Update on Health Reform

SMA CME on the River - 2015
Mark S. Williams, MD, MBA, JD
Objectives

• Provide the context of current health care conditions
• Identify the major themes involved in health care reform
• Provide examples of future models
• Gain an understanding of the various social determinants of health

Disclosure: No financial interests to report
University of Alabama School of Business
Health Care Reform Summit
Birmingham, Alabama
February 2011

‘finest example of presidential leadership’

‘worst piece of federal legislation ever passed’

Bill Frist, MD
Former Republican Senator and Majority Leader, Physician

Robert Bentley, MD
Alabama Governor

Check out:
Recommendation 5.5
The full range of Food and Drug Administration-approved contraceptive methods, sterilization procedures, and patient education and counseling for women with reproductive capacity.

Recommendations for Preventive Services for Women that Should be Considered by HHS
Institute of Medicine, 2011

Burwell v. Hobby Lobby
American Health Care ($$$$

<table>
<thead>
<tr>
<th>COUNTRY RANKINGS</th>
<th>AUS</th>
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| Health Expenditures/Capita, 2011** | $3,800 | $4,522 | $4,118 | $4,495 | $5,099 | $3,182 | $5,669 | $3,925 | $5,643 | $3,405 | $8,508 |

Notes: * Includes ties. ** Expenditures shown in $US PPP (purchasing power parity); Australian $ data are from 2010.
Your family's health care costs: $19,393

Source: 2011 Milliman Medical Index (in 2009, median household income was $50,221)
CPI
Health Care Cost Trend

2012 National Business Group on Health
Distribution of U.S. Health Care Spending

Top 1% of Patients
- Medically ‘fragile’ elderly
- Multiple chronic conditions
- Complex behavioral needs
  ($90,000/patient/year)

Remaining 95% of Patients

Next 4% of Patients
Employers believe that $765 billion is wasted (each year)

- Unnecessary Services: $210bn
- Inefficiently delivered services: $190bn
- Excess Administrative Costs: $130bn
- Excessive Prices: $105bn
- Missed Prevention Opportunities: $55bn
- Fraud: $75bn

‘Waste’ - no benefits and some harm
Major Joint Replacement (BCBS, Mississippi)
U.S. Health System Reform - Emerging Themes

- Reallocation of medical risk
- Accelerating pace of integration and coordination
- ‘Business to business’ transitioning to ‘business to consumer’
- Intensifying production pressures on delivery systems
- Evolving employer benefit strategies

*Cross Currents in the Health Economy, McKinsey & Co, 2011*
"The health care industry plays a gigantic game of Blind Man’s Bluff, keeping patients in the dark while asking them to make life-and-death decisions. The odds that they will make the best choice are negligible and largely depend on chance. Patients need to have data, including costs and their own medical histories, liberated and made freely available for thorough analysis. What health care needs is a window sticker - a transparent, good-faith effort at making prices clear and setting market forces to work"
What is the Essence of an ACO?

1. Clinical transformation is the organizational priority
2. The focus is on the ‘AC’ rather than the ‘O’
3. It is patient-centered
4. Physicians and other clinicians are engaged in a new way

Source: Oliver Wyman, 2012
ACO ‘Like” Developments

BlueCross Announces Bundled Payment Agreements with Leading Orthopedic Groups in Tennessee

Medical practices across the state to provide treatment under new payment method for total knee and hip replacements

• Goal is to help consumers identify quality specialty care on a consistent basis
• Encourages healthcare professionals to improve quality and delivery nationwide
• ‘Center of Excellence’ concept
• Criteria and results available to public

“It requires real commitment to take that first step because this program is a fundamental rethinking of the entire episode of care. We’re fortunate to have these partners who recognize the long-term benefit of getting in on development from the beginning in this important quality initiative”
What about Accountable Care Organizations (ACOs)?

‘Perhaps the real ‘game-changer’ - not so much the insurance exchanges, guaranteed issue, etc’

ACO (broad definition) - Providers participating in population-oriented, value-based care delivery and reimbursement model
As of September 2013, there were more than 370 accountable care organizations in the U.S., with approximately 150 being developed.
At present, in more than half of the states, a majority of the population could receive care from an ACO.

Source: Oliver Wyman, 2012
Monthly Insurance Rates
(benchmark plan on the 36 federal exchanges)

16% lower than expected

Source: Department of HHS, October 2013
Why?
- Allows for more options
- Opportunity to lower out-of-pocket costs
- Employer costs become more predictable

- 160,000 workers
- Multiple plan options including high-deductible options
- Company will contribute same amount
- Not a requirement under ObamaCare
Are you aware of the new health insurance marketplaces?

