Healthcare Reform Update
Agenda

- Status of the Affordable Care Act
- Healthcare Cost Components
- Healthcare Spending
- Looking Forward
- Why This Matters to You
Status of the Affordable Care Act (ACA)
ACA Timeline: the early years

2010
- PPACA legislation enacted March 3, 2010
- Adult child coverage to age 26
- No lifetime dollar limits
- Restricted annual dollar limits
- No pre-existing condition exclusions for children
- First-dollar preventive care coverage

2011

2012
- Report value of health coverage on W-2
- Additional Medicare tax on wages
- $2,500 cap on pretax contributions to health FSAs
- Exchange Notice to employees requirement
- Initial open enrollment in public exchanges

2013
- Summary of Benefits and Coverage (SBC) requirements
- Supreme Court ruling on Health Care Reform constitutionality
ACA Timeline: Coverage Reforms and Mandates

- Individual mandate went into effect
- Public Exchange coverage began
- Premium and cost-sharing subsidies
- Medicaid expansion (not expanded in Texas)
- No pre-existing condition exclusions – all ages

2014

2015

2016

- Employer Mandate: 50+ FTEs
- 1095 B and C reporting began

- Employer Mandate: 100+ FTEs
ACA Timeline: Legislative tug-of-war

2017

- Various Senate and House repeal or replace bills failed to make it to floor for vote or were voted down
- Cost-sharing reduction payments to insurers suspended
- ‘Cadillac Tax’ postponed (again) – to 2022
- Individual Mandate ‘repealed’ via Tax Reform (effective in 2019)

2018

- 20 states including Texas sue federal government over constitutional basis for ACA - Administration won’t defend (dismissed in July)
- Several states crafting own Individual Mandate rules
- Risk adjustment payments to insurers suspended (reinstated next day by CMS)
Current Legislative Focus

- **Market Stabilization**
  Cost Sharing Reduction payments ended in 2017
  Risk Adjustment Payments halted but reinstated
  Individual mandate penalties not enforced after 2018

- **Prescription Drug Costs**
  Administration vows to implement controls
  Medicare not allowed to negotiate drug prices

- **State Waivers** - some states implementing their own:
  Rate stabilization programs
  Individual mandate
  Waivers of ACA plan requirements
ACA Exchange Marketplace 2018

National Enrollment
- 11.8 million enrollees (3.7% decrease from 2017)

Receiving subsidies
- 83% of enrollees

Eligible for CSRs
- 53% of enrollees

Texas Enrollment
- 1,126,838 enrollees (8.2% decrease from 2017)

Receiving subsidies
- 82% of enrollees

Eligible for CSRs
- 55% of enrollees

Average monthly premium: $476 in 2017 / $621 in 2018
Average monthly payment for subsidized participants: $106 in 2017 / $89 in 2018
ACA Support Reached All-Time High in February 2018

Uninsured Rate

Q4 2016: 10.9%
Q4 2017: 12.2%

Public Support

Favorable: 54%
Unfavorable: 42%

Sources: Gallup 12/11/17, Kaiser Health Care Tracking Poll, 3/18
Healthcare Cost Components
Health Care represents a huge sector of the U.S. Economy

1 out of every 9 jobs - nearly 11% of all jobs - are in the healthcare sector
Doctors
Doctors

- Hospital systems buying up private and group practices
- Over 42% of American physicians are hospital system employees, a 63% increase since 2012
Hospitals
Hospitals

- Hospital care represents 6% of the U.S. national economy
- Many consolidations and many small/regional closings – this reduces competition and increases costs
- Monopoly hospital rates on average 12.5% higher than those in markets of 4 or more
Pharmacy
Pharmacy costs represent 9-14% of total healthcare spending, with fastest increase in upward trend

- Pharma lobby spent over $281 million in 2017
- Drug manufacturers spend 2.5X more on advertising and administration than on research and development
A PATIENT CURED IS A CUSTOMER LOST.

BIG PHARMA
At For-Profit Hospitals, Doctors More Likely To Take Pharma Payments

A hospital’s ownership makes a difference in what proportion of its doctors take payments from pharmaceutical and medical device companies.

Percentage of Doctors Taking Payments by Ownership Type

- Investor-Owned (For-Profit): 74.7%
- Nonprofit: 65.5%
- Government (Nonfederal): 61.4%
- Government (Federal): 29%

Dollars for Docs: look up your doctor or hospital at hitps://projects.propublica.org/docdollars/
Administrative and Ancillary Services

Approximately 27% of total healthcare spend
Shareholders

7 of the top 10 companies on the 2018 Fortune 500 list are either part of - or heavily interested/invested in - the health care industry.
Healthcare Spending
Patient Protection and Affordable Care Act

Makes coverage more accessible and generally more affordable, but does not impact the actual cost of health care.

