# Transcending Obamacare

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

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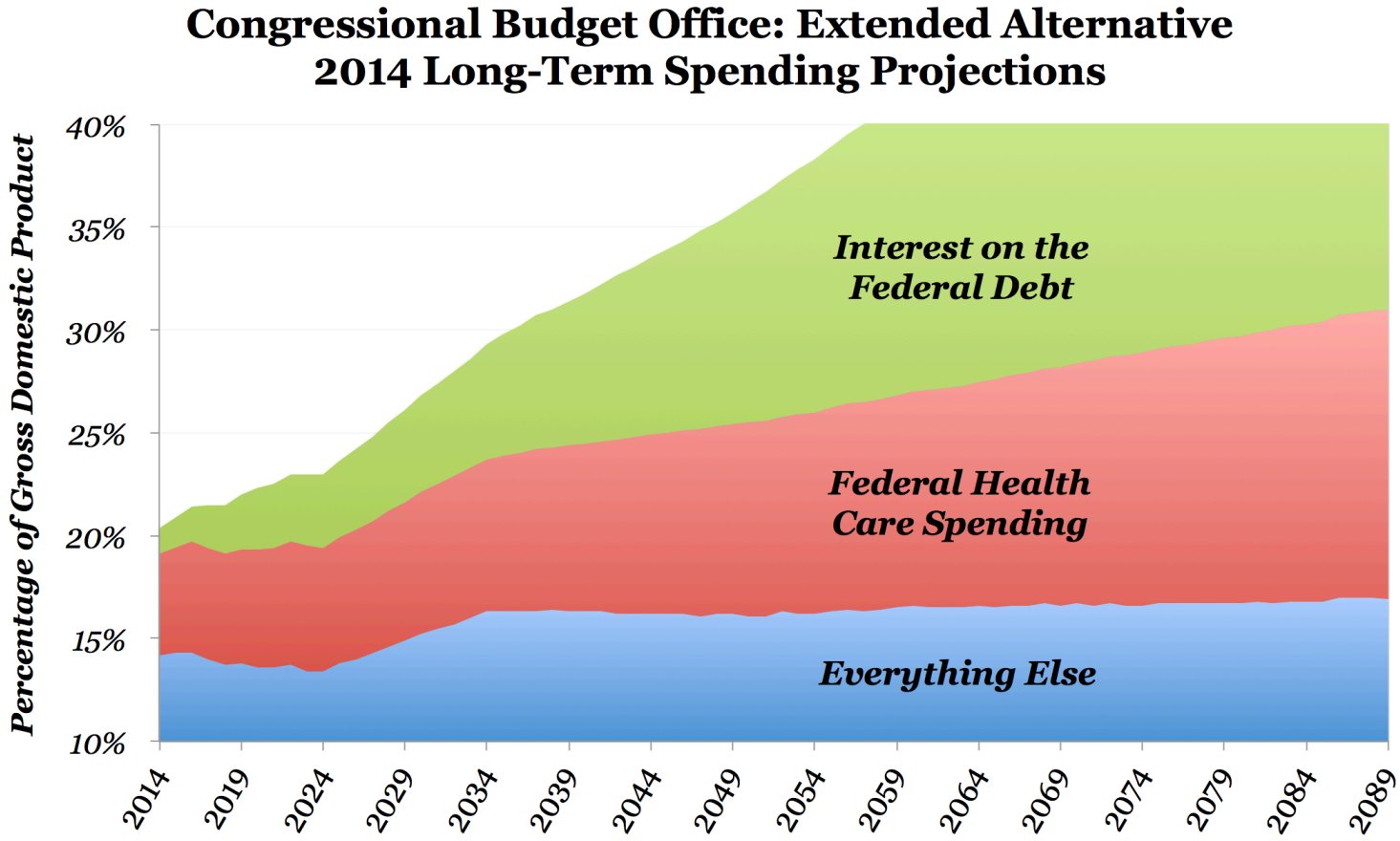
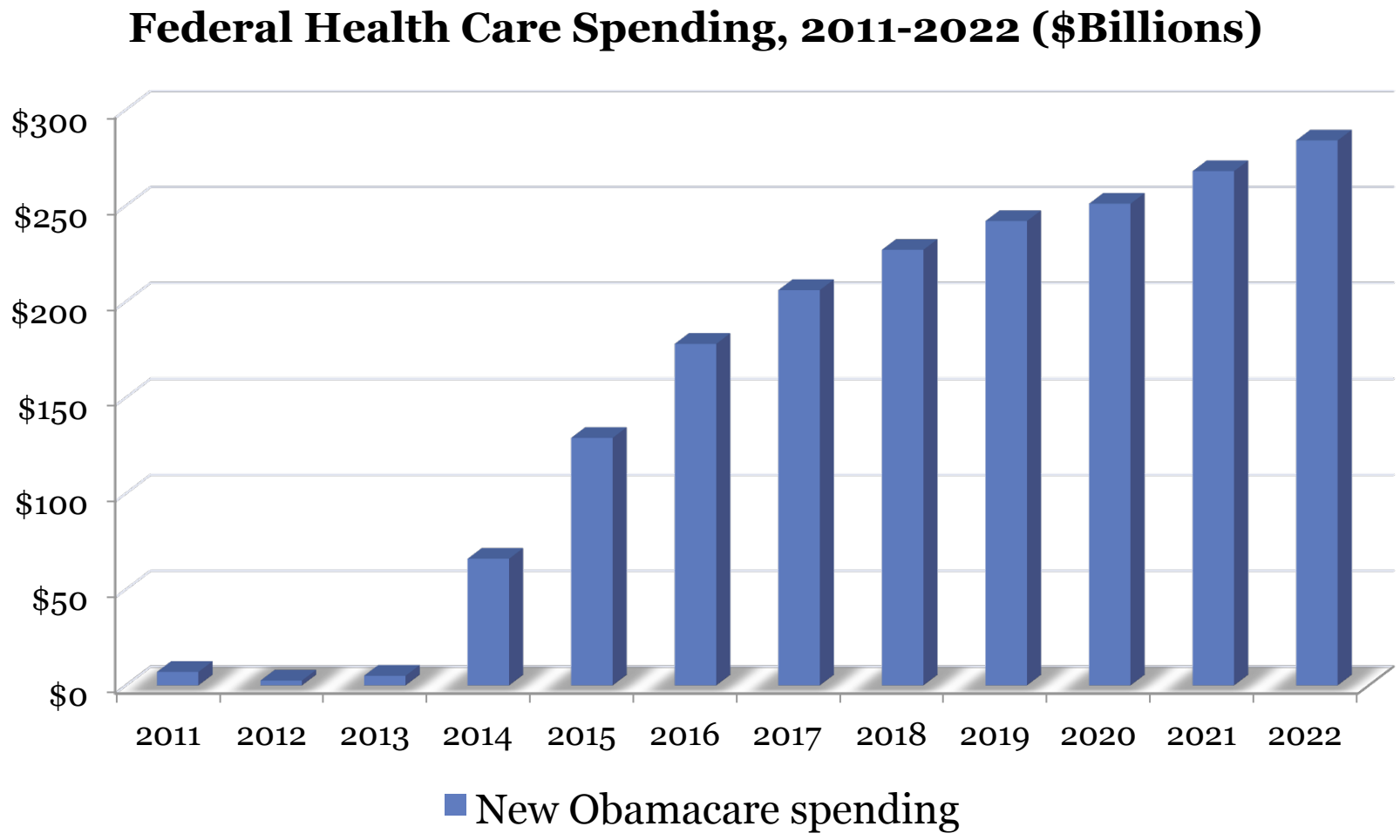
http://www.manhattan-institute.org/html/mpr_17.htm

