

Future of ACA (Week 3): Trump Plan, “Healthcare Reform to Make America Great Again”

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The **Trump** campaign promised to “repeal and replace” the **Affordable Care Act**. On the campaign trail, candidate Trump was particularly critical of the ACA’s individual mandate, the subsidization of premium charges to older individuals by younger individuals, and the coverage mandates on insurance products offered on the exchanges. In contrast, he was in favor of keeping the ban on imposing pre-existing condition limitations and allowing dependents to remain on their parents’ coverage to age 26. So we are not without some clues as to the details of the ACA’s replacement.

As the campaign promise morphs into legislation, there are some sources that give us a sense of what the future has in store for the regulation of the U.S. health care system. These include:

- The Trump/Pence transition plan entitled “[Healthcare Reform to Make America Great Again](#),”
- Speaker Ryan’s [A Better Way](#); and
- Rep. Tom Price’s [Empowering Patients First Act](#).

This post examines the Trump/Pence transition plan. In the next two posts, we will turn our attention to the Ryan and Price plans. All three plans share common features. The particular elements and terms of these plans have been the subject of much study and commentary. Much less is known about how these components will fit together. Nevertheless, we expect that these plans taken together contain many if not most of the elements of the ACA’s replacement.

The Backdrop—Getting from Here to There

Getting from campaign promise to legislation will require lawmakers to navigate the realities of the legislative process. Republican free-market ideology will be a fixed star. The outcome of the process will affect nearly one-fifth of the U.S. economy. Large stakeholders, including insurance carriers, health care providers, pharmacy benefit managers, the vast Medicare/Medicaid service sector, and even the states, will compete to shape the legislation. While no one stakeholder will likely be able to impose its will to the exclusion of others, the largest stakeholders will be able to influence the outcome at the margins (which may be all that they need). In the end, the law that emerges

—whatever its final form—will have to address the same policy challenges that confronted the ACA: expand health insurance coverage, increase the quality of medical outcomes, and contain rising health care costs.

Healthcare to Make America Great Again

The Trump/Pence proposal, staying in campaign mode, opens with the case for change:

Since March of 2010, the American people have had to suffer under the incredible economic burden of the Affordable Care Act—Obamacare. This legislation, passed by totally partisan votes in the House and Senate and signed into law by the most divisive and partisan President in American history, has tragically but predictably resulted in runaway costs, websites that don't work, greater rationing of care, higher premiums, less competition and fewer choices. Obamacare has raised the economic uncertainty of every single person residing in this country. As it appears Obamacare is certain to collapse of its own weight, the damage done by the Democrats and President Obama, and abetted by the Supreme Court, will be difficult to repair unless the next President and a Republican congress lead the effort to bring much-needed free market reforms to the healthcare industry.

According to the plan, “none of these positive reforms can be accomplished without Obamacare repeal.”

On day one of the Trump Administration, the plan states that, “we will ask Congress to immediately deliver a full repeal of Obamacare.” Then, noting that “it is not enough to simply repeal this terrible legislation,” the plan proposes to work with Congress to “make sure we have a series of reforms ready for implementation *that follow free-market principles* and that will restore economic freedom and certainty to everyone in this country” (emphasis added). In the next sentence, the plan continues to stress that broadening healthcare access, making healthcare more affordable, and improving the quality of the care available to all Americans—the same goals that we allude to above—can be accomplished *only* by “following free-market principles”.

It is difficult to underestimate the importance of the introductory section of this plan. To mistake its tenor and tone for “red meat” intended to reassure the campaign’s strongest and most loyal supporters is a mistake in our view. Rather, this introduction establishes unequivocally the intended result of the process—better access, higher quality and lower cost—and the means whereby the result is to be achieved—i.e., by following free-market principles.

The plan next turns its attention to the things that “[o]ur elected representatives in the House and Senate must” do:

- ***Completely repeal Obamacare. Our elected representatives must eliminate the individual mandate. No person should be required to buy insurance unless he or she wants to.***

While the campaign promised to repeal all of the ACA, this plank singles out the individual mandate. The ACA has 10 titles and hundreds of provisions. Of these, it is the insurance reforms, the individual

and employer mandates, and the exchanges/marketplaces that are the most well-known and, depending on one's political views (including the views of those who won the election), most reviled. But what about the ACA's Medicare reforms, workforce provisions, FDA approval of biosimilars, and the many other provisions? These largely ignored provisions will be addressed in the "replacement" process most likely out of the public's view.

- ***Modify existing law that inhibits the sale of health insurance across state lines. As long as the plan purchased complies with state requirements, any vendor ought to be able to offer insurance in any state. By allowing full competition in this market, insurance costs will go down and consumer satisfaction will go up.***

Both parties agree on the need to expand coverage. Where they diverge is on the details. The ACA established strict rules that linked premium subsidies and cost-sharing support for low- and moderate-income individuals to the purchase of highly regulated insurance products that offered 10 essential health benefits and imposed limits on cost sharing. These products were further stratified by actuarial value into metallic tiers (bronze, silver, gold and platinum) that corresponded to the plan's relative generosity. This approach is anathema to Republicans as it stifles the operation of the free market. This plank would do away with the ACA's prescriptions in favor of a full-blown, free-market approach (the particulars of which we will look at in a future post).

