

Key Components of President-Elect

TRUMP'S HEALTHCARE PLAN



REPEAL ACA

- “Completely” repealing the ACA was a tenet of his campaign, although he provided few details about what would replace it

FREE MARKET REFORMS

- Aims to use free enterprise to decrease barriers to competition, and increase transparency and consumer choice



REFORM MEDICARE

- Though the President-elect did not discuss Medicare much on the campaign trail, the GOP platform supports a transition to a premium-support model
- In such a model, the government would make fixed per-capita contributions and beneficiaries would use those payments to shop for care from traditional Medicare or private plans

RESHAPE MEDICAID FUNDING

- Proposes to convert to state block-grant program



REMOVE INTERSTATE RESTRICTIONS

- Would allow insurance to be sold across state lines

ALLOW PREMIUM DEDUCTIONS

- Would allow individuals to fully deduct health insurance premium payments from their tax returns



EXPAND TAX-FREE HSAs

- Would encourage contributions into tax-free HSAs and enhance tax-free accumulation

REQUIRE PRICE TRANSPARENCY

- Would “require price transparency from all healthcare providers” so that consumers could shop to find best prices for procedures, exams, and medical-related procedures



PRESCRIPTION DRUG REFORMS

- Would lower barriers for import of safe, reliable, cheaper products

NOW THE WHAT, WHEN, HOW OF HIS PLAN

“Repeal” – Very fast part of the 100-day agenda, but not a technical full repeal, just altering some elements like the mandate and minimum benefits

“and Replace” – This is going to take longer and will likely be a major legislative and lobbying effort; guaranteed issue and underwriting are the devilish details

Medicare – Doesn’t seem likely to see changes before 2018 mid-term elections

Medicaid – Block grants are priority in the Republican agenda, but it is not clear whether it will make it through legislation

How fast? Not fast! – Just like implementation of ACA was staged over many years, the undoing is almost certainly going to be staged; Republicans aren’t going to strip voters of coverage on day one

TRUMP'S HEALTHCARE PLAN

The Impact and What Now: PROVIDERS



ACA

- Though the ACA is now in the sights of the GOP and President-elect Trump, there appears to be alignment behind the need for value-based initiatives; and, in fact, the core emphasis of being efficient and able to deliver value will become even more paramount in a world where providers face reimbursement uncertainty within key funding segments
- If the individual mandate is repealed and federal subsidies are eliminated, enrollment on the exchanges stands to decline
 - Those who remain will likely have greater needs and higher utilization
 - Those who drop will be left to find providers who will see them and that they can afford; access to preventative care and early disease management will suffer
- Providers should plan for higher uninsured rates and prepare for uncompensated care to retreat toward pre-ACA levels
- If ACA and Medicaid populations shrink, reimbursement pressure will shift to Commercial payers; to win share and returns, providers will need to stand-out on efficiency and ability to deliver value to those populations
- Providers should embrace the need to move toward a value-based model; Commercial payers and employers stand to reward those delivery systems that distinguish themselves on cost, quality, outcomes, experience



MEDICARE

- Hospitals taking in higher Medicare populations and those that are subsidized by Medicare may face funding uncertainty if the GOP pushes a shift to premium-support model
- Providers should pay close attention to traditional Medicare enrollment to inform decisions regarding involvement in future reform efforts and pilot programs



MEDICAID

- If Medicaid eligibility returns to pre-ACA levels, providers will face significant profitability challenges and major increases in uncompensated care
- Providers should monitor block grants closely and assess risk of under-funding
- Depending on block grants, providers could experience decrease in government spending and should develop strategy for securing more revenue from private payers and individuals



INSURANCE ACROSS STATE LINES

- Impact of cross-state licensing is uncertain at best, and may have little impact



PRICE TRANSPARENCY

- Although the plan does not say how the administration would implement a federal mandate for price transparency, it suggests a potentially forceful tailwind for value
 - To be sure, the Commercial insurance and employer marketplace will embrace any advance on transparency
 - For that reason, providers who embrace and excel in the shift to value stand to win in a market where pricing and utilization transparency are at the core of the conversation
 - Gaining clarity around financially viable, core services becomes paramount – as transparency would seemingly expose offerings that are sub-scale and/or not delivering value on the cost and quality equation

