

A wooden spinning top, a traditional toy, is shown in a blurred background. It has a circular base and a long, tapered stem. The background is a wooden surface, possibly a table or floor, with a warm, natural wood tone. The overall image has a soft, artistic feel with a slight vignette effect.

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Patient-Centered Health Reform

How Patient Choice and Private Competition
Can Achieve Universal Coverage

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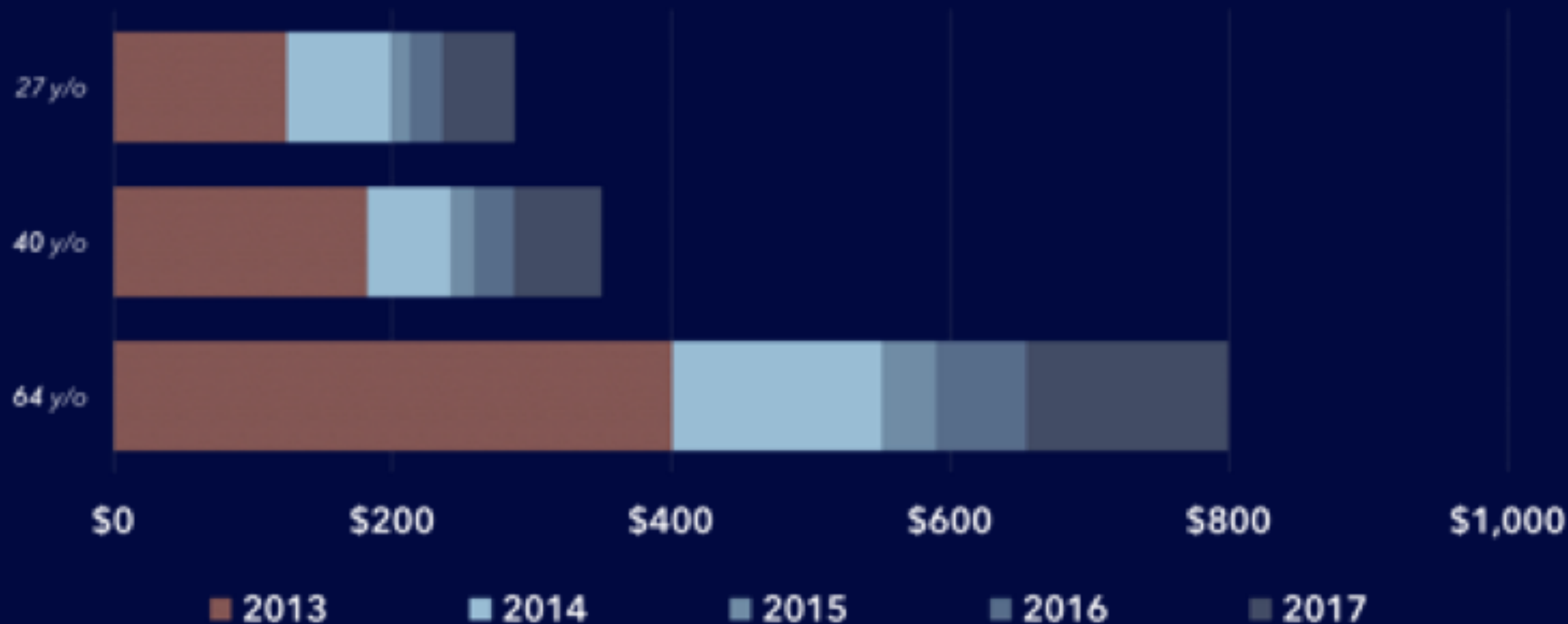
ACA EXCHANGE ENROLLMENT FAR SHORT OF PROJECTIONS

Predicted vs. actual ACA exchange enrollment, 2014-2026 (millions of enrollees)



ACA EXCHANGE PREMIUMS HAVE DOUBLED SINCE 2013

Median annual single individual market premium for 27-, 40-, & 64-year-old non-smokers