# What Health Spending Slowdown?

- Health care remains the driver of the fiscal crisis



# ACA Has Increased Govt. Spending



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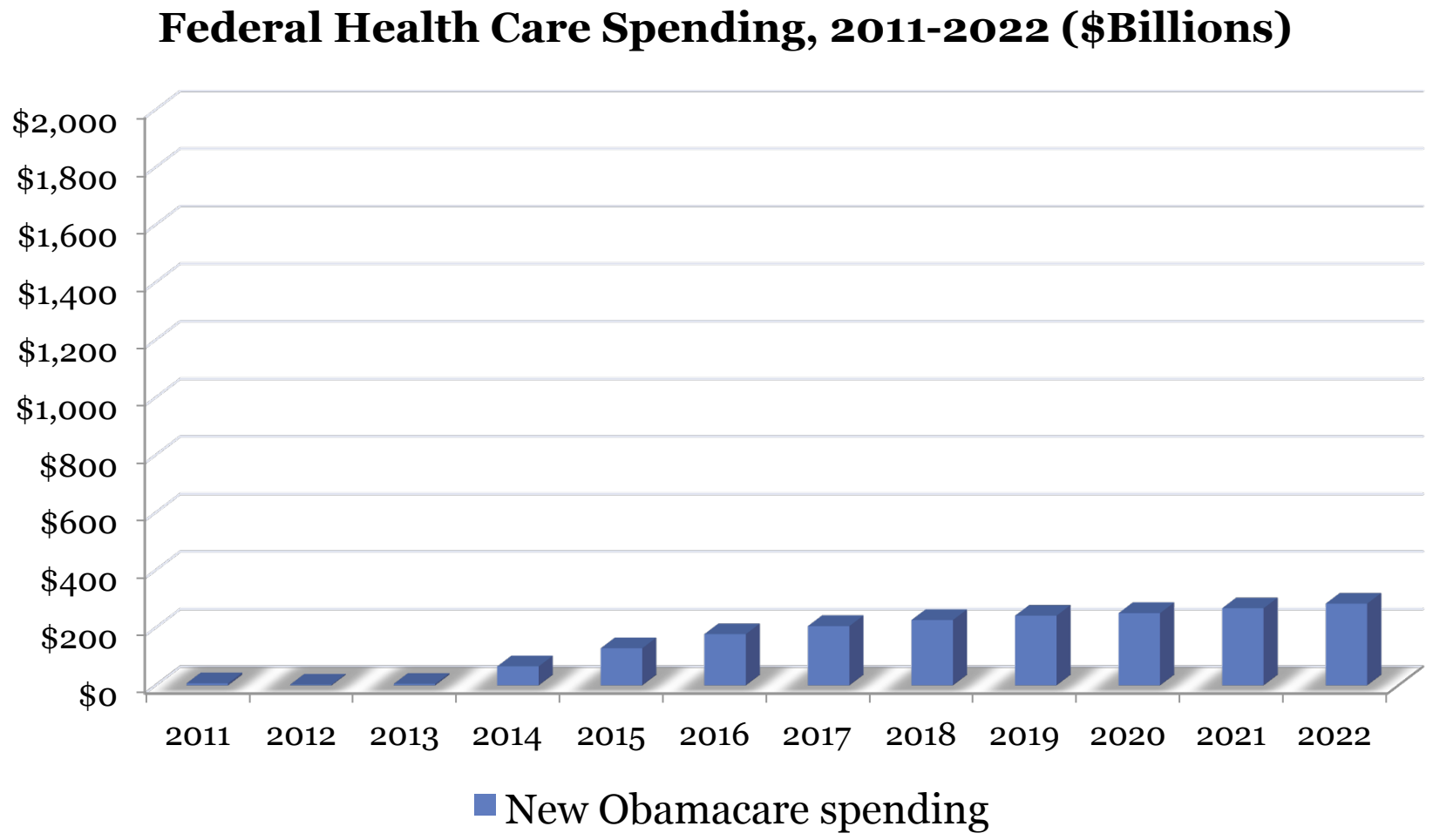

