



# What's Next: How the 2016 Election Will Impact Healthcare

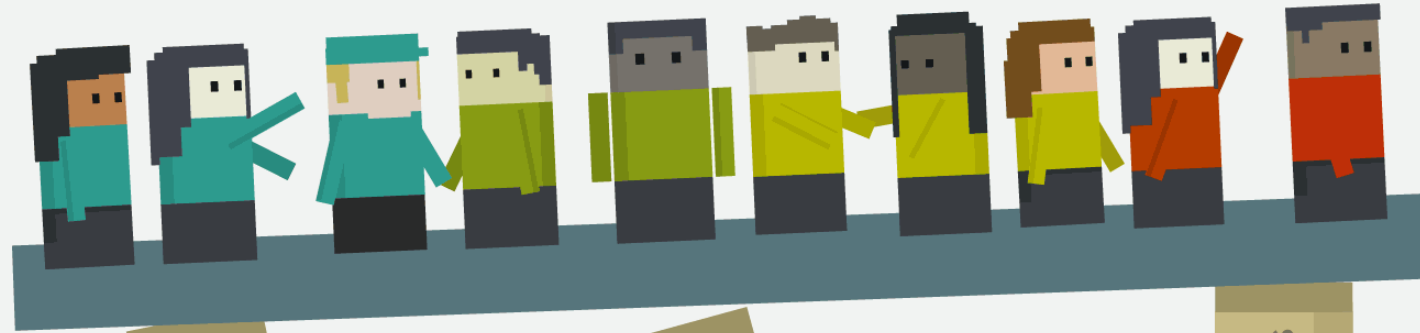
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HOSPITAL ASSOCIATION OF RHODE ISLAND

JANUARY 5, 2017



**Will the Affordable  
Care Act be Repealed?**



*I'm getting rid of these two. But that last one stays!*



# Repeal or Not Repeal?

- ▶ ACA – Repeal?
- ▶ Replacement with elements not favorable (e.g.. raise taxes)
  - ▶ Want to repeal?
- ▶ Political issue in 2020 similar to this election
- ▶ Compare to race with Clinton, Trump, Independent
- ▶ Future
  - ▶ Democrats need to rebuild – “older bench”
    - ▶ Leadership remaining the same
  - ▶ Republicans – “younger bench”
    - ▶ They now own ACA

# Reconciliation

*Since the ACA passage, several Republicans proposed using reconciliation to repeal major parts*

