

## What's on the Horizon for Health Reform

HFMA Lone Star Chapter

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by  
**Devon M. Herrick Ph.D.**  
Senior Fellow  
National Center for Policy Analysis



National Center for Policy Analysis  
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## Why Reform U.S. Health Care?

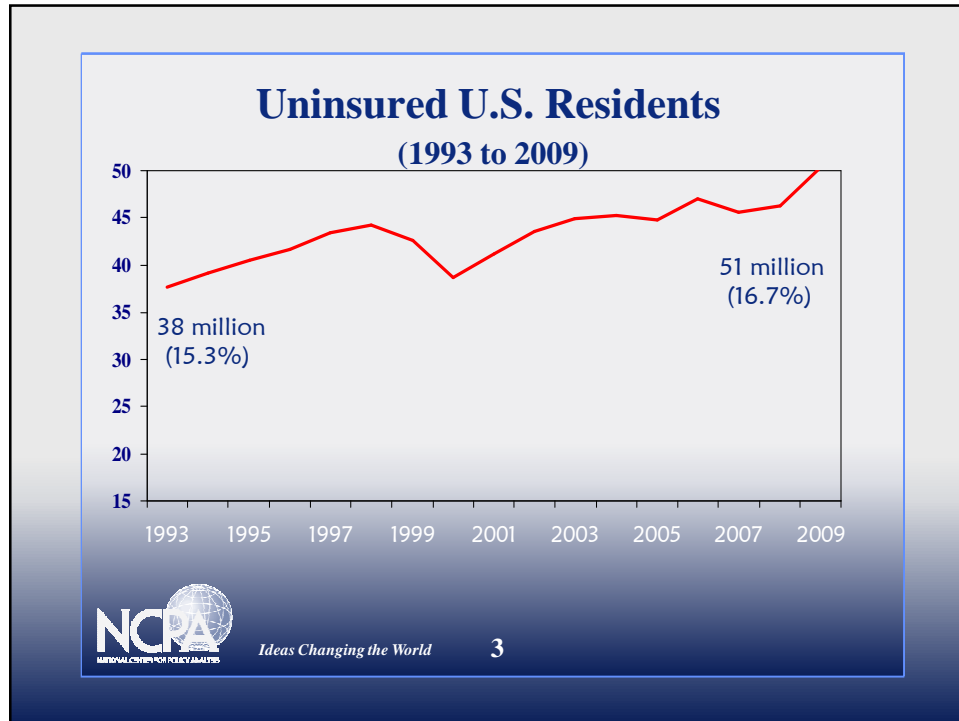
### U.S. Health Care System Problems

- ✓ *Access is problematic*
- ✓ *Quality is inconsistent*
- ✓ *Cost is too high*



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### U.S. Health Care Quality

**U.S. Health Care Quality is Inconsistent**

- ✓ *IOM up to 98,000 die from medical errors*
- ✓ *Drug errors injure 1.5 million each year*
- ✓ *Two million hospital-acquired infections*
- ✓ *Little safety-enhancing technology*
- ✓ *Success is often not emulated*


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## U.S. Health Care Cost

### U.S. Health Care Cost is High

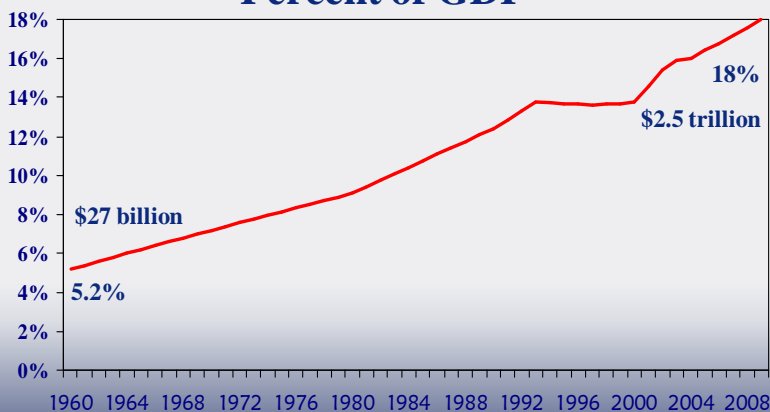
- ✓ U.S. firms spend 8% of payroll on health benefits
- ✓ Medical spending is rising at twice the rate of national income
- ✓ Medical prices are rising at three times the rate of inflation
- ✓ No effective cost control