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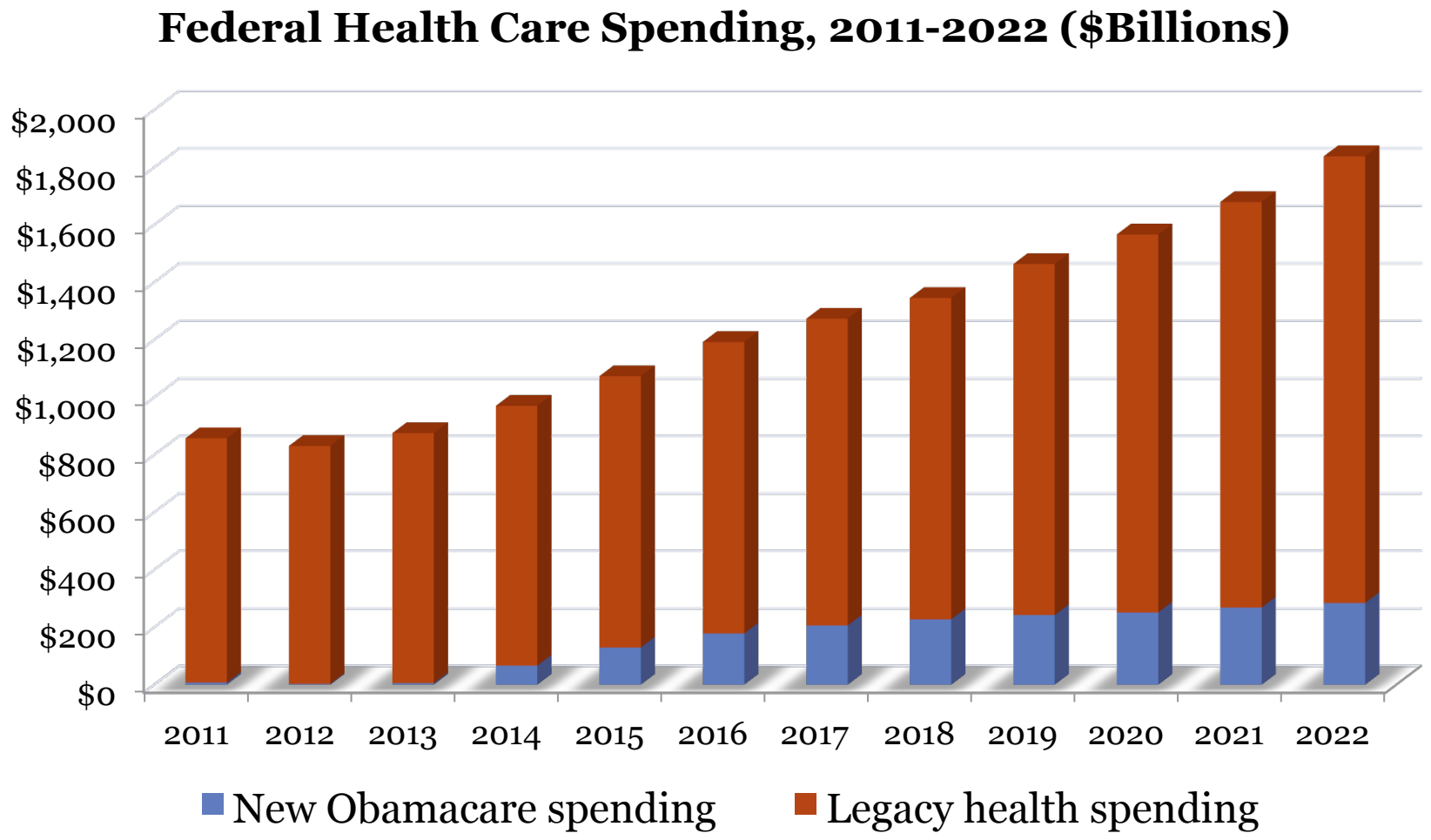
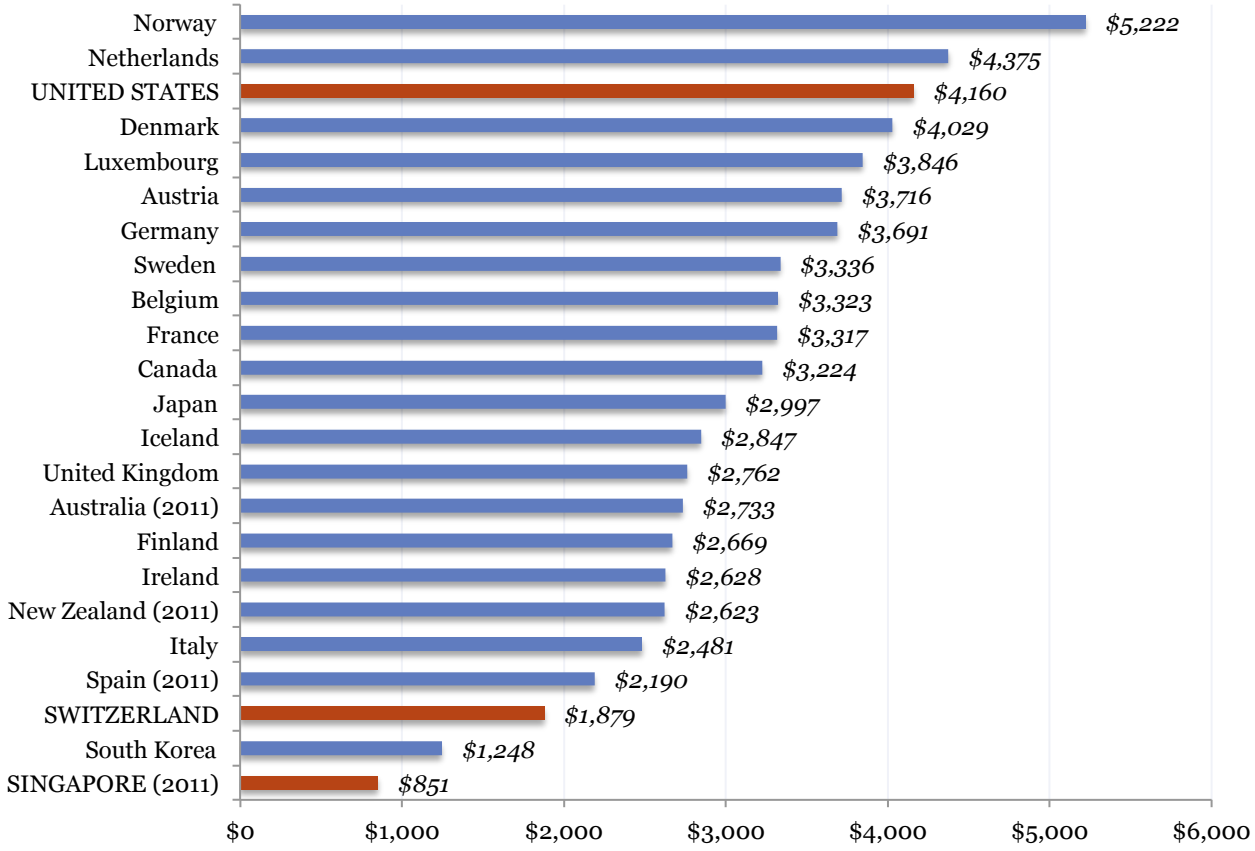