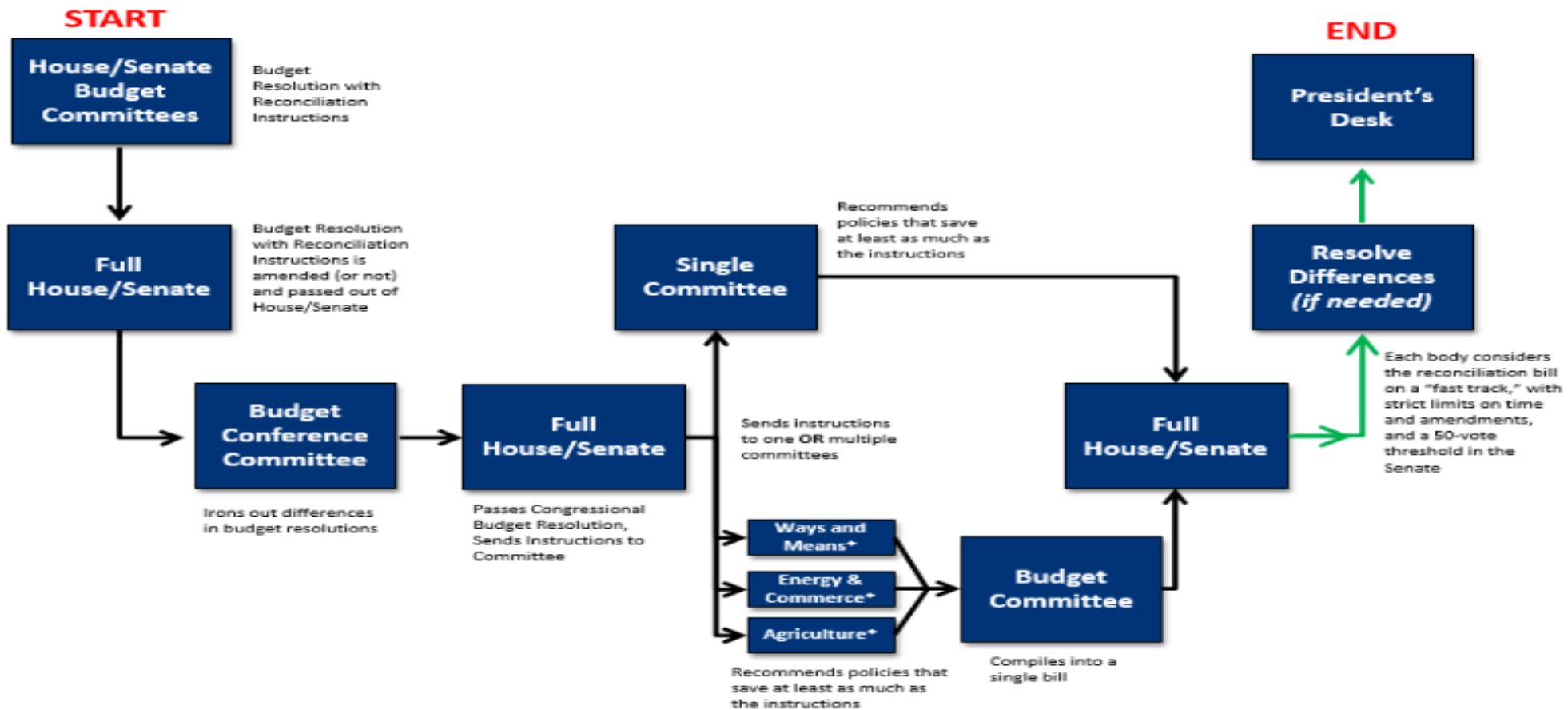
## What is reconciliation?

- A budget process that allows Congress to use a simple majority to pass a bill
  - Budget resolution to reconcile

Democrats used this process to pass the Affordable Care Act in 2010

In order to repeal the ACA, the reconciliation must be budgetary in nature

# Reconciliation



# Strategies

## Repeal and Replace

- Replacement needs 60 votes and Democrat support
- Must be a simultaneous action
  - Empowering Patients First Act – Rep. Price
  - A Better Way – Speaker Ryan

## Repeal and Not Replace

- Incrementally replacing ACA within 3 years of repealing – Target 2020
- Proposed challenges
  - Preserving coverage
    - (Pre-existing conditions, children under 26, subsidies)
  - Restoring provider payment cuts
- Coverage “cliff”

\*Governors may be active in the rewrite\*

# Repeal of ACA with No Replacement

The American Hospital Association and The Federation of American Hospital released a report on the impact of potential ACA repeal on hospital and health systems (December 6, 2016)

- Repealing the ACA as laid out in H.R. 3762, between 2018 and 2026:
  - Would increase the number of uninsured by 22 million people by 2026 resulting in a projected 50 million (from 28 million) with repeal
  - The loss of coverage would have a net impact on hospitals of \$165.8 billion with the restoration of Medicaid DSH reductions
  - Full restoration of Medicare and Medicaid Disproportionate Share Hospital (DSH) payment reductions embedded in ACA would amount to \$102.9 billion.
    - If not restored in a repeal bill, hospitals would have to absorb the cost of uncompensated care associated with these newly uninsured individuals who need and receive hospital care
  - The ACA Medicare reductions are maintained and hospitals will suffer additional losses of \$289.5 billion from reductions in their inflation updates

This would create an devastating public health crisis because individuals would no longer be able to follow their prescribed regimen of care