TRUMP'S HEALTHCARE PLAN

The Impact and What Now: PAYERS



ACA

- While a wholesale repeal is unlikely, the market is still set to enter a period of disruption and uncertainty
- Removing the individual mandate (which is expected) will likely lead to the collapse of the ACA market, the Exchange will have to be removed entirely, and Individual underwriting will emerge again
- In the event of ACA market collapse, we anticipate some states will pass their own individual-mandate legislation
- State high-risk pools are likely to re-emerge as a solution for individuals with significant health conditions who don't qualify for underwritten individual health insurance
- We may see a resurgence of limited-benefit plans that cover either basic primary care or hospital indemnity style
- While ACA business was not profitable for many payers, major investments were made in the capabilities needed to compete in the ACA environment and those investments will now need to be reevaluated
- Payers that *are* profitable on the exchanges should and prepare to scale back operations accordingly
- Payers should dust-off pre-ACA levers to increase profitability and put renewed focus on commercial business lines
- Even with rollback of ACA, the push to value focus won't stop – MACRA will still charge ahead and the trend is in full force with employers jumping on the bandwagon of tiered, narrow, and value-oriented networks to drive cost savings



MEDICARE

- If the GOP position to transition Medicare to a premium-support model goes forward, payers will face increased financial uncertainty, as plans are paid based on average vs submitted bids
- Will force MA plans to be acutely aware of costs and require renewed focus on efficiency



MEDICAID

- Block grants could create 50 distinct experiments in Medicaid, each requiring different strategies for those in the managed Medicaid market
- Medicaid changes will play out more slowly, as states have largely outsourced their programs to managed care and are expected to continue to do so
 - In time, though, this could lead to slow reduction of benefits in several states as budget concerns and reduction of minimum benefit and coverage thresholds causes states to "raid" Medicaid in the face of revenue shortfalls



INSURANCE ACROSS STATE LINES

- Increased cross-state competition could increase the power of consumer choice
- However, it is unclear how many insurers would be willing to participate; Georgia, Maine, and Wyoming already allow cross-state licensing and no payer has yet taken advantage
- Payers that pursue the opportunity should prepare for challenge of entering new markets, building provider networks, and attracting enough customers to create a large-enough risk pool
- Expect participating insurance companies to move to states with the most favorable (least stringent) regulations
 - This could result in a "race to the bottom," with payers offering cheaper and less-comprehensive policies in new markets
 - Those plans would attract healthy individuals from some states, leaving the sicker people behind and causing insurance premiums there to increase

TRUMP'S HEALTHCARE PLAN

The Impact and What Now: LIFE SCIENCES COMPANIES



ACA

- Expect President-elect Trump and the GOP to kill the 2.3 percent medical device tax that was created – but delayed and never enacted – to help pay for program
- A repeal of the individual mandate and a rise in uninsured could result in a drop in revenue, as people may forgo care for chronic or non-life-threatening conditions
- Even with an ACA rollback, consumer cost-exposure will remain an issue for life sciences companies; companies will need to factor out-of-pocket costs into launch and lifecycle pricing strategies



MEDICAID

- Block-granting Medicaid could result in more people losing coverage and more people forgoing drug care (or seeking it from charities or pharma patient assistance programs), and this could result in revenue drop
 - Biggest impact would be on those drug categories that have disproportionate usage in Medicaid populations, such as Hepatitis C
 - Because Medicaid pays significantly discounted prices for drugs, the revenue impact won't be as significant as if a similarly sized commercial population lost coverage, but it could still be consequential
- With state Medicaid budgets more limited, state Medicaid agencies will be looking to save money on drug cost and may decide to cover fewer drugs, or push for regulation that increases mandatory Medicaid price discounts, and/or negotiate much harder for higher discounts to get onto state Medicaid drug lists



PRICE TRANSPARENCY

- The impact of provider price transparency is indirect, but worth consideration:
 - If the push for transparency is extended to pharma and results in regulation requiring companies to post their average actual received price, there could be significant change in how the industry handles discounts – likely reducing the amount of complexity, increasing the discounts being provided, and potentially lowering pharma revenue



PRESCRIPTION DRUG REFORMS

- Secretary Clinton's platform took a much stronger stance on regulating drug prices and drug stocks surged in the wake of the Trump victory
- The proposal to remove barriers to entry and allow more parallel imports will impact companies' international drug pricing strategies
- The plan to allow Medicare to negotiate drug prices received much press coverage, but will likely have little impact
 - Medicare already outsources most of its Rx to PBMs, which are already negotiating aggressively
 - CBO determined that allowing Medicare to negotiate drug prices would have little impact on federal spending