A TALE OF TWO PLANS: 2013 VS. 2014

- Two Kaiser plans in Sacramento, CA
 - Equivalent actuarial value
 - Identical provider network
 - Nearly identical deductibles and benefits (except Rx)

	2013 Kaiser 50/5000	2014 Kaiser Bronze
Monthly premium	\$100	\$205
Actuarial value	60.3%	60.4%
Key Features		
Deductible	\$5,000	\$5,000
Out-of-pocket maximum	\$6,000	\$6,400
Coinsurance (after deductible)	30%	30%
Benefits / Copays (\$)/ Coinsurance (%)		
Preventive care	\$0	\$0
Primary care office visit	\$40	\$60*
Specialty care office visit	\$40	\$70
X-rays & lab tests	\$10	30%
MRI, CT, PET	\$150	30%
Inpatient hospital care	30%	30%
Outpatient surgery	30%	30%
Prenatal visit	\$0	\$0
Labor & delivery	30%	30%
ED (waived if admitted)	30%	\$100
Generic drugs	Not covered	\$25
Preferred brand drugs	Not covered	\$50
Non-preferred brand drugs	Not covered	\$75
Specialty drugs	Not covered	30%

A TALE OF TWO PLANS: 2013 VS. 2014

- Two Kaiser plans in Sacramento, CA
 - Equivalent actuarial value
 - Identical provider network
 - Nearly identical deductibles and benefits (except Rx)
- 105% higher premiums
- Higher out-pocket maximum

	2013 Kaiser 50/5000	2014 Kaiser Bronze
Monthly premium	\$160	\$205
Actuarial value	60.3%	60.4%
Key Features		
Deductible	\$5,000	\$5,000
Out-of-pocket maximum	\$6,000	\$6,400
Coinsurance (after deductible)	30%	30%
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Non-preferred brand drugs	Not covered	\$75
Specialty drugs	Not covered	30%

A TALE OF TWO PLANS: YOUNG VS. OLD

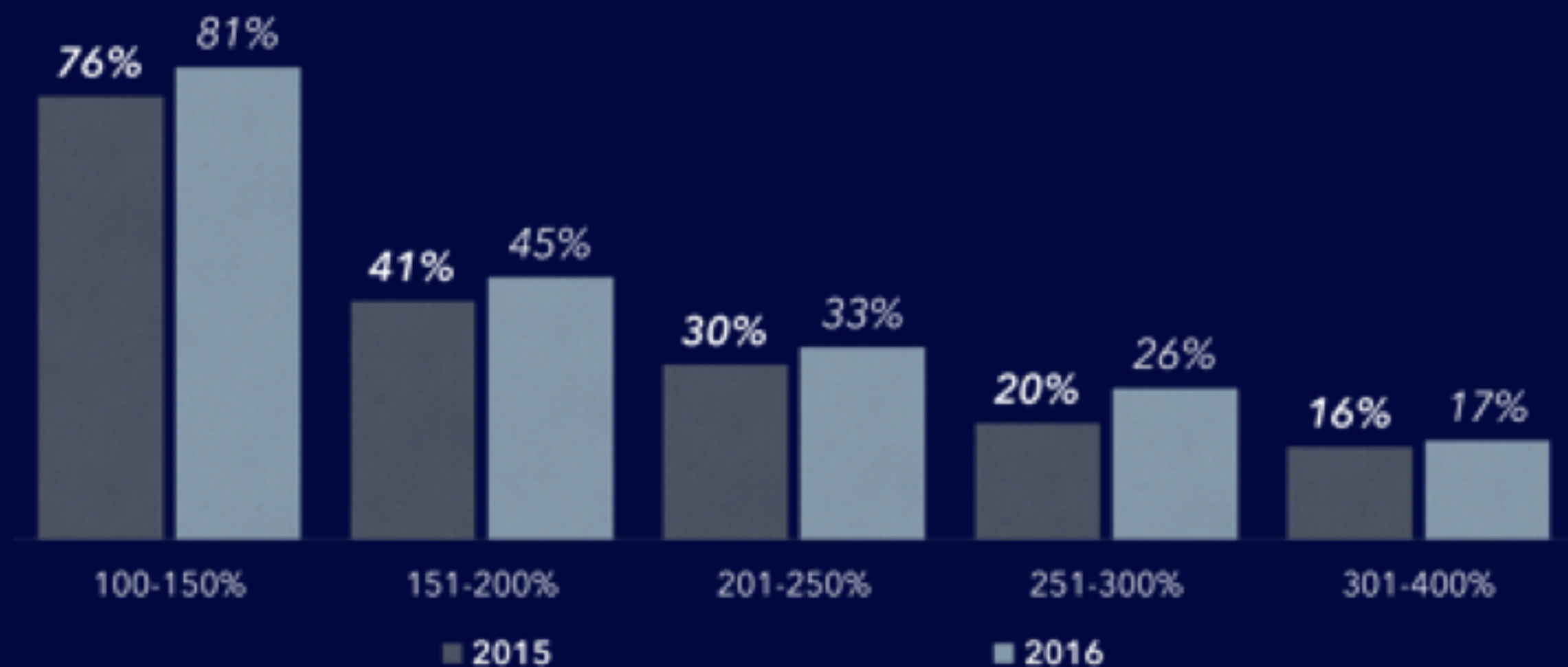
Components of Silver plan premium increases in Wisconsin, 2014 vs. 2013