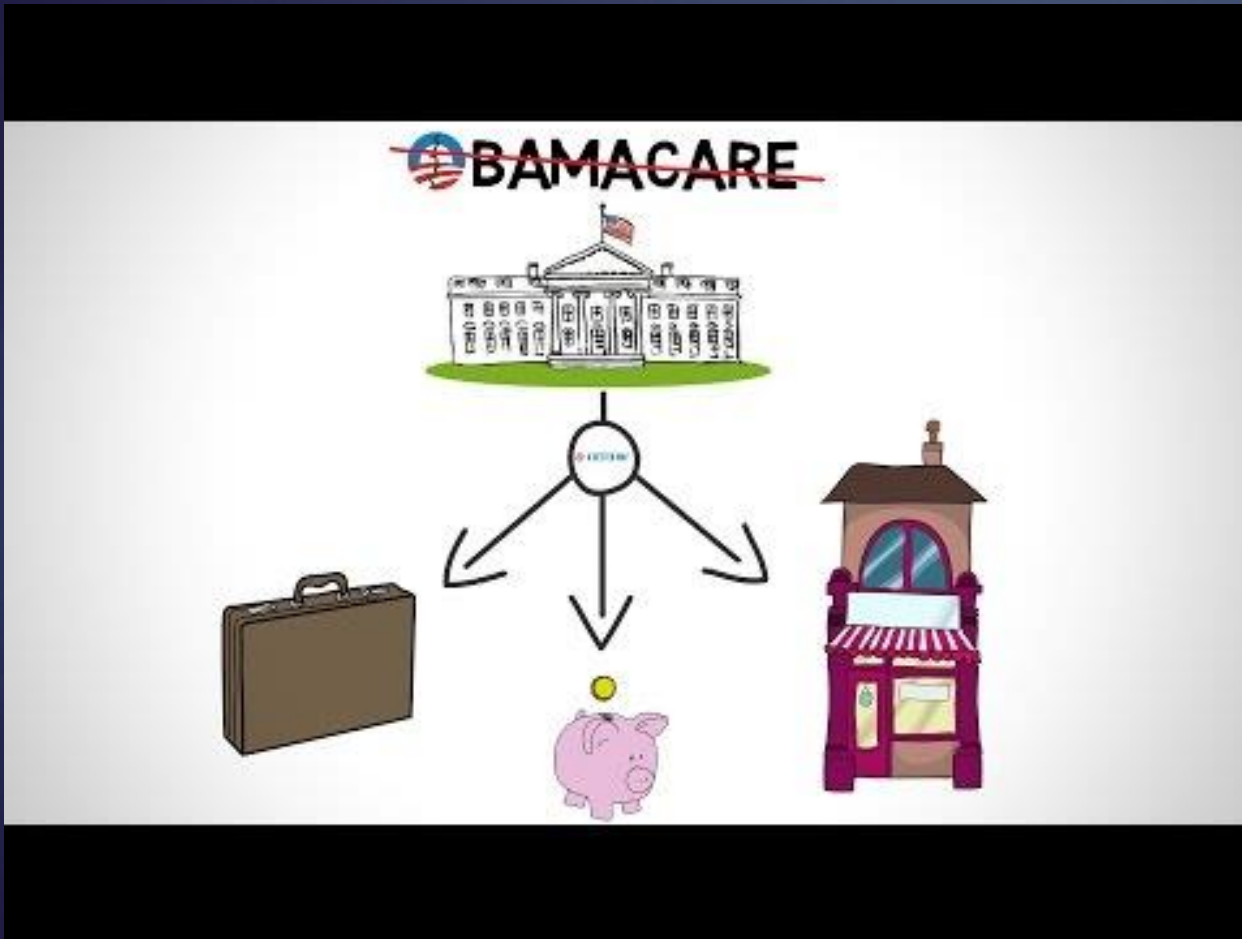
# Replacement of ACA

## Empowering Patients First Act

- Offers age-adjusted tax credits for the purchase of individual
- Family health insurance policies
- Incentives for health savings accounts
- Grants to states for “high-risk populations”
- Allow insurers licensed in one state to sell policies to residents of others
- Authorize business and professions groups to provide coverage to members through “association health plans”
- Eliminating planned parenthoods preventive health services

# Replacement of ACA

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## A Better Way

- Tax credits to help people buy individual insurance
- Bar insurers from denying coverage to customers based on pre-existing health conditions
- Eliminating individual mandate
- Encourage opting for high-deductible health plans



‘On day one of the Trump Administration, we will ask Congress to immediately deliver a full repeal of Obamacare.’