**Patient Protection:**
- Can’t be denied insurance
- No annual or lifetime limits
- Coverage must provide medical and behavioral health screenings
- Coverage to age 26 on parent’s plan
- Employers with over 50 FTEs must offer coverage to workers averaging 30+ hours/week
**Affordable Care:**

- Insurance rated on geographic location rather than individual health status; very limited age/gender variability
- Preventive services, immunizations etc. free to patients
- On public exchange, premium assistance based on income (over 80% of enrollees receive assistance)
- Employer coverage must be ‘affordable’ (<9.5% of employee’s income – applies to employee-only tier)
- Limits on patient out-of-pocket costs
The U.S. spends twice as much on healthcare as a percentage of its economy compared to other developed countries. Totaling $3.3 trillion or 17.9 percent of GDP in 2016.
United States per capita healthcare spending is more than twice the average of other developed countries.

### Healthcare Costs per Capita (Dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>Cost per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>$3,207</td>
</tr>
<tr>
<td>U.K.</td>
<td>$3,971</td>
</tr>
<tr>
<td>Japan</td>
<td>$4,152</td>
</tr>
<tr>
<td>Australia</td>
<td>$4,177</td>
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<tr>
<td>France</td>
<td>$4,367</td>
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<tr>
<td>Canada</td>
<td>$4,506</td>
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<tr>
<td>Sweden</td>
<td>$5,003</td>
</tr>
<tr>
<td>Germany</td>
<td>$5,119</td>
</tr>
<tr>
<td>Switzerland</td>
<td>$6,787</td>
</tr>
<tr>
<td>United States</td>
<td>$9,024</td>
</tr>
<tr>
<td>OECD Average</td>
<td>$3,620</td>
</tr>
</tbody>
</table>

What Are the Primary Drivers of Healthcare Trend?

- Cost Shifting
- Advances in Technology
- Legislative Mandates
- Utilization Increases
- Provider Charges
- Fraud, Waste, Abuse
- Poor Lifestyle Choices
Why is health care spending in the U.S. so much greater than other high-income countries?

Harvard Global Health Institute compared potential drivers of spending in the United States with 10 of the highest-income countries to gain insight into what the U.S. can learn from these nations.

United Kingdom | Canada | Germany | Australia | Japan | Sweden | France | the Netherlands | Switzerland | Denmark

Review includes single-payer systems and competitive private insurance markets
We rely too much on specialty care.

Findings when compared to peer nations

The U.S. landed in the middle of the road when comparing health system function measures.

The study found that 43 percent of U.S. doctors practice primary care medicine, about typical for the group.
The system is wasteful.

Findings when compared to peer nations

The U.S. had similar rates of utilization for:
- Acute myocardial infarction
- Pneumonia
- COPD
- Hip replacements
- Knee replacements
- Coronary Artery bypass surgery
- Hospital beds
MYTH

Too many patients getting unnecessary services

REALITY

Study shows that patients in the United States went to the doctor or hospital less often compared to the group.

Findings when compared to peer nations
Two Areas Where The United States Is Different Than Other Nations

1. The U.S. pays more for medical services, including hospitalization, doctors’ visits and prescription drugs.

2. Our complex system causes us to spend much more on administrative costs.
Where The U.S. Ranks Higher Than Peer Nations In Healthcare Spend

• For **pharmaceutical costs**, spending per capita was $1,443 in the U.S. vs a range of $466 to $939 in other countries.

• **Administrative costs of care** accounted for 8% in the U.S. vs a range of 1% to 3% in the other countries.
Pharmaceutical spending in 2017: over $328 billion for 4.3 billion prescriptions

Projected to be over $520 billion by 2021
Why are drug prices so hard to control?

- The U.S. government has less leverage over how much drug manufacturers are paid
  - Not allowed to negotiate drug prices for Medicare programs (42 million patients)
  - Other countries where health care is less fragmented set what they will pay for a drug based on its’ effectiveness
Drug manufacturer pricing

- Pfizer hiked prices on about 40 drugs as of July 1 – second pricing increase of 2018. Average increase was around 10% but some drugs as high as 20%

- AbbVie, manufacturer of the world’s biggest-selling drug Humira, raised its price in January – a hike worth over $1 billion to the company

- **Lawsuits**: GlaxoSmithKline charged $490M fine in China for paying bribes to doctors and hospitals for promoting its products; AstoZeneca fined $5.5M for similar charges; Novartis currently under investigation for offering doctors fancy meals in exchange for writing scripts for Novartis meds
Why are drug prices so hard to control?