- Total
- Insured
- Uninsured
- 19-29
- 30-49
- 50-64

Options: NO, YES
Are you aware of the new consumer protections*?

*Cannot deny coverage for preexisting conditions, cannot raise rates, or refuse to cover conditions in their policy.
‘Employers are taking bold and assertive steps at a faster pace than in the past’
‘Employer health care costs continue to grow at an unsustainable rate’

‘In 2014 and 2015, the additional fees [ACA related] and direct/indirect costs will impact employers by one to two percentage points’

‘Evidence continues to mount that fee-for-value healthcare delivers better value at lower cost than fee-for-service’

‘Nearly 40 million individuals will receive health insurance through private exchanges by 2018’

‘Employers are not blind to the risk that offering lower-value benefits could undermine them in the talent markets’
Reformers
Piloting health value programs aggressively across the system

Experimenters
Piloting limited health value programs

Maintainers
No significant changes but may follow the market

Cost-Driven
Move to defined contribution where possible

Exiters
Stop providing health benefits where possible, trade off lower costs against penalties

Source: Kaiser Family Foundation; Oliver Wyman analysis, Mercer National Survey of Employer-Sponsored Plans, 2013
Healthcare CEO Survey

‘This one is for real’ - the system is on the verge of a shift from a volume-based to a value-based model over the next decade.

The market is not just stressed, but increasingly hard to predict (hospital capacity being one example).

‘My ocean liner has to become what and by when?’

*Hospital-employed physicians by payment model
Eagle Forum, June 1996
‘Health care is a major domestic issue’
‘The system of having your employer own your insurance policy is bad government policy’

‘The correct solution is to move toward a system in which individuals own their own health insurance’

‘Individuals should be afforded the same tax treatment as corporations’
Projected Medicaid Spending Under the ACA (2013-2022)

Source: Kaiser Commission, Cost and Coverage Implications of the ACA Medicaid Expansion
Attitudes Towards Health Care Reform (% Favorable)

The Deep South and Medicaid Expansion
Joint Center for Political and Economic Studies, May 2013
‘By refusing to participate in Medicaid expansion . . . the state
will leave on the table an estimated $100 billion over the
next decade’

‘He has argued that expanding Medicaid eligibility will be an economic
booster shot . . supported by state hospitals, chamber of commerce and . .
’

‘His sense of Christian compassion, not to mention cool economic
practicality, favored . . . expansion’
Health Insurance Exchanges

‘The implementation of the law - and particularly the opening of state healthcare exchanges - will set in motion a great migration of American consumers toward a new model of insurance . . . we anticipate that eventually nearly half of the commercial market (80 to 100 million people) will obtain their health insurance in the form of individually purchased coverage’

Source: Winning on the Health Insurance Exchanges, Oliver Wyman, Health & Life Sciences, 2013
According to a recent survey, 83% of consumers are entirely unfamiliar with the private exchange concept.

By 2017, 18% of the American public will purchase insurance through exchanges.

Accenture: Insight Driven Health
Estimates released by the Department of Health and Human Services Wednesday showed Alabamians participating in the exchanges would pay an average of $247 a month for the lowest-cost, highest deductible plans, with a higher premium plan averaging out to $303 a month. Both figures are lower-than-average for current plans in the state.

Montgomery Advertiser, Sept 25, 2013
Question: Which plan do you support? Obamacare or the Affordable Care Act?

Woman No. 1: The Affordable Care Act.

Question: What is it about Obamacare that you do not like?

Woman No. 1: I just think that there’s a lot of holes in it, and it needs to be revamped. I think it hasn’t been thought out.

Available at http://www.youtube.com/watch?v=sx2scvlFGjE
Obamacare 101

Changes Already in Place

• No denial due to pre-existing conditions
• Children are eligible under parents’ policy until age 26
• All insurance plans must cover ‘essential benefits’
• All plans must cover a wide range of preventive services
• No cost discrimination based on gender
• No yearly or lifetime caps on coverage
• New protections against ‘frivolous cancellations’

Essential Benefits

Ambulatory patient services
Emergency services
Hospitalization
Maternity and newborn care
Mental health services
Prescription drugs
Rehabilitation services
Laboratory services
Preventive and wellness care
Pediatric services
Current Status of State Medicaid Expansion Decisions, as of October 22, 2013

NOTES: 1 - Exploring an approach to Medicaid expansion likely to require waiver approval. 2 - Discussion of a special session being called on the Medicaid expansion.
Optimizing networks

Identify physicians with capacity, geography and motivation
Engage and incentivize primary care
Include right mix of specialists and hospitals

Create medical management that matters

Interact with regulators

Marketing to the individual (not the employer)
Unprecedented Demand For Family Docs, Nurse Practitioners As Obamacare Emerges

The family physician is the most highly recruited doctor as Affordable Care Act and trends in medical economics move more health care service to less expensive outpatient settings, according to a national doctor recruitment firm.