– *Healthcare Reform page, donaldjtrump.com*

# Likely to Stay/Go for ACA

Stay	Go
Tax credits/Cadillac tax	Individual mandate
Denial of individuals based on pre-existing health conditions	Employer mandate
Opting for high deductible health plans	Planned Parenthood preventive health services
Health savings accounts	Medicaid expansion (State Block Grants)
CMMI	Waiver provisions (DSRIP)
Delivery/Payment/Quality reform	Federal exchanges



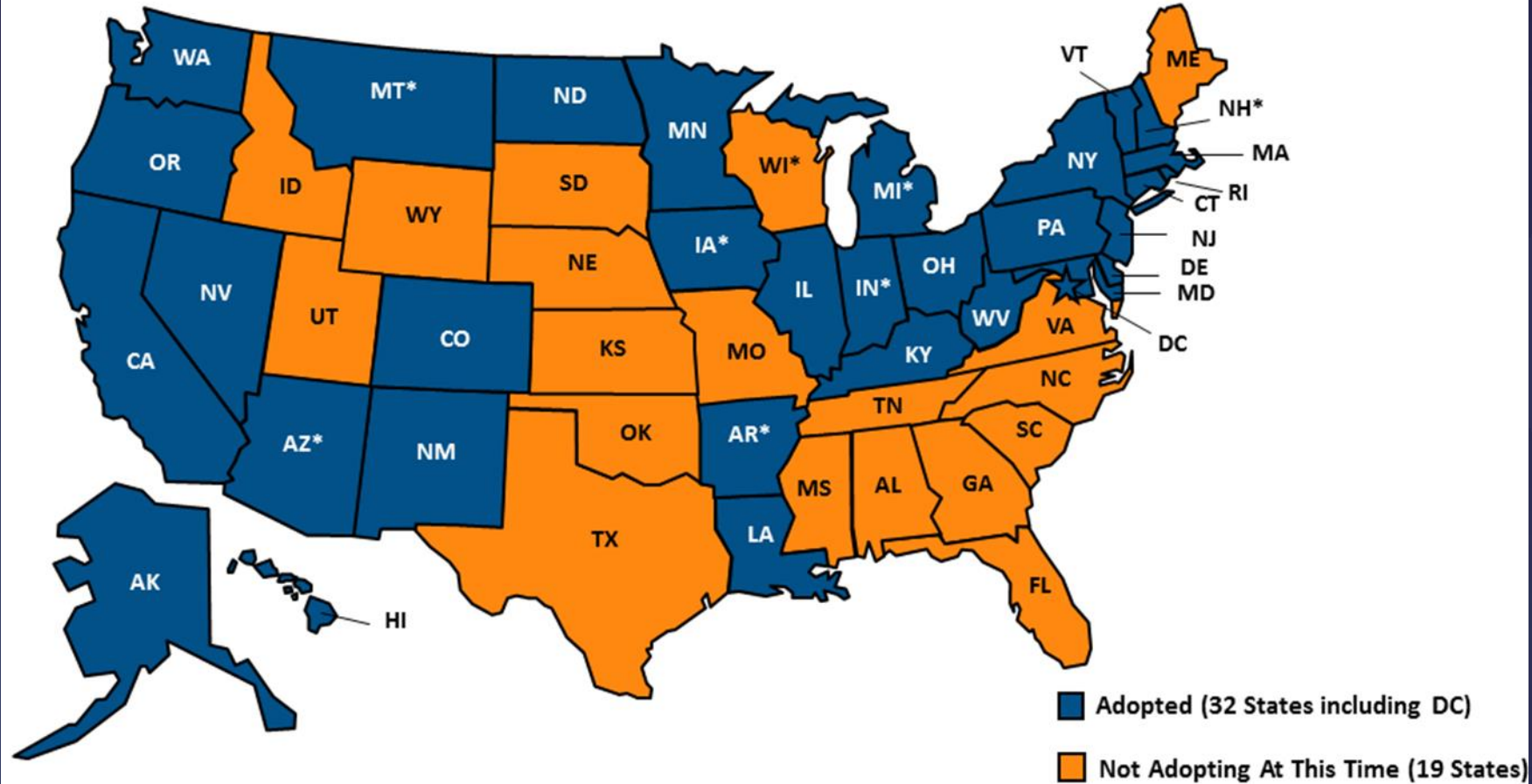
# What Changes are Expected for Medicaid?