- ***Allow individuals to use Health Savings Accounts (HSAs). Contributions into HSAs should be tax-free and should be allowed to accumulate. These accounts would become part of the estate of the individual and could be passed on to heirs without fear of any death penalty. These plans should be particularly attractive to young people who are healthy and can afford high-deductible insurance plans. These funds can be used by any member of a family without penalty. The flexibility and security provided by HSAs will be of great benefit to all who participate.***

In contrast to the previous bullet point, this provision is controversial as it goes to the heart of the political and policy disagreement between the supporters and critics of Obamacare. In a previous [post](#), we asserted that a core, high-level policy question is whether health care is a right (which, once labelled as such, tends to stifle serious debate over issues of cost or practicality) or a service that can and should be subject to market forces (which, once labelled as such, tends to stifle serious debate over issues relating to coverage) as well as to considerations of what is necessary and doable. Health Savings Accounts are firmly in the latter camp. But they have also proven to be popular. This proposal makes HSAs marginally more useful and attractive as wealth-building tools by adding a heritability feature. It would seem that there is no middle ground here.

- ***Require price transparency from all healthcare providers, especially doctors and healthcare organizations like clinics and hospitals. Individuals should be able to shop to find the best prices for procedures, exams or any other medical-related procedure.***

Price transparency is, at least in theory, uncontroversial. It has the support of trade and industry groups (see, e.g., this statement of [price transparency](#) from the American Hospital Association). Whether it is possible in practice to achieve price transparency in this context, and what one does with this information, is another matter. While it is unlikely that patients will end up haggling over the cost of a colonoscopy, it may put downward pressure on outliers to bring costs into line. And even at

that, transparency will only affect a provider's retail or "rack" rate. The negotiated discounts provided to groups and carriers will not likely see the light of day. The particulars of this debate are unimportant in the context of the ACA's replacement. This plank will not be controversial, at least when viewed from the perspective of retail politics. Behind the scenes, however, there will likely be a good deal of disagreement over the particulars of what must be disclosed and when.

- ***Block-grant Medicaid to the states. Nearly every state already offers benefits beyond what is required in the current Medicaid structure. The state governments know their people best and can manage the administration of Medicaid far better without federal overhead. States will have the incentives to seek out and eliminate fraud, waste and abuse to preserve our precious resources.***

Like the plank endorsing the expansion of Health Savings Accounts, this plan is highly controversial, and it also goes to the heart of the disagreement between the supporters and critics of Obamacare. Republicans worry about the impact of Medicaid on state budgets; Democrats worry about providing coverage to low-income and other individuals who need coverage but are chronically unable to afford it. Here again is an issue that appears to have little common ground. Republicans will seek to shift oversight of the Medicaid program to the states and to change fundamentally the way that it is funded. We expect a fierce and highly public battle over Medicaid funding and administration, with appeals for money and support being directed at the base of each party.

- ***Remove barriers to entry into free markets for drug providers that offer safe, reliable and cheaper products. Congress will need the courage to step away from the special interests and do what is right for America. Though the pharmaceutical industry is in the private sector, drug companies provide a public service. Allowing consumers access to imported, safe and dependable drugs from overseas will bring more options to consumers.***

This is nothing short of full-throated populism that seeks to address the public's worry over the cost of prescription drugs. The implication is that allowing the sale in the U.S. of prescription drugs imported from foreign countries will result in lower prescription drugs prices at home. Whatever the merits, this bullet point is not an indictment of the ACA.

The plan asserts that the "reforms outlined above will lower healthcare costs for all Americans." It then goes on to offer some "other reforms that might be considered if they serve to lower costs, remove uncertainty and provide financial security for all Americans." These include enforcing the country's immigration laws. (The plan asserts that "[p]roviding healthcare to illegal immigrants costs us some \$11 billion annually"); creating more jobs; and reforming our mental health programs and institutions in this country.

Assessing the Plan's Impact

The Trump/Pence plan is a useful outline that establishes high-level goals and a guiding political philosophy. But it is not all that clear how the individual planks address those goals. Of course, to be fair, it is just an outline. It will be up to the legislative process to flesh it out and connect policy and law. In contrast, the contours of a guiding, free-market political philosophy are unmistakable, which should surprise no one. It is a philosophy that generally mirrors proposals made by Republican members of Congress and conservative policy shops over the last eight years. Having prevailed in

the elections, we can now expect to see some or all of these approaches implemented. In sum, at least in broad strokes, this plan portends the future.

Part 1 - [Assessing New Normal](#)

Part 2 - [Explaining the Look-Back Measurement Method to Employees](#)

Part 4 - [Ryan Plan, "A Better Way"](#)

Part 5 - [Rep. Tom Price Plan\(s\): Future of ACA Week 5](#)

Part 6- [The Future of the Affordable Care Act Week 6: Focus on the Individual Health Insurance Market](#)

Part 7- [The Future of the Affordable Care Act Week 7: The American Health Care Act](#)

Part 8- [An Employer's Guide to the Collapse of the American Health Care Act](#)

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