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## U.S. Health Care Expenditure as Percent of GDP



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## Patient Protection and Affordable Care Act

- Individual Mandate**
- Employer Pay or Play**
- Individual Insurance Exchange**
- Mandated Acceptance**
- Mandated Benefits**
- Medicaid Coverage for Poor**
- Subsidies for Moderate-Income**
- Fee Cuts to Medicare Providers**



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## The Goal of Repeal and Replace

### Structural Flaws

- ✓ *An impossible mandate*
- ✓ *A bizarre system of subsidies*
- ✓ *Perverse incentives for insurers*
- ✓ *Perverse incentives for individuals*
- ✓ *Impossible benefits cuts for seniors*



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## Health Reform Proposals

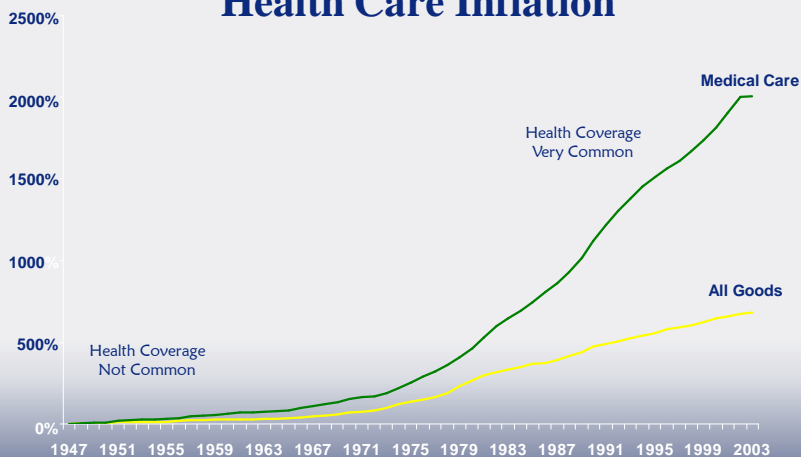
### Individual Mandates

- ✓ *Difficult to enforce*
  - ✓ *Reduces consumer choice*
  - ✓ *Leads to costly regulations*
  - ✓ *People will game the system*
  - ✓ *Cost rising at twice the rate of income*
- Expect Republicans to oppose the mandate.  
Republicans will push for a uniform tax credit*