# Medicaid Expansion

## Affordable Care Act

- Expanded Medicaid eligibility to nearly all non-elderly adults with income at or below 138% of the FPL (about \$16,396 per year in 2016)
- Provided 100% federal funding through 2016, declining gradually to 90% in 2020 and beyond
- Also required states to implement major transformation to modernize and streamline eligibility and enrollment processes and systems
- An array of new opportunities related to delivery systems reforms for complex populations

## Current Status of State Medicaid Expansion Decisions



NOTES: Current status for each state is based on KCMU tracking and analysis of state executive activity. \*AR, AZ, IA, IN, MI, MT, and NH have approved Section 1115 waivers. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.

SOURCE: "Status of State Action on the Medicaid Expansion Decision," KFF State Health Facts, updated October 14, 2016.

<http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>

# Changes to Medicaid

- Block grants or Per Capita Caps
  - Would fundamentally alter the program (“size of the pie”)
    - Baseline – coverage expansion
  - Ending the open enrollment approach and provide states with annual lump sums
  - Allowing states to run the program as they wanted, however states would be responsible for covering costs beyond the federal allotment
- Administrative Action
  - Regulations and Sub-Regulatory Guidance to change existing regulations



# Changes to Medicaid

- Waiver Provisions
  - Premiums for beneficiaries
  - Coverage lock-out for individuals who fail to pay premiums
  - Establishing health savings accounts
  - Healthy behavior incentives
  - Require work condition for eligibility
  - Section 1115 (DSRIP) waivers could be at risk

**What Actions were  
Taken by the Lame  
Duck Congress?**

# 21<sup>st</sup> Century Cures Act

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- Rep. Fred Upton (R-MI)
  - Intended to increase drug development and accelerate new cures and treatments:
    - Address issues involved in bringing new therapies and medical devices to market by streamlining the review and approval process
    - Provides \$1 billion to states to address the opioid crisis
    - Provides \$4.8 billion to National Institutes of Health (including Vice President Biden's Cancer Moonshot Program)



# 21<sup>st</sup> Century Cures Act

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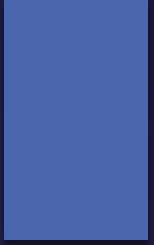
- Moving the grandfather date for off-campus hospital outpatient departments (HOPDs) under development from Nov. 2, 2015 to Feb. 13, 2017
- Adjusting the Hospital Readmissions Reduction Program to account for socioeconomic status
- Extending the Rural Community Hospital Demonstration Program for five years
- Providing one full year of relief from the Long-term Care Hospital 25% Rule
- Prohibiting the Health and Human Services Secretary from enforcing the “direct supervision” regulations for calendar year 2016 for outpatient therapeutic services provided in critical access hospitals and certain small, rural hospitals

# Continuing Resolution

- A type of appropriations legislation, a **continuing resolution** is a bill that appropriates money when Congress and the president fail to pass regular appropriations bills
- The funding extends until a specific date or a regular appropriations bill is passed
- FY 2017 Continuing Resolution ends April 28

# Continuing Resolution

- ▶ **January 3, 2017** - Senate Budget Committee Chairman Mike Enzi (R-WY) introduced a budget resolution for the remainder of fiscal year 2017 that would begin the process to repeal and replace parts of the Affordable Care Act
- ▶ The resolution instructs the four authorizing committees – House Ways and Means, Energy and Commerce, Senate Finance, Health, Education, and Labor and Pensions – to achieve at least \$1 billion each in savings in FYs 2017 through 2026 using the budget reconciliation process
- ▶ The resolution instructs the committees to submit their legislation to their respective Budget Committee by Jan. 27, 2017
  - ▶ The separate bills would then be combined for floor consideration
  - ▶ The budget resolution also includes the establishment of reserve funds for replacing the ACA
- ▶ The Senate is expected to vote on the resolution next week


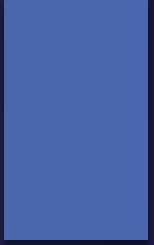


**How Does Our Industry  
Reverse Direction on  
the Work Toward  
Reform and  
Transformation?**

# Greater Priorities

- ACOs, quality, patient safety, collaboration, etc.
- Competition
  - Freestanding EDs
  - Minute Clinics
- Decreased Reimbursement
  - Medicaid/Medicare
  - State reimbursements (DSH, UPL)
- Transitioning Scope of Care
  - Behavioral Health
  - Population Health
  - Community Priorities
- Drug Pricing