# The Myth of 'Free-Market' U.S. Health Care

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



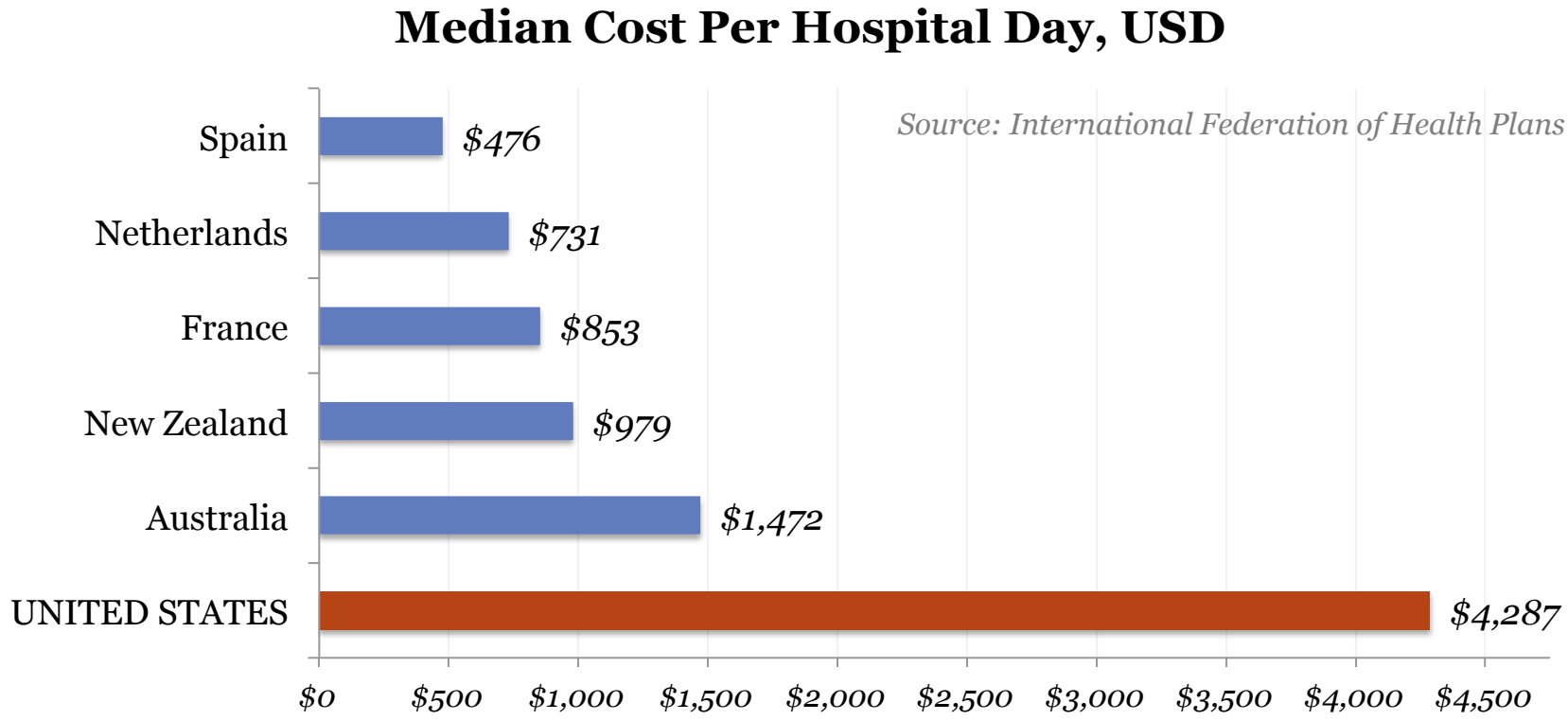

*Source: OECD, WHO*

- 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

