Has Increased Govt. Spending

Federal Health Care Spending, 2011-2022 ($Billions)

- New Obamacare spending
ACA Has Increased Govt. Spending

Federal Health Care Spending, 2011-2022 ($Billions)

- New Obamacare spending
- Legacy health spending

NIHCM Capitol Hill Briefing
September 3, 2014
The Myth of ‘Free-Market’ U.S. Health Care

**In 2012, U.S. government (federal, state, local) spent more per person on health care than all but 2 other countries in the world**

**Post-ACA, U.S will likely become #1**
Problems The ACA Didn’t Solve (Or Made Worse)
It’s The Prices, Stupid

• Despite lower average lengths of stay, per-diem hospital costs in the U.S. far exceed others

Median Cost Per Hospital Day, USD

<table>
<thead>
<tr>
<th>Country</th>
<th>Cost (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>$476</td>
</tr>
<tr>
<td>Netherlands</td>
<td>$731</td>
</tr>
<tr>
<td>France</td>
<td>$853</td>
</tr>
<tr>
<td>New Zealand</td>
<td>$979</td>
</tr>
<tr>
<td>Australia</td>
<td>$1,472</td>
</tr>
<tr>
<td><strong>UNITED STATES</strong></td>
<td><strong>$4,287</strong></td>
</tr>
</tbody>
</table>

Source: International Federation of Health Plans
Hospital Concentration Greatly Increased

**Impact of M&A on Hospital Market Concentration, 1990-2012**

- **Hospital Market Concentration** (Herfindahl-Hirschman Index)
- **Number of Hospital M&As**
- **Market concentration (HHI)**

Highly concentrated (HHI > 2,500)

Moderately concentrated (HHI > 1,500)

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Health Insurance ≠ Health Care

- Much of the ACA’s coverage expansion relies on Medicaid
  - Medicaid and CHIP expansions, accounting for 11 million new insured, underpay physicians, resulting in poor access
  - 7 million Americans will lose higher-quality private coverage
  - Evidence is overwhelming that Medicaid has worse health outcomes vs. employer-sponsored and exchange-based insurance
ACA Exchange Plans: Individual Rates +41%

Percent Change in Individual-Market Premiums, Average of All Age Groups, Post- vs. Pre-ACA

Source: Avik Roy / Manhattan Institute
Is There A Better Way?
The Difficulties of ‘Repeal and Replace’

- Highly disruptive to existing insured
  - Caps/cuts employer tax exclusion (155MM in 2016)
  - By 2016, CBO estimates **24 million** on ACA exchanges, **12 million** covered via Medicaid expansion

**Millions on ACA-Sponsored Insurance, 2014-2018**

- **2014**: 10
- **2015**: 15
- **2016**: 20
- **2017**: 25
- **2018**: 30

Bars represent ACA Exchanges, and orange bars represent Medicaid Expansion.
Public Opposes Obamacare—And Repeal

Source: Kaiser Family Foundation, March 2014 Tracking Poll

What would you like to see Congress do when it comes to the health care law?

- Keep the law as it is
- Keep the law in place and work to improve it
- Repeal the law and replace it with a Republican-sponsored alternative
- Repeal the law and not replace it

**Total**

- Keep the law as it is: 10%
- Keep the law in place and work to improve it: 49%
- Repeal the law and replace it with a Republican-sponsored alternative: 11%
- Repeal the law and not replace it: 18%

**Democrats**

- Keep the law as it is: 16%
- Keep the law in place and work to improve it: 73%
- Repeal the law and replace it with a Republican-sponsored alternative: 3%
- Repeal the law and not replace it: 4%

**Independents**

- Keep the law as it is: 8%
- Keep the law in place and work to improve it: 44%
- Repeal the law and replace it with a Republican-sponsored alternative: 9%
- Repeal the law and not replace it: 23%

**Republicans**

- Keep the law as it is: 5%
- Keep the law in place and work to improve it: 26%
- Repeal the law and replace it with a Republican-sponsored alternative: 27%
- Repeal the law and not replace it: 31%
The Myth of ‘Free-Market’ U.S. Health Care

- In 2012, U.S. government (federal, state, local) spent more per person on health care than all but 2 other countries in the world.