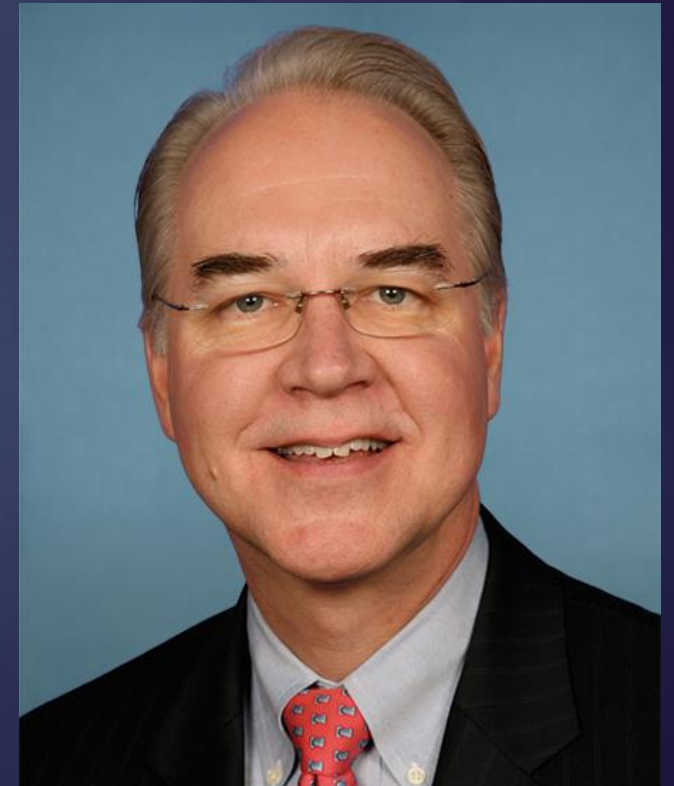


# Who Will be Leading Key Health Agencies Under the Trump Administration?

# Secretary of Health and Human Services

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- Rep. Tom Price (GA)
  - Background
    - Six-term member of the House of Representatives
    - Chair of the House Budget Committee
    - Medical background (orthopedic surgeon)
  - Priorities
    - Repeal ACA
      - No employer/individual mandate
      - No Medicaid expansion, keep pre-existing
    - Liability reform
    - CAHs and access to care
    - Physician payment reform
    - Supports transparency
    - Regulation relief



# CMS Director

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- Seema Verma

- Background

- President and Founder of SVC Consultants (Indiana)

- Redesigned Medicaid in several states

- IA, KY, ME, MI, OH, TN

- Worked on Healthy Indiana Plan(HIP) and HIP 2.0

- Also worked on implementing ACA in Indiana

- Priorities

- Supports patient responsibility of copayments and premiums



# U.S. Congress Congressional Leaders

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## House Committees

- Appropriations
  - Rodney Frelinghuysen (NJ) – 115th Potential Chair
  - Nita Lowey – 115th Potential Ranking
- Budget
  - ~~Tom Price (GA)~~ (TBD) – 115th Potential Chair
  - John Yarmuth (KY) – 115th Potential Ranking
- Ways & Means
  - Kevin Brady (TX) – 115th Potential Chair
  - Sander Levin (MI) – 115th Potential Ranking

## Senate Committees

- Appropriations
  - Thad Cockran (MS) – 115th Potential Chair
  - Pat Leahy (VT) or Patty Murray (WA) – 115th Potential Ranking
- Budget
  - Mike Enzi (WY) – 115th Potential Chair
  - Sheldon Whitehouse (RI) – 115th Potential Ranking
- Finance
  - Orrin Hatch (UT) – 115th Potential Chair
  - Ron Wyden (OR) – 115th Potential Ranking
- HELP
  - Lamar Alexander (TN) – 115th Potential Chair
  - Patty Murray (WA); Bernie Sanders (VT); or Bob Casey (PA) – 115th Potential Ranking