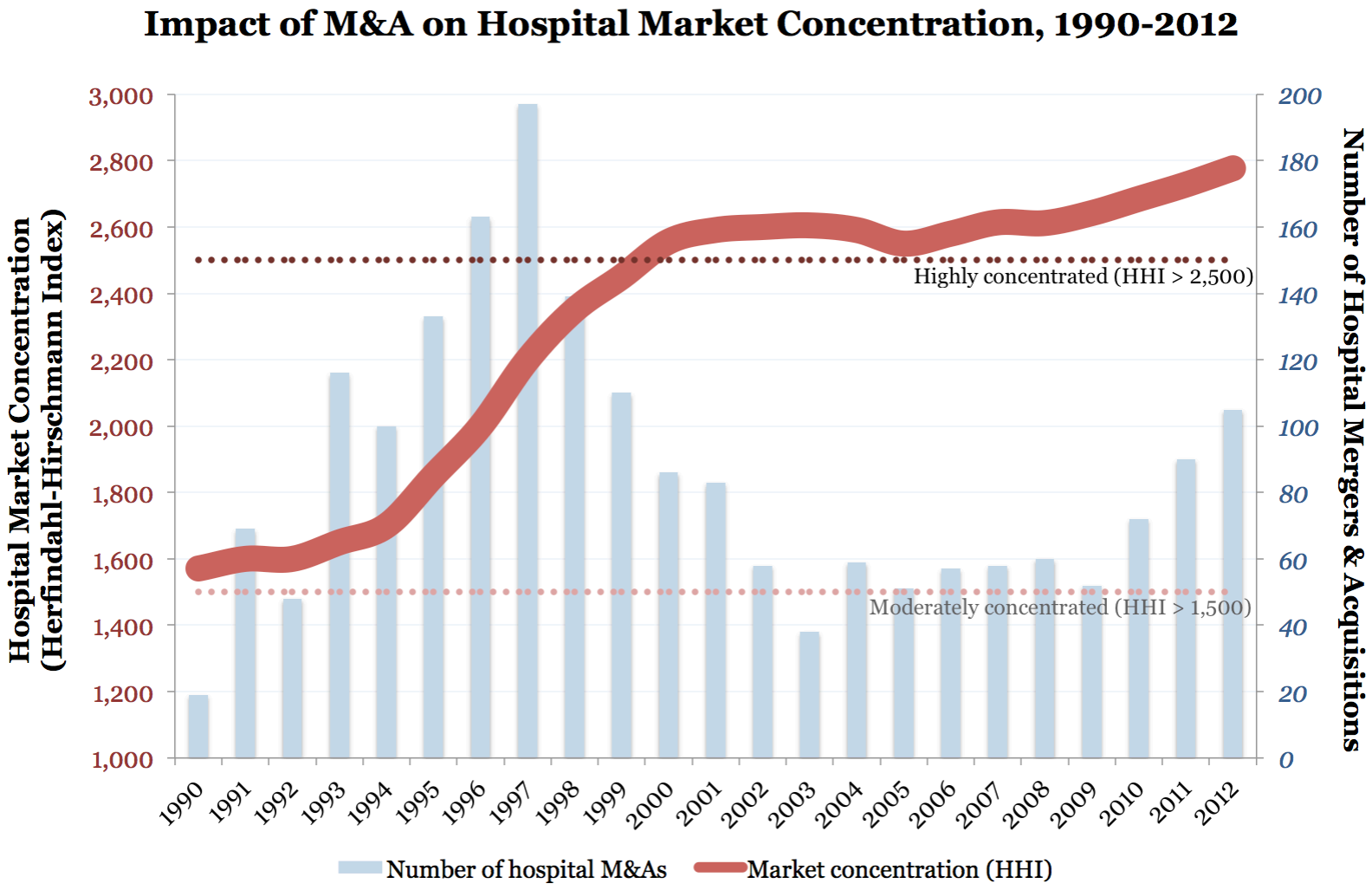
# Problems The ACA Didn't Solve (Or Made Worse)

# It's The Prices, Stupid

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



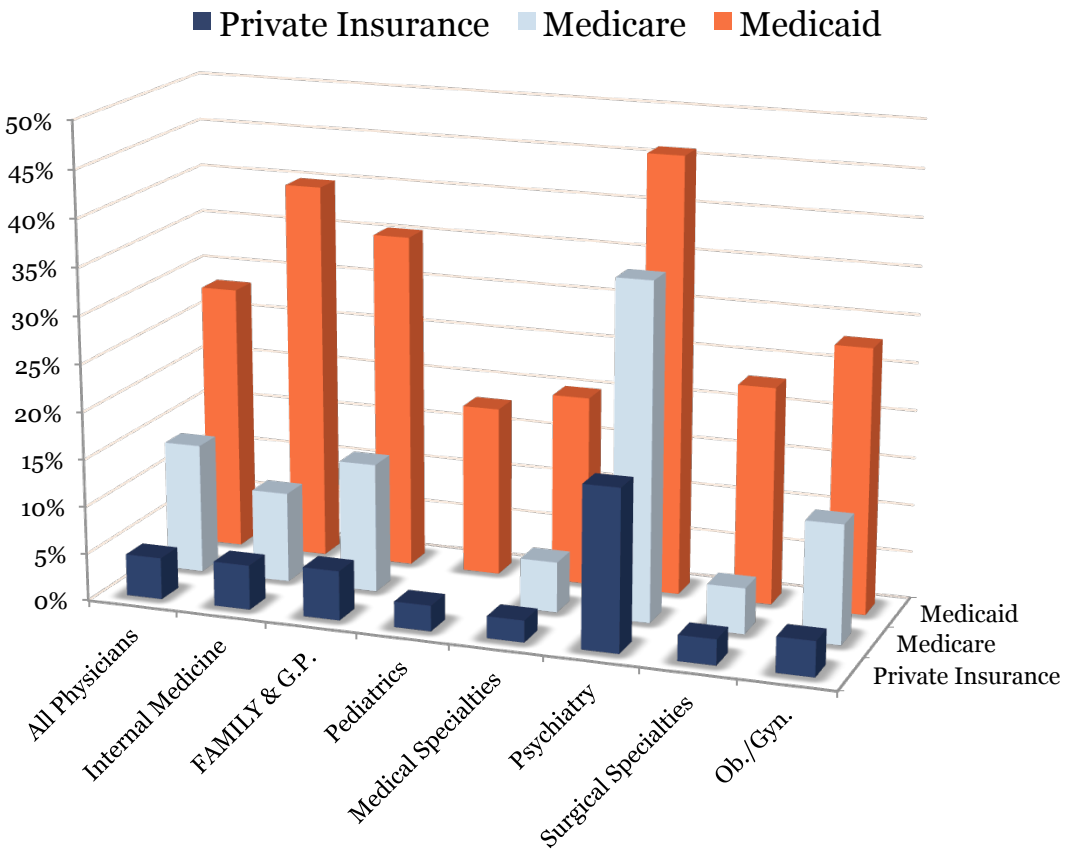
# Hospital Concentration Greatly Increased