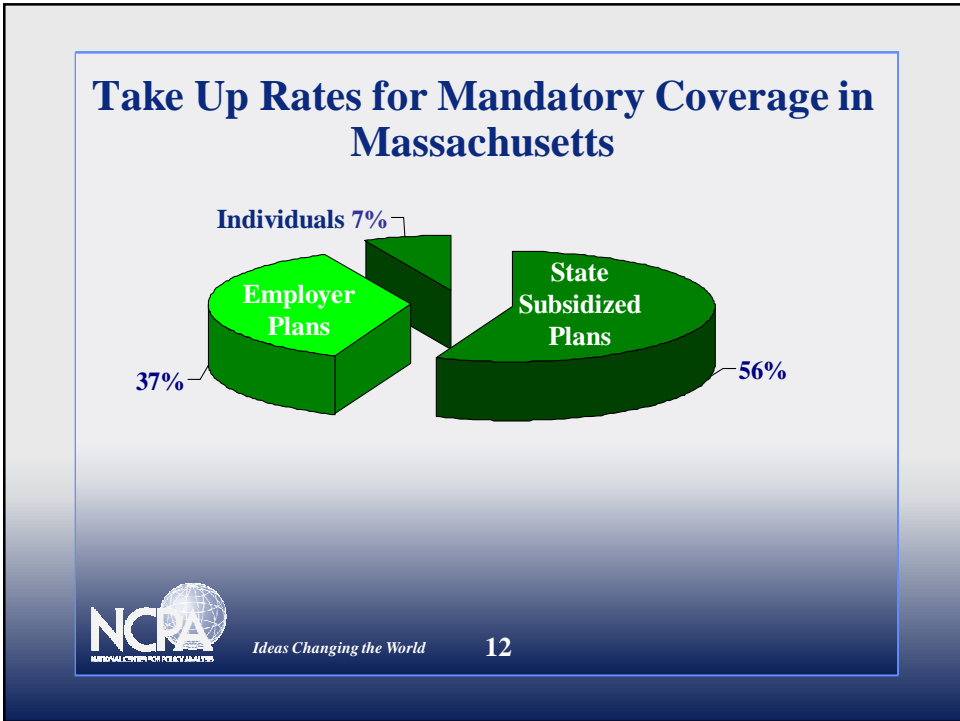
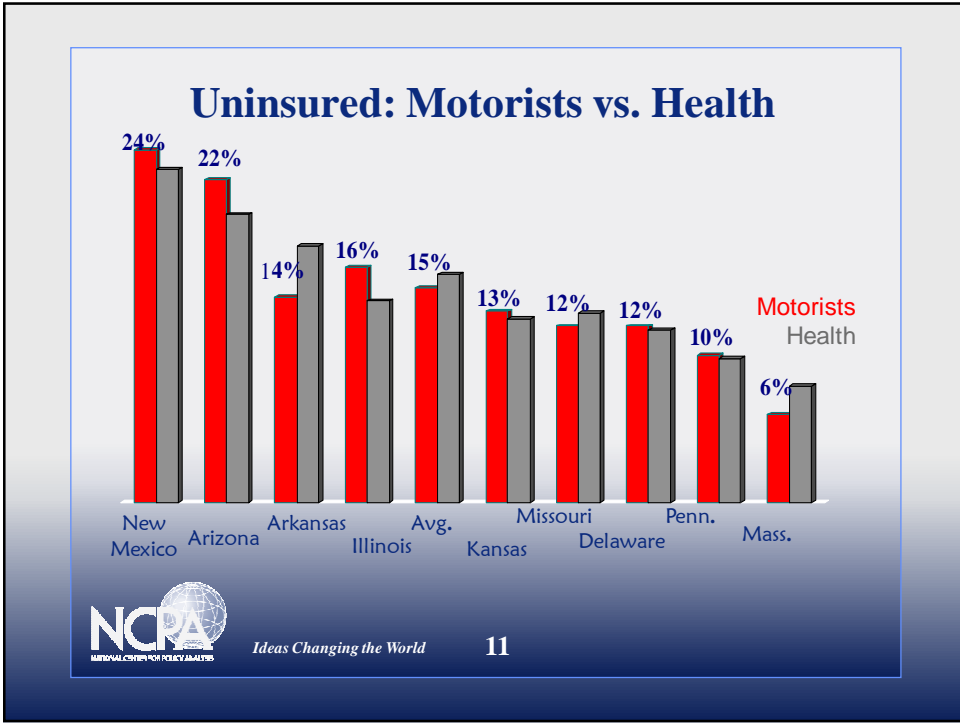
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## Health Care Inflation



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Source: Consumer Price Index (CPI)



## Health Reform Proposals

### Employer Mandates

- ✓ *Tax on labor*
- ✓ *Inhibits firms from growing beyond 50 workers*
- ✓ *Adversely impacts low-wage workers*
- ✓ *Millions may drop employer coverage*
- ✓ *Segment labor market (low and high wage firms)*



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## Health Insurance Exchange

### State-based Individual Exchange

- ✓ *Large employers non-eligible*
- ✓ *Census: 112 million income-eligible*
- ✓ *CBO: 25 million to get subsidies*
- ✓ *Subsidies 500% > than employer plans*
- ✓ *No horizontal or vertical equity*
- ✓ *Segment the labor market*

*Republicans envision a different Exchange*



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## Health Insurance Regulation

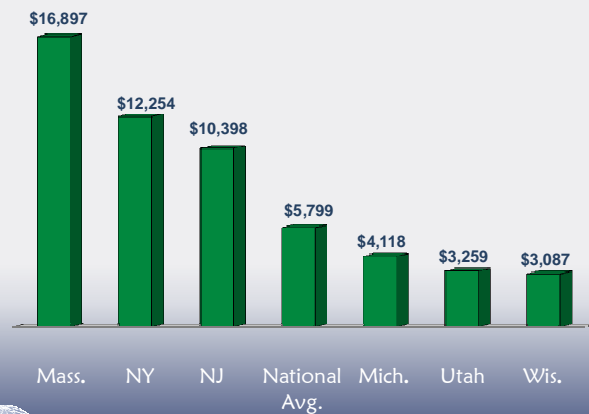
### Mandated Acceptance

- ✓ *Drives up cost of coverage*
  - ✓ *Six states currently mandate GI*
  - ✓ *Inappropriate incentives*
  - ✓ *Invites gaming the system*
- Doesn't work without an individual mandate  
(doesn't work very with a mandate either)*

