Health Care Costs
Key Federal and State Strategies

April 5, 2019

Sponsored by a generous grant from the Peter G. Peterson Foundation
U.S. Debt is On An Unsustainable Path

1790-2048

Percentage of GDP

Source: CBO Long-Term Budget Outlook, June 2018
The Sources of Growth in Federal Spending

CHANGE IN OUTLAWS AS A PERCENTAGE OF GDP, 2018-2048

Growth as Percentage of GDP

- Medicaid, CHIP, & Exchange Subsidies
- Social Security
- Medicare
- Interest
- All Other

Source: CBO Long-Term Budget Outlook, June 2018
Composition of Federal Spending on Health Care

- Veterans Medical Care: $70
- Tax Break for Employer-Provided Ins: $272
- ACA Subsidies: $55
- Medicaid & Medicare (Under 65): $378
- Defense Health Program: $51
- Medicare & Medicaid (65+): $604

Source: CBO 2018, OMB Feb 2018, and Concord Analysis
Aging and Cost Inflation Drive Growth in Major Health Care Programs

Source: CBO Long-Term Budget Outlook, June 2018
Annual Cash Transfers from General Revenue to Key Entitlement Programs

Source: Social Security and Medicare Trustees Reports, June 2018
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April 5, 2019
Federal health spending: Policy and politics

Health Care Costs: Key Federal and State Strategies
University of New Hampshire School of Law
April 5, 2019

Joseph R. Antos, Ph.D.
Wilson H. Taylor Scholar in Health Care and Retirement Policy
American Enterprise Institute
Health dominates federal budget

Health programs are 29% of federal outlays ($1.25 T out of $4.7 T)
Medicare is big and growing

Major Health Programs, 2019 and 2029

- Medicare +105%
- ACA subsidies +43%
- Medicaid +73%
- CHIP +6%

$1.25 trillion

$2.38 trillion
Major budget proposals

2019 President’s Budget

<table>
<thead>
<tr>
<th>Selected Proposals</th>
<th>Savings (10 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACA repeal/replace (Graham-Cassidy, block grant)</td>
<td>-$658 B</td>
</tr>
<tr>
<td>Medicaid: work req, co-pays, asset test</td>
<td>-143 B</td>
</tr>
<tr>
<td>Medicaid: fraud/waste (DSH, personal care payments)</td>
<td>-39 B</td>
</tr>
<tr>
<td>Medicare: Part D catastrophic cap, exclude discounts in gap</td>
<td>-66 B</td>
</tr>
<tr>
<td>Medicare: fraud/waste (GME, bad debt, site of service)</td>
<td>-456 B</td>
</tr>
</tbody>
</table>

- Most proposals in President’s budget require legislation
- Medicare proposed savings less than a 10% reduction from baseline
- Widely publicized proposals are NOT legislative, would be implemented through regulation or demonstration projects
- Other prominent proposals still in development, not in budget: IPI, drug rebate policy
Bipartisan* proposals to slow spending

• Improve incentives for cost-effective private insurance
  – Limit tax exclusion of employer-sponsored insurance
  – Ensure effective anti-trust enforcement
  – Encourage development of all-payer claims databases

• State reforms
  – Repeal any willing provider, certificate of need laws
  – Surprise billing reform

• Medicare reforms
  – Expand site-neutral payments
  – Balance incentives in Medicare Physician Fee Schedule
  – Reform Medigap cost sharing and Medicare benefit design
  – More...

*AEI-Brookings response to Senate HELP Committee, 3/1/19
Bipartisan* proposals to slow spending

• Medicare reforms, continued
  – Reform protected classes in Medicare Part D
  – Revise Medicare Part D reinsurance
  – Remove incentive to prescribe higher cost drugs in Medicare Part B
  – Reform low-income subsidy under Part D to encourage greater use of generic drugs
  – Expand use of bundled payments
  – Improve the choice environment for Medicare enrollees

• Promote competition in the pharmaceutical market
  – Restrict REMS abuse (delays generic competition)
  – Restrict use of the orphan drug designation
  – Reform 340B program

*AEI-Brookings response to Senate HELP Committee, 3/1/19
Drug pricing proposals

• Proposals in active development
  – Rebates directly to consumer
  – International price index
  – Binding arbitration
  – Drug importation

• Proposals that should be taken seriously
  – Restructure Part D
  – Rebalance patent and market exclusivity rules
What can we expect?