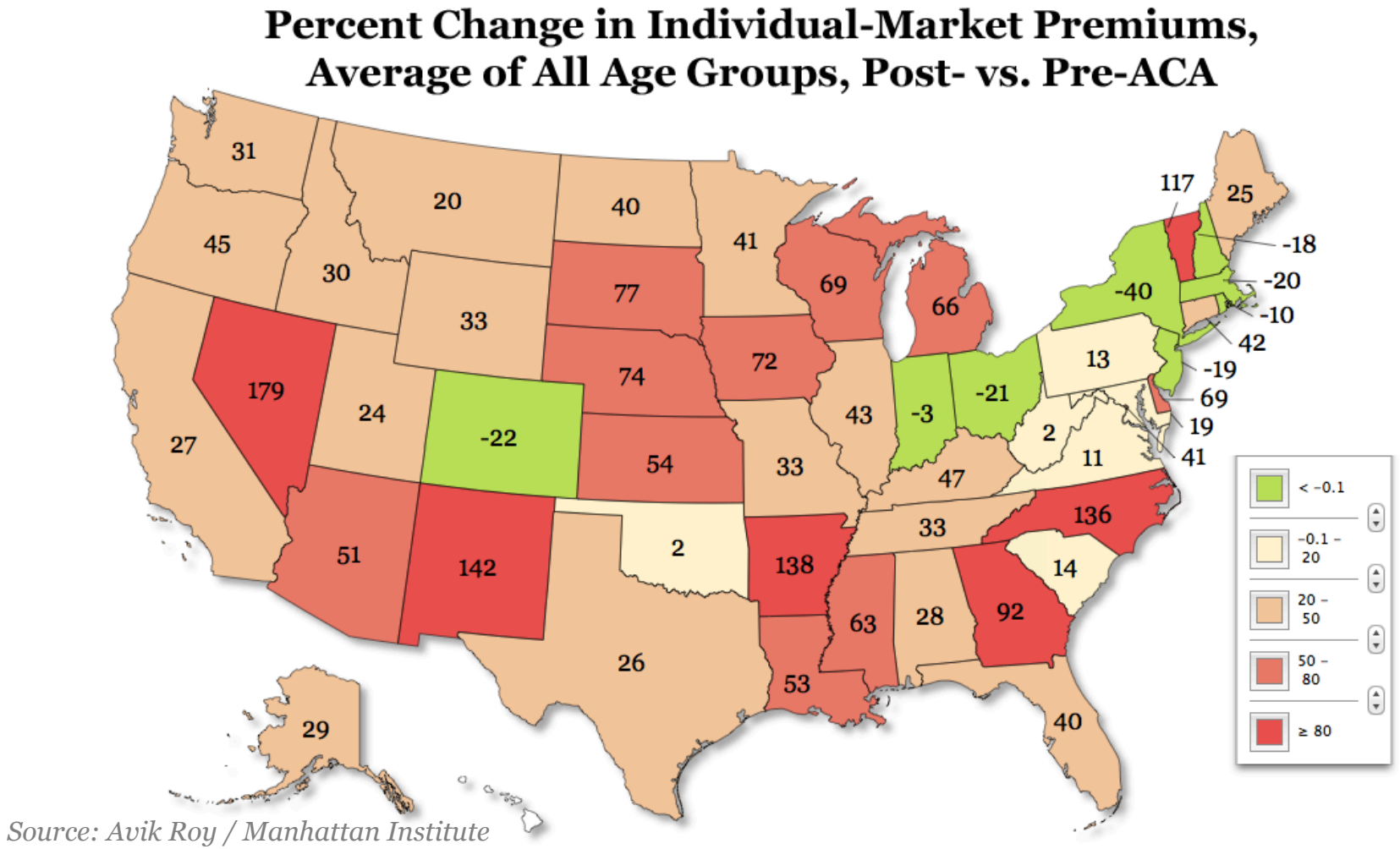
# Health Insurance ≠ Health Care

- 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

**Percentage of Physicians Who Accept No New Patients, by Insurance Status, 2008**



# ACA Exchange Plans: Individual Rates +41%

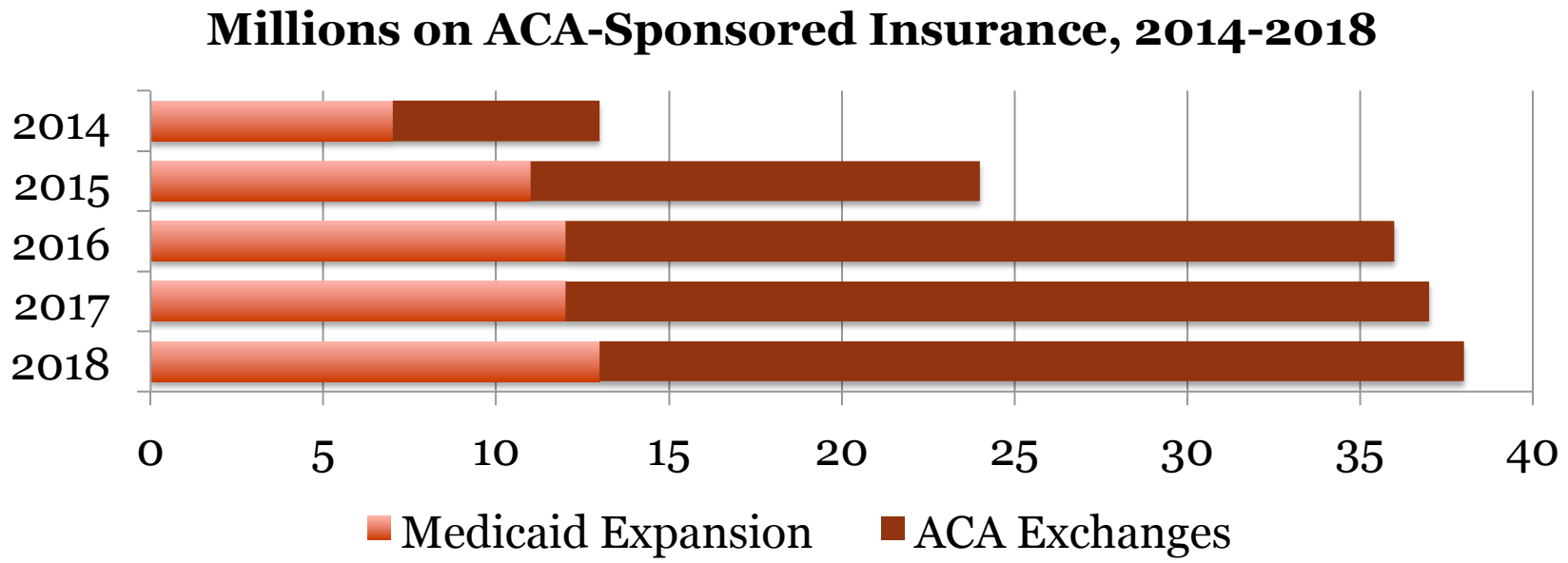