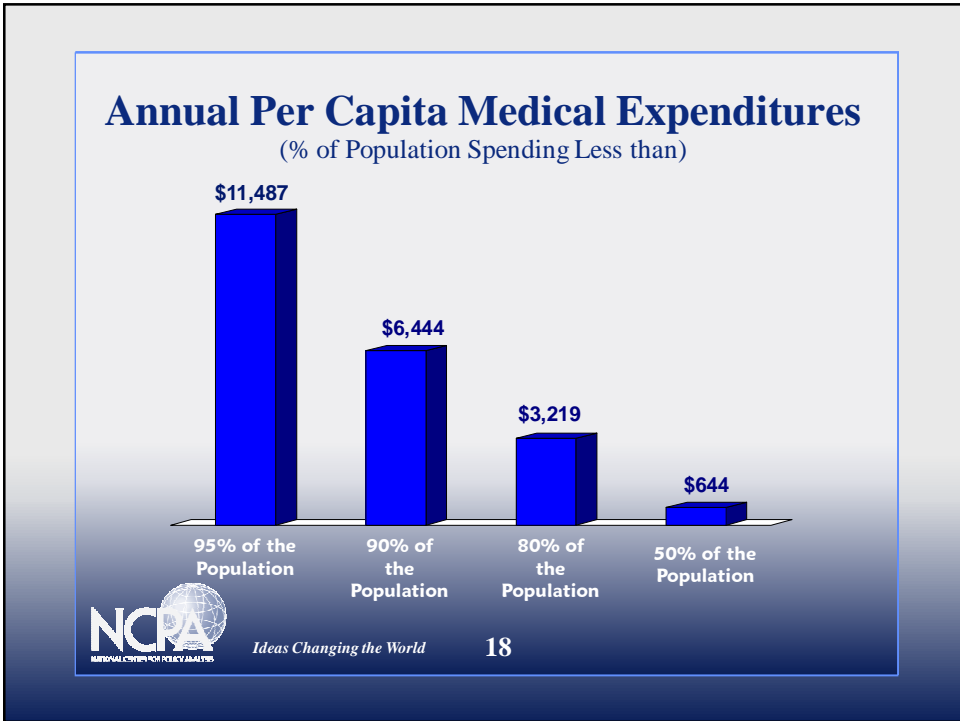
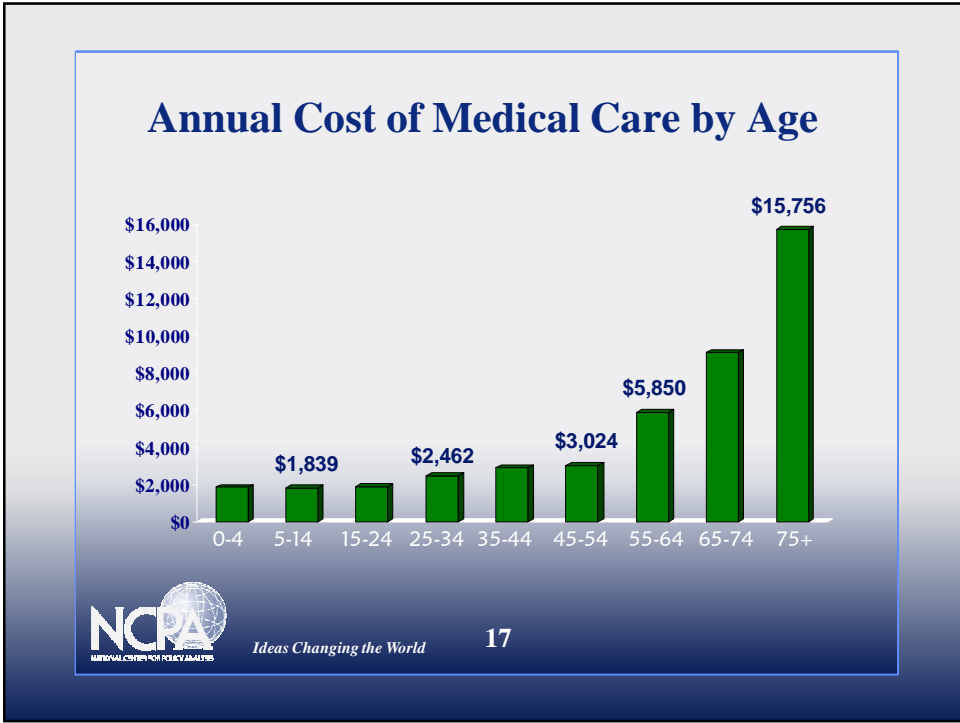