- Post-ACA, U.S. will likely become #1

Source: OECD, WHO

2012 Public Health Expenditure per Capita
(US$ purchasing power parity-adjusted)

- United States
- Norway
- Netherlands
- Switzerland
- United Kingdom
- Austria
- Belgium
- Finland
- France
- Germany
- Ireland
- Italy
- Japan
- Canada
- Sweden
- Denmark
- Luxembourg
- New Zealand (2011)
- Spain (2011)
- Sweden
- France
- Canada
- Austria
- Germany
- Ireland
- Italy
- Japan
- Switzerland
- United States

- $5,222
- $4,375
- $4,029
- $3,846
- $3,716
- $3,691
- $3,336
- $3,323
- $3,317
- $3,224
- $2,997
- $2,847
- $2,762
- $2,733
- $2,669
- $2,626
- $2,623
- $2,481
- $851
- $1,248
- $1,879

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The ‘Switzapore’ Model for Health Reform

• Convergence of the ACA and Paul Ryan’s reforms
  – ACA uses Swiss-style regulated insurance exchanges with a sliding scale of subsidies to offer coverage to those between 100-138% and 400% of FPL
  – Paul Ryan uses Swiss-style regulated insurance exchanges to offer coverage to future Medicare beneficiaries

• The ACA can be transformed into a mechanism for system-wide entitlement reform
  – Opportunity for substantial coverage expansion and deficit reduction
Part One: Exchange Reform

• Modify ACA regulations in order to curb adverse selection and reduce underlying premiums
  – 6:1 age bands (subsidies protect low-income near-elderly)
  – More flexible benefit design (EHB reform)
  – Lower actuarial value tiers (e.g. “Copper”)
  – Benchmark plan would have higher deductible plus subsidized HSA; ACA cost-sharing subsidies (≤ 250% FPL) converted to additional HSA contributions
  – Repeal device, drug, premium taxes
  – Limited open enrollment period; no indiv. mandate
Part Two: Medicare Reform

• Increase Medicare eligibility age by four months each year, forever
  – Makes Part A trust fund permanently solvent
  – Allows future retirees to remain on exchanges or employer-sponsored coverage
  – Increases incentive to remain in work force (thereby increasing solvency of Social Security)
  – Net effect is means-tested benefits for future retirees

• Introduce other bipartisan Medicare reforms
  – Simpson-Bowles; Lieberman-Coburn
Part Three: Medicaid Reform

• Migrate Medicaid acute-care population onto reformed ACA exchanges
  – Cost-sharing protections just as with near-poverty population on exchanges
  – HSA deposits can accumulate, increasing *wealth* of low-income population & decreasing moral hazard
  – Potential for substantially improved health outcomes

• For fiscal neutrality, states assume full financial responsibility for Medicaid long-term care
  – Maintenance-of-effort to preserve spending trajectory
  – Exempt premiums, providers from state & local taxes
Part Four: Other Reforms

- Increase provider competition
  - Pricing reforms in concentrated markets
  - Increase funding for hospital anti-trust litigation
  - Allow VA hospitals to admit civilian patients
  - Facilitate medical tourism, reference pricing
- Repeal employer mandate
- Malpractice reform
- Increase funding for graduate medical education
- Offer veterans access to ACA exchanges
The Result: Higher Quality at Lower Cost

- **Permanent stability and solvency of health-care entitlements**
  - Deficit reduction of >$8 trillion over three decades
  - Reduction in net federal & state tax revenues
  - Medicare trust fund permanently solvent
  - Medicaid reform = improved state fiscal stability

- **Expanded coverage above ACA levels**
  - 12MM additional insured due to exchange reforms
  - Reduces single commercial premiums by 17%

- **Improved health outcomes for the poor**
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