*Source: Avik Roy / Manhattan Institute*

# Is There A Better Way?

# The Difficulties of 'Repeal and Replace'

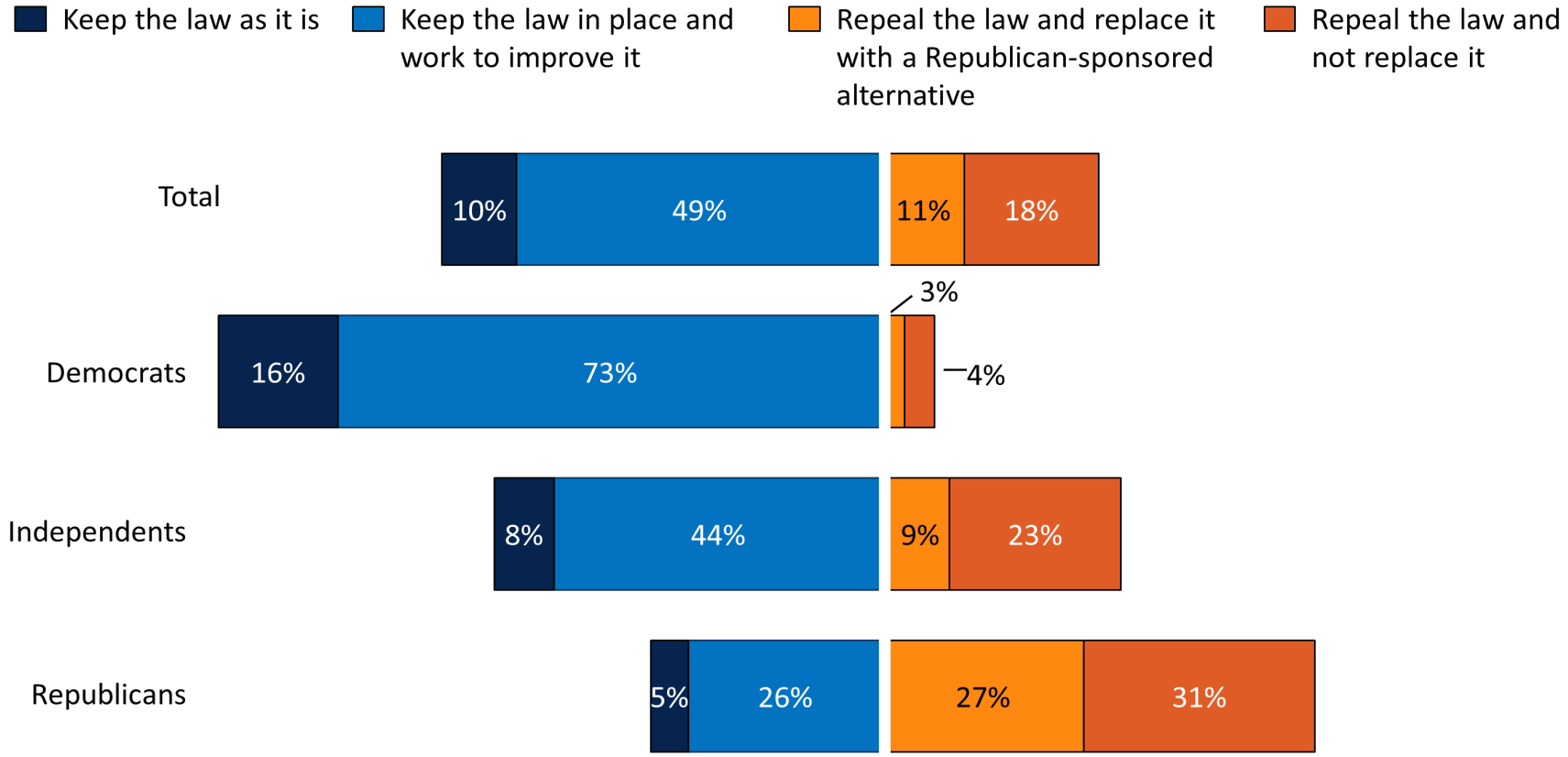
- Highly disruptive to existing insured
  - Caps/cuts employer tax exclusion (155MM in 2016)
  - By 2016, CBO estimates 24 million on ACA exchanges, 12 million covered via Medicaid expansion