	27 y/o Healthy Male	57 y/o Unhealthy Female
3:1 Age Rating & 1:1 Gender Rating	44%	2%
Risk Pool Composition & Adverse Selection	35%	35%
Actuarial Value & EHB Mandates	26%	26%
1:1 Health Status Rating	10%	-27%
Pent-up Demand	2%	2%
Exchange Fee	2%	2%
Insurers Fee (ACA §9010)	2%	2%
Reinsurance Pay-In	1%	0%
Research Fee	0%	0%
Reinsurance Claims Impact	-15%	-15%
TOTAL RATE CHANGE	146%	16%

- Covering individuals with preexisting conditions is **not** the largest driver of ACA premium increases
- Requiring **young people to pay higher premiums** is the single biggest issue

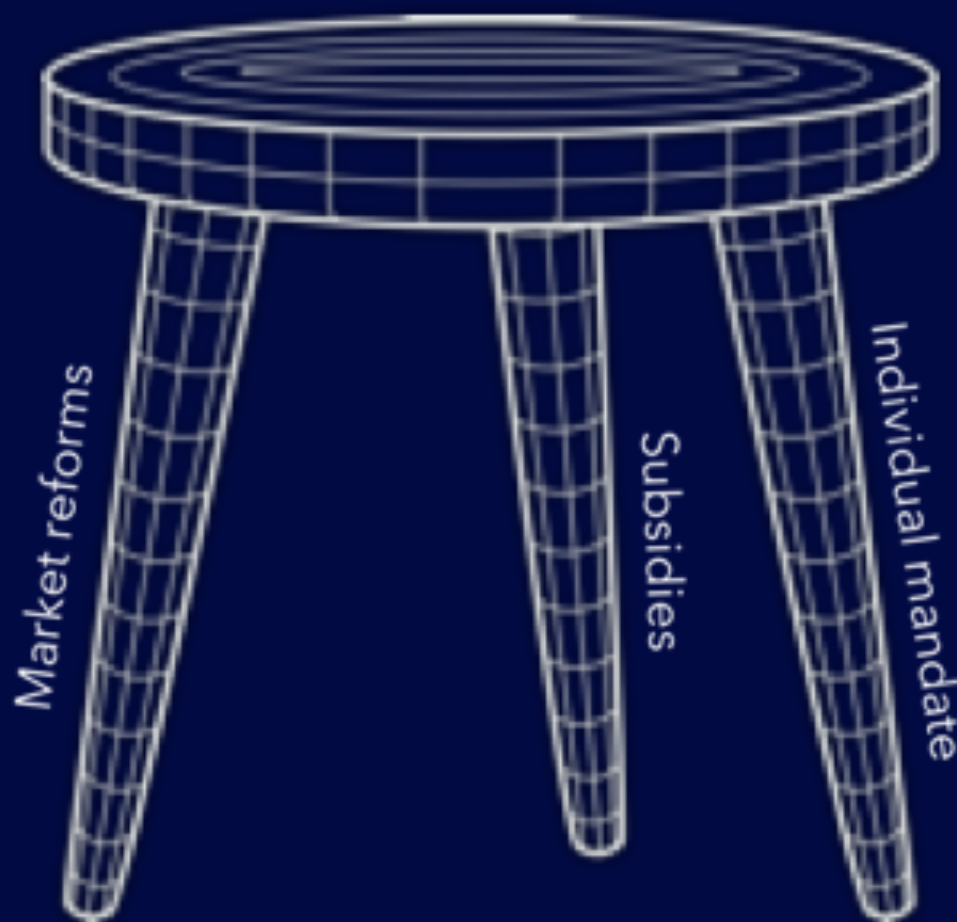
HIGH PREMIUMS HAVE LED TO LOW ACA ENROLLMENT