# What Healthcare Issues Will be Addressed by the New Congress?

# Congressional Healthcare Priorities

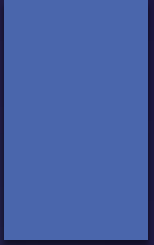
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- Repealing ACA
  - Disproportionate Share Rate Formula
- ACA Funding Taxes
  - Cadillac Insurance Plans
  - Medical Device
- Reauthorization of the Children's Health Insurance Plan (CHIP)
  - Expires Sept. 30, 2017, usually receives bipartisan support, however Republicans may call for Medicaid reform and block grants as part of a CHIP reauthorization

# Congressional Healthcare Priorities

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- Drug Pricing
  - Investigating pharmaceutical companies' price decisions and pharmaceutical misclassifying drugs under Medicare and Medicaid rebate programs
- Medicare Reform
  - Structural Reform
    - Combine Parts A and B
    - Raise age
    - Delivery system reform/alternative payment models
  - Premium Reform



**How Does This Impact  
the Bottom-Line of Your  
Organization?**



# Impact

- Repealing ACA
  - About 19.7 million fewer people will be covered by an insurance policy
- Use of Health Savings Accounts
  - The health savings account program gives taxpayers a chance to put their money in a special fund, without paying any federal taxes
- Making premiums tax deductible
  - Adding a tax deduction will result in fewer people getting health insurance and may increase out-of-pocket costs
  - Creating high-risk pools will emerge

# Impact

- Medicaid Block Grants
  - Allowing states to create enrollment eligibility may result in individuals losing coverage who were once covered by ACA
- Allowing health insurance companies to sell plans across states
  - May create a competitive environment with higher premiums and out of pocket costs, resulting in individuals losing coverage

# Bottom Line

- Unfavorable
  - Higher premium rates and increased uninsured population
  - Increased charity care and bad debt
  - Reduced Medicaid reimbursements
  - Offsets to pay for agenda priorities
    - Coverage, payment reforms, Medicaid 2.0
  - Medicare reform (premium support)
  - Medicaid reform (block grants)

# Bottom Line

- Favorable
  - Continuation of delivery system reform
  - Support for regulatory relief
  - Consideration for addressing rising drug costs
  - Restructuring the DSH formula could be beneficial to hospitals
  - Support for labor issues – workforce development
  - Maintaining some ACA provisions
    - Allowing children to stay on parents insurance until age 26
    - Preventing discrimination of coverage for individual with pre-existing health conditions

# What Do We do?

- Ensure all individuals reach highest potential of health
- Access to affordable and comprehensive care
- Focus on wellness and prevention
- Emphasize mission and economic impact
- Request that public policy is modernized
  - Enhance providers ability to improve care
  - Make care more affordable
  - Transition team focus
    - Not policy
    - Fill jobs and regulation reform (more than 40 rules and 20,000 pages this year)

# What Do We Need?

- Reduce regulatory burden
  - Costly upgrades to meet Stage 3 meaningful use
  - Recovery audit contractors unnecessary appeals
  - Safe harbors for anti-kickback to ensure clinical integration
- Enhance affordability and value
  - Address escalating drug prices
  - Protect 340B drug pricing
  - Challenge major health insurance company mergers
  - Explore medical liability reform (e.g.. caps or attorney contingency)

# What Do We Need?

- Promote quality and patient safety
  - Simplify quality reporting
  - Suspend the hospital star ratings
  - Socioeconomic adjustment for readmission penalties
  - Medicare Graduate Medical Education (GME)
- Ensure access of care and coverage
  - Continue to fund the Children's Health Insurance Program (CHIP)
  - Remove barriers to mental health treatment
  - Veteran's choice program
  - No site neutral reductions

# What Do We Need?

- Advance health system transformation and innovation
  - Preserve and improve upon delivery and payment reforms
  - Promote telehealth and expand coverage
  - Waive the skilled nursing facility 3-day rule

Lastly, any repeal must have a replacement that ensures access to care and consider restoration of the significant payment reductions utilized to fund expansion.

**Get out the message**



# Final Thoughts

"Every moment wasted looking back, keeps us from moving forward." *Hillary Clinton*

"As long as you are going to be thinking anyway, think big."  
*Donald Trump*

“Character cannot be developed in ease and quiet. Only through experience of trial and suffering can the soul be strengthened, ambition inspired, and success achieved.” *Helen Keller*

# Questions