What’s Next for Healthcare?

Joel M. Zinberg, M.D., J.D.
Visiting Scholar, The American Enterprise Institute
Associate Clinical Professor of Surgery, The Mount Sinai - Icahn School of Medicine
“It’s tough to make predictions, especially about the future.”

- Yogi Berra
- Neils Bohr
- Samuel Goldwyn
- Mark Twain
- Ancient Danish Proverb
Figure 1

Who is Insured and Uninsured?

- Exchange: 3.5%
- Off Exchange: 3.5%
- Uninsured: 9%
- Other:
  - Employer: 20%
  - Medicaid: 14%
  - Medicare: 2%

Key Features of the ACA

A. Coverage of Pre-existing conditions:
   - Guaranteed Issue/Community Rating
   - Risk adjustment only for Age (3:1), Tobacco & Geographic Location

B. Essential Benefits Package

C. Health Insurance Marketplaces/Exchanges

D. Subsidies
   - Premium tax credits (exchange plans only; FPL 100-400%; 85% of enrollees receive)
   - Cost sharing (only for Silver plans; FPL 100-250%; 57% of enrollees)

E. Mandates
   - Individual
   - Employer

F. Coverage of Dependant Children up to Age 26

G. Medicaid Expansion - adults eligible to 138% FPL

H. Risk Mitigation for Insurers - 3 programs
Percentage of Eligible Individuals Enrolled

- 76% of FPL: 100-150%
- 41% of FPL: 151-200%
- 30% of FPL: 201-250%
- 20% of FPL: 251-300%
- 16% of FPL: 301-400%
- 2% of FPL: Over 400%

<table>
<thead>
<tr>
<th>What the program does</th>
<th>Risk Adjustment</th>
<th>Reinsurance</th>
<th>Risk Corridors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protects against adverse selection and risk selection in the individual and small group markets, inside and outside the exchanges by spreading financial risk across the markets</td>
<td>Redistributes funds from plans with lower-risk enrollees to plans with higher-risk enrollees</td>
<td>Provides payment to plans that enroll higher-cost individuals</td>
<td>Limits losses and gains beyond an allowable range</td>
</tr>
<tr>
<td>Stabilizes premiums and protects against inaccurate premium setting during initial years of the reform</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Who participates</td>
<td>Non-grandfathered individual and small group market plans, both inside and outside of the exchanges</td>
<td>All health insurance issuers and self-insured plans contribute funds; individual market plans subject to new market rules (both inside and outside the exchange) are eligible for payment</td>
<td>Qualified Health Plans (QHPs), which are plans qualified to be offered on a health insurance marketplace (also called exchange)</td>
</tr>
<tr>
<td>How it works</td>
<td>Plans’ average actuarial risk will be determined based on enrollees’ individual risk scores. Plans with lower actuarial risk will make payments to higher risk plans.</td>
<td>If an enrollee’s costs exceed a certain threshold (called an attachment point), the plan is eligible for payment (up to the reinsurance cap).</td>
<td>HHS collects funds from plans with lower than expected claims and makes payments to plans with higher than expected claims. Plans with actual claims less than 97% of target amounts pay into the program and plans with claims greater than 103% of target amounts receive funds.</td>
</tr>
<tr>
<td>Payments net to zero.</td>
<td>Payments net to zero.</td>
<td>Payments net to zero.</td>
<td>Payments net to zero.</td>
</tr>
<tr>
<td>When it goes into effect</td>
<td>2014, onward (Permanent)</td>
<td>2014 – 2016 (Temporary – 3 years)</td>
<td>2014 – 2016 (Temporary – 3 years)</td>
</tr>
</tbody>
</table>