Percentage of eligible individuals in exchange plans, by income (% of Federal Poverty Level)



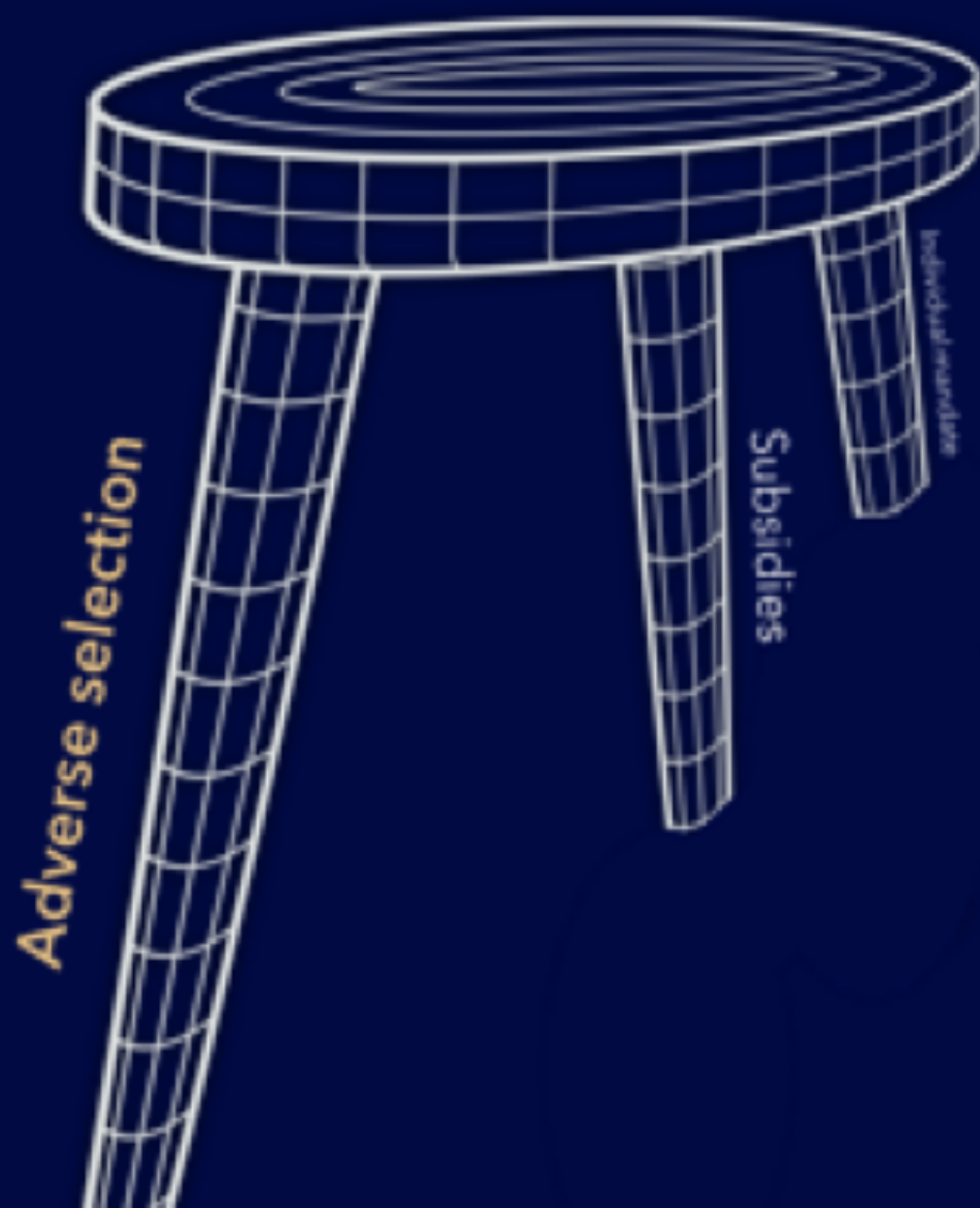
THE ACA'S 'THREE LEGGED STOOL': IN THEORY