Primary care professions, led by family physicians and the up and coming professions of nurse practitioners and physician assistants, are in high demand according to physician staffing firm Merritt Hawkins, subsidiary of AMN Healthcare (AHS).

Top 20 Most Requested Physician Searches by Medical Specialty

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<thead>
<tr>
<th>Specialty</th>
<th>2012/2013</th>
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<tbody>
<tr>
<td>Family Medicine (includes FP/OB)</td>
<td>624</td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>194</td>
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<tr>
<td>Hospitalist</td>
<td>178</td>
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<tr>
<td>Psychiatry</td>
<td>168</td>
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<tr>
<td>Emergency Medicine</td>
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<tr>
<td>Pediatrics</td>
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<td>OB/GYN</td>
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<tr>
<td>General Surgery</td>
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<tr>
<td>Neurology</td>
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<tr>
<td>Nurse Practitioner</td>
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<tr>
<td>Orthopedic Surgery</td>
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<tr>
<td>Physician Assistant</td>
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<tr>
<td>Hematology/Oncology</td>
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<tr>
<td>Otolaryngology</td>
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<tr>
<td>Cardiology</td>
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<tr>
<td>Gastroenterology</td>
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<tr>
<td>Urology</td>
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<td>Pulmonology</td>
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<td>Dermatology</td>
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<tr>
<td>Geriatrics</td>
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Source: Merritt Hawkins' 2013 Review of Physician and Advanced Practitioner Recruiting Incentives
Patients Warm To Nurse Practitioners, Physician Assistants

U.S. consumers still like to see a doctor, but if they have to wait, they are happy to see a nurse practitioner or a physician assistant.

Two studies out this week indicate both patients and doctors are “open to a greater role” to primary care professionals who are not medical doctors at a time when physicians are in short supply and doctors will become even more scarce when the Affordable Care Act broadens health care benefits in less than seven months. The law will bring additional coverage for millions of Americans along with an influx of business to doctors that they may not be able to handle.

Patient acceptance not a major issue
Who would have thought?

Do we wait upon (and fear) the future or help craft it?
New partners and a focus on coordination of care

Pharmacies, Churches, Schools, Civic Groups, ?
New Initiatives

National Physicians Alliance
- Evidence-based
- No duplication
- Free from harm
- Truly necessary
Value-Based Health Care Is Inevitable and That’s Good

by Toby Cosgrove  |  10:00 AM September 24, 2013
Are you joining the ‘Obamacare’ Plan?

You can join as you’re being put in an ambulance!

They’re making you drop your spouse!

Not all hospitals (or physicians) are in the networks!

No one will want to go into medicine!
So Much For Obamacare Anxiety: Record Number Want To Become Doctors

The number of students applying to medical school rose again this year with applications up 3.1 percent in what a new report described as “healthy gains” in interest in the medical profession.

The Association of American Medical Colleges, which represents the nation’s medical schools and teaching hospitals, said more than 45,000 students applied to attend medical school this year. Meanwhile, first-time applicants, which AAMC executives say is “considered to be a barometer of interest in medicine” set yet another record, increasing 3.4 percent to 33,772 applicants.

“Medicine continues to be a very attractive career choice for our nation’s best and brightest,” said Dr. Darrell Kirch, AAMC’s president and chief executive. “Given the urgent need our nation has for more doctors to care for our growing and aging population, we are extremely pleased with the continued growth in size and diversity of this year’s entering class of medical students.”

The AAMC said the new medical schools will help
But What if Obamacare Works?
NY Times, October 27, 2013

- More expensive
- More subsidized
- More comprehensive

‘... also creates a sensitivity to price - and with it, a curb on cost growth - that’s rare in a system where third party payment has made prices opaque, arbitrary and inflated’
Key Question:
What is the best predictor of who will drop out of school, get pregnant or be in jail by age 18?

- Vocabulary in Kindergarten
- Reading Skills in 3rd Grade

40% more likely to be pregnant
60% more likely to drop out
80% more likely to be in jail
1,000 hours could be transformational—with 1,000 reading hours for each child.
No Shortage of Challenges
No Better Time for Physician Leadership

Thank You

Mark S. Williams, MD, MBA, JD