• Many Ds agree with many Trump Rx pricing proposals
• Many Rs do not agree
• Bipartisan legislation gives Ds the first step in regulating drug prices
• Bipartisan legislation means Trump takes credit
• Regulatory changes and demonstration projects will drive policy, not legislation
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HEALTH CARE COSTS TODAY: KEY FEDERAL AND STATE STRATEGIES

UNH HEALTH LAW AND POLICY PROGRAMS AND THE CONCORD COALITION

APRIL 5, 2019

PRESENTED BY TRISH RILEY
EXECUTIVE DIRECTOR
NATIONAL ACADEMY FOR STATE HEALTH POLICY
TRILEY@NASHP.ORG
The State Imperative
Balanced Budgets & Consumer Protection

How to lower costs?

- Subsidize
- Cut
  - Benefits
  - Enrollees
  - Reimbursement
- Address Underlying Cost Drivers
Health care consolidation trends

**Exhibit 2**

Percentages of Metropolitan Statistical Areas (MSAs) whose Herfindahl-Hirschman Index (HHI) was above 2,500 for hospitals, physician organizations, and health insurers, 2010–16

- **Hospitals**
- **Specialist physicians**
- **Insurers**
- **Primary care physicians**

<table>
<thead>
<tr>
<th>Year</th>
<th>Hospitals</th>
<th>Specialist physicians</th>
<th>Insurers</th>
<th>Primary care physicians</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
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<td>2011</td>
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<tr>
<td>2016</td>
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</tbody>
</table>

% of markets that are highly concentrated:

- 65% of specialty physician markets
- 57% of insurer markets
- 39% of primary care markets

State Action / Tools

- CON

- Payment and Delivery Reform: ACO’s, CCO’s etc.

- Surprise Billing – 22 state laws

- APCD’s
How Are States Approaching Rx Costs?

2019 Session: 158 Bills Filed in 36 states

- PBMs – 72 bills (20 states’ laws)
- Transparency – 27 bills (7 states’ laws)
- Importation – 22 bills (CO, CT, FL, IL, IN, MN, MO, NM, OK, OR, UT, WV, WY) (VT Law)
- Price Gouging – 4 bills (IN, NJ, VA) (MD Law)
- Rate Setting – 11 bills (CT, IL, MA, MD, MN, MO, NJ, OR)
- Study – 2 bills (IN, NH)
- Coupons – 6 bills (ID, KY, NH, NJ, RI, WV)
- Volume Purchasing – 3 bills (CT, NV, OR)
- Other – 11 bills

*as of 2/20/2019
States as Purchasers

- Maryland All Payer Rate-Setting
- Reference Pricing- MT, NC, CT
- Multi Agency- Multi State
- Growth Caps / Total Cost of Care
  - Vermont Green Mountain Care Board
  - MA Health Policy Commission
  - OR, DE, RI
- Public Option - WA
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Sponsored by a generous grant from the Peter G. Peterson Foundation
Meeting America’s Health Challenges: Where Are We Now?

Prof. John E. McDonough
Harvard T.H. Chan School of Public Health
April 5 2019
Prelude: Where Are Right Now—April 2019?

• 2017 legislative “Repeal and Replace” plans are dead—and not forgotten

• Democrats are devising a new agenda—short and longer term:
  • Sustaining/strengthening ACA, mostly private insurance Marketplaces/Exchanges
  • Searching for common ground with Republicans on drug prices and more
  • Starting 2020 conversation, especially on “Medicare for All/America/More”

• Trump Administration undermining core ACA protections
  • Actions on Association Health Plans and Short Term Plans are seeking to re-introduce medical underwriting and pre-existing condition exclusions in many states
  • Medicaid work requirements in states are causing coverage losses (18K in Arkansas)

• Republican AG’s federal lawsuit from Texas to repeal ACA may reach U.S Supreme Court – during 2020 presidential campaigns