- Market reforms
 - Higher premiums
 - Adverse selection
- Subsidies (tax credits)
- Individual mandate



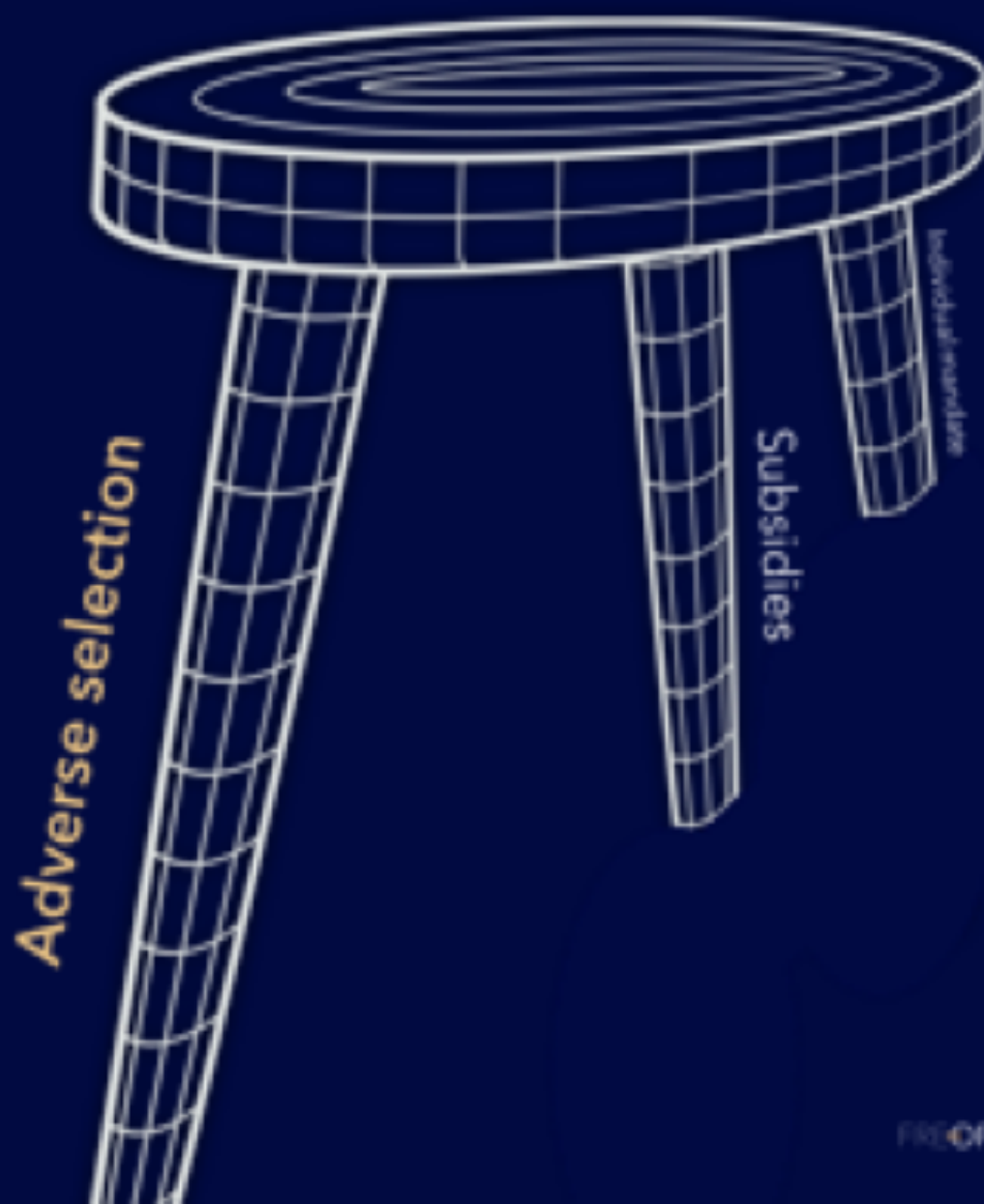
THE ACA'S 'THREE LEGGED STOOL': IN REALITY