- There’s less regulation along the supply chain.
  - Paying for drugs isn’t a simple matter of what the manufacturer charges. As companies sell their medicines to pharmacies, which in turn bill private or government insurance plans, pharmacy benefit managers (known as PBMs) act as middlemen to negotiate which drugs are covered and how generously.
  - The system is further convoluted by the rebates that drug companies pay to PBMs. Critics charge these rebates incentivize PBMs to favor higher-cost drugs or charge insurers more than they’re charging the pharmacy — and pocketing the difference.
The Pharmacy Supply Chain

https://www.tarbell.org/2018/05/drug-suppliers-are-hiding/
Why are drug prices so hard to control?

- Drug companies use coupons to lower prices for consumers while they raise their medications’ list prices.
  
  • Drug companies are offering coupons to customers to incentivize them to buy brand-name drugs rather than generics. While these coupons lower consumers’ out-of-pocket costs, they ensure their insurance plans pays for more expensive drugs.
  
  • In 2016, 1 out of every 5 brand-name drugs in commercial insurance plans used a co-pay assistance coupon.
2016 Healthcare Spending By Source Of Funds

- Medicare: $672.1 billion
- Medicaid: $565.5 billion
- Private Insurance*: $352.5 billion
- Out of Pocket: $1.1 trillion

* Employer-sponsored and individual health plans
Accounting for Health Care Spending Growth

CMS Data show national health spending grew an average of 4.8% from 2008-15.

**Medicare**
- From 2008-15, spending grew 5.4%.

**Medicaid**
- From 2008-15, spending grew 7.4%.

**Private Health Insurance**
- From 2008-15, spending grew 4.8%.

Projected growth from 2017-26 is 5.6 percent per year.
Distinctive Factors Accounting for Growth in Spending by Payer

Medicare

- Bulk of spending growth due to enrollment increases.
- 61 percent can be traced to the growth in the prevalence of treated disease; diabetes spend growth = nearly 25%
- 4% rise in prevalence of behavioral disorders

Per capita spending growth from 2008-15
Distinctive Factors Accounting for Growth in Spending by Payer

**Medicaid**

- Bulk of spending growth due to enrollment increases, including ACA expansion
- Much of the growth is tied to the rising prevalence of disease
- 2.5% rise in prevalence of behavioral disorders to 19%

Per capita spending growth from 2008-15
Distinctive Factors Accounting for Growth in Spending by Payer

Privatized Insurance

In contrast to Medicare and Medicaid, 85% of the growth in spending per enrollee in private health insurance can be linked to the growth in spending per case treated.

Per capita spending growth from 2008-15
Looking Forward
Trending: Healthcare Industry Mergers

- United Healthcare bought Optum
- Cigna buying Express Scripts
- CVS Caremark buying Aetna

Post-merger, these 3 companies will:

- Insure more than 90 million people
- Process more than 70% of all U.S. prescriptions (over 3.5 billion prescriptions per year)
- Generate more than $500 billion in revenue

- Will Walmart buy Humana??
Trending: Healthcare Industry Mergers and Acquisitions

Occurring in every component sector (doctors, hospitals, PBMs, ancillary providers)

**Industry Consolidation:** For the 12 months ending June 2018, there were 530 announced or closed mergers and acquisitions in US healthcare industry.

In July 2018, the Federal Trade Commission was asked by a Congressional committee to investigate merger activity at the 3 largest PBMs, to determine whether they had actually reduced pharma costs.
Trending: Amazon in the Healthcare Business

- **Amazon**: largest online retailer
- **Berkshire Hathaway**: financier (Warren Buffett)
- **JPMorgan**: largest U.S. bank by assets

The trio announced an alliance in January 2018. They intend to manage health care for their combined 1.2 million employees.
Trending: Amazon in the Healthcare Business

Amazon is:

- Positioning itself to impact the pharmacy supply chain and recently purchased PillPack, an online pharmacy registered to operate in 49 states.

- Working to dominate sales of durable medical equipment and medical supplies.

- Developing the ability to use its existing Alexa technology for telemedicine and in-home health care applications.
Trending: High Deductible Health Plans + HRA / HSA

Last week, the House passed 2 bills that will make Health Savings Accounts (HSAs) more attractive:

• — **H.R. 6199 (115)** would allow people with health savings accounts to count gym memberships, the purchase of certain sports equipment and certain over-the-counter medications as qualified medical expenses. It would also give spouses more opportunities to contribute to their partner's HSA.

• — **H.R. 6311 (115)** would increase the maximum contribution to health savings accounts, allow working seniors to contribute to HSAs and let balances on flexible savings accounts be carried over. It would also further delay the ACA's health insurance tax for another two years.

**HDHP and HSA enrollment reached 21M in 2017, a 9.2% increase from 2016**
TAC HEBP Groups offer an HRA or HSA health plan, and several more are adding one for plan year 2019. Most offer this as a ‘base’ plan and give employees the opportunity to ‘buy up’ to a traditional PPO plan.