• Number of uninsured adults has risen by 7 million since 2017 (Gallup)

• On value-based care, growing debate over readmissions, ACOs, EHRs
Alternative Pathways for the Nation

• Back to the Future –
  • Reintroduce medical underwriting/pre-ex; low-cost junk insurance,
  • Work requirements reduce Medicaid enrollment; state-initiated block grants

• Building and improving the ACA
  • Premium affordability: 138-400% fpl and >400% fpl
  • Restoring cost sharing reductions
  • Broader use of reinsurance

• Start all over again
  • Single payer/Medicare for All
Post-Election Tracking Poll Finds Slight Uptick in ACA Favorability, Largely Driven By Democrats

As you may know a health reform bill was signed into law in 2010, known commonly as the Affordable Care Act or Obamacare. Given what you know about the health reform law, do you have a generally favorable or generally unfavorable opinion of it?

![Graph showing favorable, unfavorable, and don't know/refused responses over time.](image-url)

SOURCE: KFF Health Tracking Polls
American exceptionalism

Difference between average American life expectancy, and OECD average life expectancy, 1960 - 2015

Source: OECD, U.S. Census Bureau
The stunning rise of obesity in America

MEN

- Overweight men
- Obese men
- Extremely obese men

WOMEN

- Overweight women
- Obese women
- Extremely obese women

SOURCE: CDC
Obesity rates
As % of total adult population (aged 15 years and over), 2016 or latest year

United States: 40.0
Chile: 34.4
Mexico: 33.3
New Zealand: 32.2
Hungary: 30.0
Turkey: 28.8
Portugal: 28.7
Canada: 28.1
Australia: 27.9
Finland: 26.8
United Kingdom: 26.2
Germany: 23.6
Latvia: 23.2
Ireland: 23.0
Luxembourg: 22.6
Slovenia*: 19.2
Estonia*: 19.2
Iceland*: 19.0
Israel: 18.8
Czech Republic: 18.7
Belgium: 18.6
Greece*: 17.0
France: 17.0
Denmark*: 16.8
Spain*: 16.7
Poland*: 16.7
Lithuania*: 16.6
Slovak Republic*: 16.3
Austria*: 14.7
Netherlands*: 13.6
Sweden*: 13.0
Norway: 12.0
Switzerland*: 10.3
Italy*: 9.8
Korea: 5.5
Japan: 4.2

Note: * means that self-reported height and weight data are used in these countries, while measured data in other countries.
www.oecd.org/health/obesity-update.htm
America’s Health Rankings, 2018: New Hampshire

<table>
<thead>
<tr>
<th>Category</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall, 50 states</td>
<td>6&lt;sup&gt;th&lt;/sup&gt; best</td>
</tr>
<tr>
<td>Infant Mortality</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; best</td>
</tr>
<tr>
<td>Immunizations</td>
<td>4&lt;sup&gt;th&lt;/sup&gt; best</td>
</tr>
<tr>
<td>Adult Obesity (28%)</td>
<td>13&lt;sup&gt;th&lt;/sup&gt; best</td>
</tr>
<tr>
<td>Excessive Drinking</td>
<td>10&lt;sup&gt;th&lt;/sup&gt; worst</td>
</tr>
<tr>
<td>Drug Deaths</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt; worst</td>
</tr>
</tbody>
</table>

https://www.americashealthrankings.org/explore/annual/measure/Overall/state/NH
## Social Determinants of Health

### Economic Stability
- Employment
- Income
- Expenses
- Debt
- Medical bills
- Support

### Neighborhood and Physical Environment
- Housing
- Transportation
- Safety
- Parks
- Playgrounds
- Walkability

### Education
- Literacy
- Language
- Early childhood education
- Vocational training
- Higher education

### Food
- Hunger
- Access to healthy options

### Community and Social Context
- Social integration
- Support systems
- Community engagement
- Discrimination

### Health Care System
- Health coverage
- Provider availability
- Provider linguistic and cultural competency
- Quality of care

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**Health Outcomes**
- Mortality
- Morbidity
- Life Expectancy
- Health Care Expenditures
- Health Status
- Functional Limitations
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