- Market reforms
 - Higher premiums
 - **Adverse selection**
- Subsidies (tax credits)
- Individual mandate



REBALANCING THE ACA'S 'THREE-LEGGED STOOL'

- Democratic proposals
 - More regulations (limit cost sharing et al.)
 - Increase subsidies
 - (Strengthen individual mandate)
- Republican proposals
 - Reduce adverse selection
 - Reduce or reform subsidies
 - Replace individual mandate



REDUCE ADVERSE SELECTION

- Repeal **age-based community rating** (3:1 age band)
 - Means-tested (or age-adjusted) tax credit subsidizes coverage for near-elderly
- Reform **actuarial value** requirements ('Copper' plans)
- Return **essential health benefit** management to states
 - Consider subsidizing maternity coverage as a separate rider
- Repeal health insurance **premium tax**

REFORM PREMIUM AND COST-SHARING SUBSIDIES

- Preserve **means-tested** structure of ACA tax credits
 - This is essential for assisting those with high actuarial risk (aged, sick)
 - Improve administrative burden by using previous year's tax returns
- Reform premium assistance structure
 - Incorporate age adjustment from BCRA to attract younger enrollees
 - Adjust sliding scale to account for premium cliffs
- Convert cost-sharing subsidies into **HSA deposits**

REPLACE INDIVIDUAL MANDATE

- **Repeal individual mandate**
- **Limit ability to game** the system
 - Six weeks open enrollment (instead of three months)
 - Documentation required for special enrollment periods
 - Longer time between open enrollment periods (2 years vs. 1 year)
 - Shorten grace period
 - Late enrollment fees
- Auto-enrollment?

THE RESULT: MORE COVERAGE, HIGHER QUALITY, LOWER COST

- Expanded coverage above ACA levels
 - **12 million additional insured** due to exchange reforms
 - Reduces single commercial premiums by **25%**
- Paired with broader reforms, can achieve significant savings
 - 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
 - **Improved health outcomes for the poor**

TRANSCENDING OBAMACARE

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

SECOND EDITION

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Q & A

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