Health Care Update

By Mano Mahadeva, CPA, MBA | Column Editor

The 2016 presidential election became a slug-fest, one of the more ferociously fought political contests in recent American history. The Republican nominee, Donald Trump, and the Democratic nominee, Hillary Clinton, both polarizing figures, set record-breaking unfavorable ratings. On almost every issue, it was clear that both nominees would take us in very different directions.

The presidential platforms were vast and varied – but neither nominee spent significant time or offered detailed plans regarding the future of health care reform and the Patient Protection and Affordable Care Act (PPACA), an area of particular intrigue to many. Donald Trump vowed to repeal the PPACA on his first day of the presidency and replace it with "something great," but did not discuss any details. Hillary Clinton, taken to the far left by Sen. Bernie Sanders, proposed a "public option" health care plan without much detail. She also proposed expanding Medicare to allow those age 55 and over to opt into the program.

A Little History on the PPACA

The PPACA, enacted in 2010, was created as a first step to address the historically unsustainable and dysfunctional health care system that limited access to care, offered inequitable care, had rising numbers of uninsured, was volume (not quality) driven and was fraught with waste. At the time of its enactment, health care costs ran 16 percent of gross domestic product, with a projection of 20 percent by the year 2017.

This bill was intended to increase health insurance quality and affordability, lower the number of uninsured and reduce health care costs. Individuals could choose from plans that were similar to those offered by employers, with a focus on patient access, quality and cost. The main pieces of the law were enacted three years ago and have already resulted in a record reduction in the levels of the uninsured. Many individuals were able to gain access to coverage, based on income levels through the exchanges or via government subsidized programs such as Medicaid. Individuals were offered protections on pre-existing conditions. The new plans had no maximum limits and equalized differences between gender.

However, the plans are not without their drawbacks and challenges. Significant spikes in premiums, insurer dropouts and low enrollment numbers create concern for the viability of the law. Insurance giant Aetna announced plans to limit all but a few exchanges due to losses of greater than $400 million in the exchange business. Other giants, such as United Healthcare and Humana, made similar announcements earlier this year. Only Blue Cross and Blue Shield has stated they are offering plans across all counties in 2017, but they're accompanied with a steep hike in rates. So, in

2017, some individuals will be faced with a very limited choice in their markets.

Equally as disheartening, the original law was premised on adding many young, healthy enrollees – both via the exchanges and through the successful implementation of the individual mandate – but many of the young and healthy did not sign up and the implementation of the individual mandate was unsuccessful. Payers ultimately set premiums too low which, in turn, did not provide enough revenue to offset the more-costly treatment of the new enrollees, who tended to be unhealthier than planned. The law's risk corridors, which were designed to cover some of the insurer's losses, were derailed by Congress and the expected conversion of employer provided health plans to the exchange did not occur as overall health care costs stabilized due to plan design changes.

The insurers that remain in the mix have adopted health maintenance organization (HMO) plans or Exclusive Provider Organization (EPO) plans – both types offer limited choices of physicians and hospitals through the use of narrow networks and many have extra red tape, such as having to request a referral to see a specialist. The tradeoff for lower rates equates to less freedom of choice.

Is There a Future for These Plans?

The Obama Administration knows that for the law to survive, young adults must find a renewed interest in its offerings and has launched targeted digital messaging campaigns to get young adults to sign up this fall. This is a major focus and a must for the law to survive. Congress could always approve more in subsidies, but this would need Congressional approval, which is highly unlikely. Payer networks interested in continuing in the exchanges will likely take a rigorous approach to control costs by providing a limited network of physicians and hospitals, with very close management of a patient's health.

Regardless of the results of the presidential election, there is one thing that neither political party disputes – both know that health care reform is needed. The present model is dysfunctional, costly and unsustainable. Persistent economic and social pressures will accelerate changes to health care costs, delivery, access and quality over time. These challenging times provide a great opportunity for finance leaders to provide valuable guidance to their health care constituents. ■

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