# 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?



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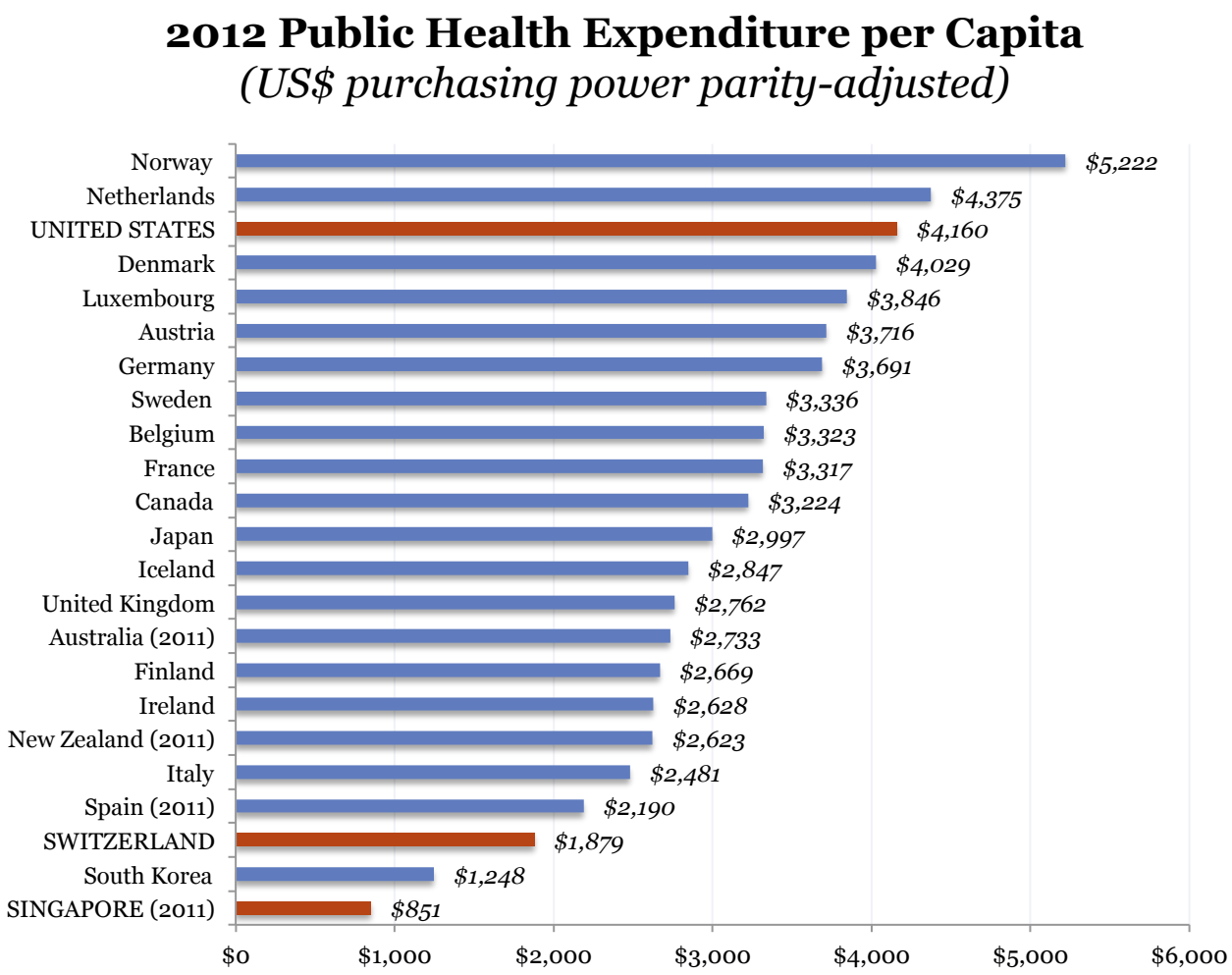


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# The 'Switzapore' Model for Health Reform

- 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

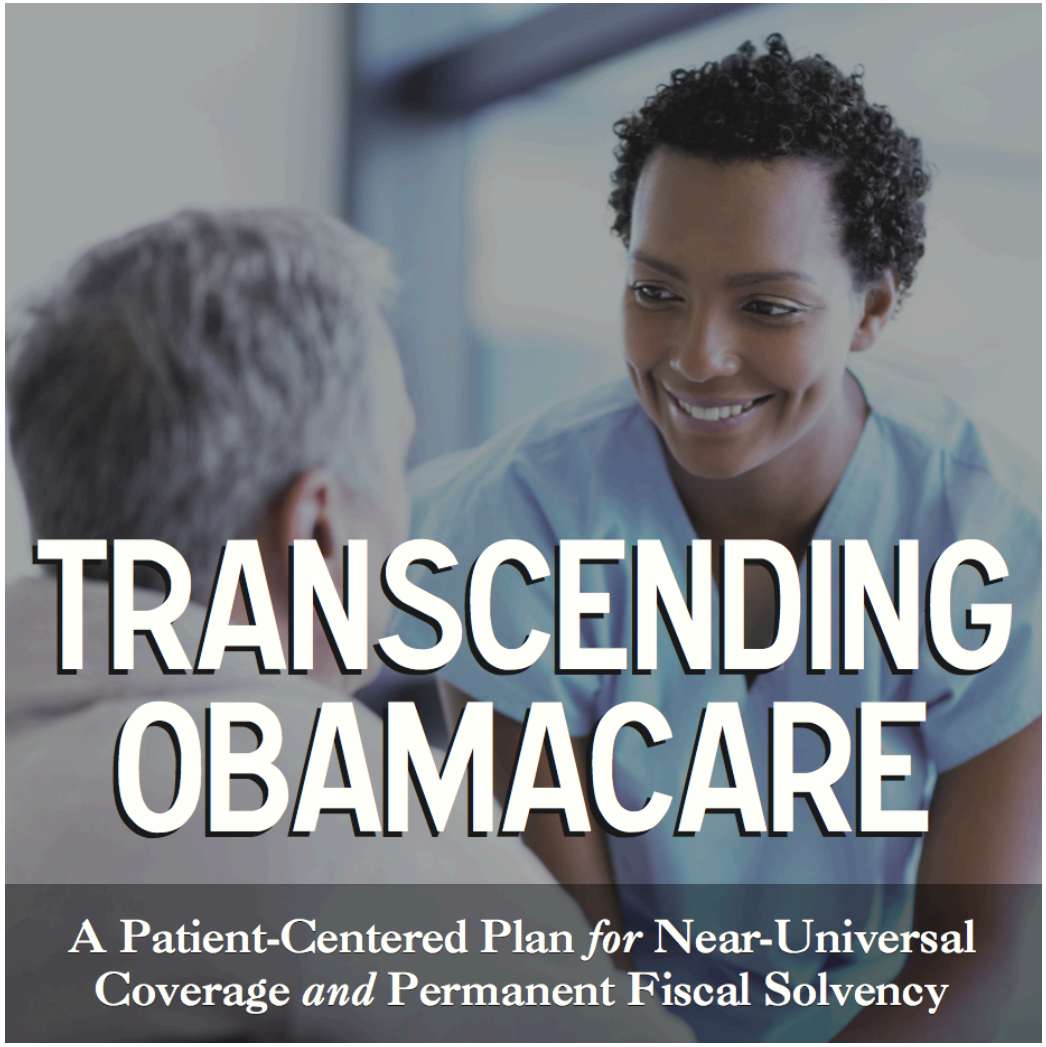
- Migrate Medicaid acute-care population onto reformed ACA exchanges
  - Cost-sharing protections just as with near-poverty population on exchanges
  - HSA deposits can accumulate, increasing *wealth* of low-income population & decreasing moral hazard
  - Potential for substantially improved health outcomes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