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## Annual Family Policy Premiums



*Source: America's Health Insurance Plans*  
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## Health Insurance Regulation

### Mandated Benefits

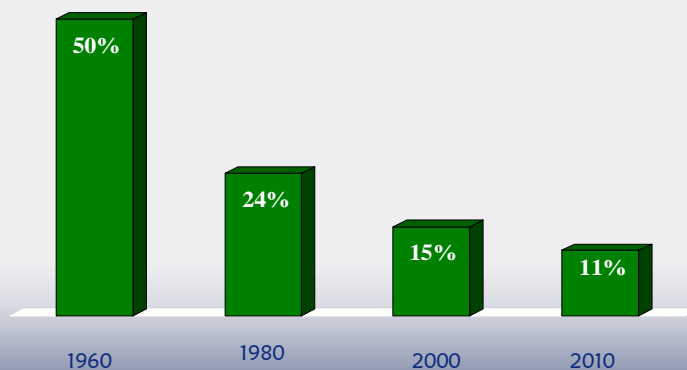
- ✓ *PPACA requires “essential benefits”*
- ✓ *Inhibits affordable health plans*
- ✓ *Invites special interest lobbying*
- ✓ *Reduces consumer choice*
- ✓ *Inhibits cost-control incentives*



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## Out-of-Pocket Medical Spending



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## Medicaid Expansion

### Expanded Coverage for Poor

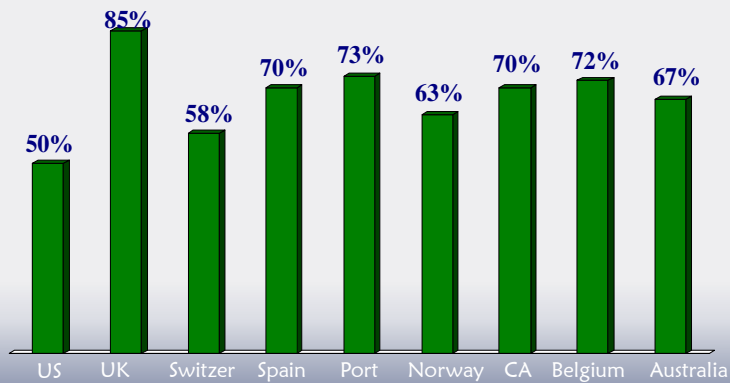
- ✓ 17 million newly insured through Medicaid
- ✓ Crowds out private coverage
- ✓ Does not guarantee access to care
- ✓ Medicare pays 29% to 59% of what private insurers reimburse providers.

*Medicaid will stretch state budgets*



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## Percent Public Health Care



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## Paying for Health Reform

### Source of funds for reform

- ✓ *\$1 trillion 10-year cost*
- ✓ *\$575 billion from Medicare*
- ✓ *\$200 billion from Medicare Advantage Plans*
- ✓ *Taxes on drugs, medical devices, insurers.*
- ✓ *Taxes on high income earners.*
- ✓ *Cost will be passed on to consumers*

*One-in-seven Medicare providers would be insolvent if cuts allowed to take place.*



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## The Goal of Repeal and Replace

### Structural Flaws

- ✓ *Impossible burden for the states*
- ✓ *Impossible expectations of a safety net*
- ✓ *Lack of personal and portable insurance*
- ✓ *Over-regulated doctors*
- ✓ *Over-regulated patients*



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## Health Reform

### Conclusion

- ✓ *PPACA will not reduce costs*
- ✓ *Millions will lack access to a doctor*
- ✓ *Medicare cuts unlikely to take place.*
- ✓ *We are destined to revisit this in the future when it becomes unsustainable.*



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