<table>
<thead>
<tr>
<th>Control</th>
<th>Funding</th>
<th>2018 Contribution Limits</th>
<th>Health Plan Eligibility</th>
<th>Can Participants Invest Funds?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned by the employer</td>
<td>100% employer funded</td>
<td>Set by the employer (some types of HRAs have limits, while others don’t)</td>
<td>Can be built to work with any health plan</td>
<td>No</td>
</tr>
<tr>
<td>Owned by the employee</td>
<td>Employer and/or employee funded</td>
<td>$3,450 single; $6,850 family</td>
<td>Must be enrolled in a High-Deductible Health Plan</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Telemedicine

Care When and Where You Need It Just Got Easier

Virtual Visits
Convenient health care at your fingertips

Powered by MDLIVE®

Connect: Computer, smartphone, tablet or telephone

Interact: Real-time consultation with a board-certified doctor or therapist

Diagnose: Prescriptions sent electronically to a pharmacy of your choice (when appropriate)

Average Cost for Telemed Visit: $38
Average Cost for PCP Office Visit: $114
Average Cost for Urgent Care: $168
Average Cost for Emergency Rm: $2,200
Airrosti for Musculoskeletal Issues & Reducing Injury
now available at office visit copay (except HSA plans)

Medical

Non-Traditional

Soft Tissue
Weight Loss
Posture
Root Causes

Drugs
Surgery
MEASURING PATIENT OUTCOMES

504,468 PATIENT CASES

3.2 AVERAGE NUMBER OF VISITS

10,536 PHYSICIAN RECOMMENDED SURGERIES AVOIDED

88.6% REPORT FULL RECOVERY

99.6% OF PATIENTS WOULD RECOMMEND AIRROSTI TO FRIENDS & FAMILY

38% of all cases found Airrosti after seeking unsuccessful care first, including:

- 63% Received Imaging
- 54% Referred To A Specialist
- 56% Received Prior PT or Chiro Care

RESOURCES AND SOLUTIONS FOR COUNTIES
VARIOUS LOCATIONS | FALL 2018
Why this matters to you....
The fundamental truth about health coverage: somebody has to pay for the claims.
National Large Employer Health Coverage Costs

2000-2017: + 177%
2005-2010: + 34%
2010-2015: + 36%
Incomes Aren’t Keeping up with Employees’ Health Plan Costs

More than half the U.S. population under age 65 had health insurance through their own job or a family member’s job last year.

While growth in premiums and deductibles for job-based insurance has slowed since the Affordable Care Act’s enactment in 2010, workers’ wages have not kept pace, despite a recent surge.

Premium contributions and deductibles as a percent of U.S. median income

This means that employees are spending a growing share of their income on health insurance costs.

* insurance cost data are not available for 2007 because of changes in the Medical Expenditure Panel Survey. This graphic assumes linear cost growth between 2006 and 2008.

Cost Drivers You Cannot Control

**Demographics:** On average, TAC Pool members are older than the general population. Healthcare costs generally increase with age.

**Area:** Fewer providers in rural areas, making it more difficult to negotiate healthcare pricing.
Curbing costs

The most effective tactics employers are using to control healthcare expenses

- Pharma management
- Well-being initiatives
- Increased employee cost sharing
- Disease management

Source: NBGH
Problem: Health care costs have a direct relationship to health plan costs and Health plan costs have a direct relationship to your budget

**Solution:** It doesn’t matter how much something costs if you don’t have to buy it.
Percent of Chronic Diseases Caused by Lifestyle

- Cancers: 71%
- Stroke: 70%
- Heart Disease: 82%
- Diabetes (Adult Onset): 91%

Source: Robert Wood Johnson Foundation
Annual Cost Savings for Well Managed Conditions

- **Asthma**: $704
- **Diabetes**: $1,013
- **CAD**: $3,229
- **COPD**: $3,237
- **CHF**: $6,403
- **3 Conditions**: $10,108
- **4 Conditions**: $17,019
- **5 or More Conditions**: $18,888

Savings for Well Managed Conditions
Leaders Can Drive Change & Engagement

- Help your employees understand the physical, mental and financial costs of their healthcare – tools are available
- Support Fitness/Wellness in your county

- Invite your Wellness Consultant to trainings
- Fitness & Testing Program for Law Enforcement
- Set up a County-specific wellness incentive that rewards completion
Change the Narrative...

*From*...
My doctor is responsible for my health

*To*...
My choices have a huge impact on my Health!
"You have a rare condition called 'good health'. Frankly, I'm not sure how to treat it."
Thank you!

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http://www.county.org/pool-and-risk-services/group-health

“The handle on your recliner does not qualify as an exercise machine.”