Opportunities and Challenges for Healthcare Under a Trump Administration

In the weeks following the unexpected Trump victory, the healthcare industry has been abuzz with predictions about the president-elect’s plans. To help understand the shape of things to come, Sage Growth Partners (SGP) reached out to a number of experts from across the healthcare industry to gather their predictions on what the future may hold.
These experts discuss the imperfections of the ACA, and explain why cherry picking certain components of it—like the individual mandate—won’t work. Their recommendations include building on the existing health exchanges, expanding managed Medicare and Medicaid, selling insurance across state lines, and expanding the use of the PCMH model and value-based reimbursement models.

Can the ACA be repealed and replaced?

Republicans have been bent on dismantling the ACA, with roughly 60 attempts to repeal it during the Obama administration. Nonetheless, SGP clients felt that its immediate repeal would be unlikely, given that parts of the ACA cannot be dismantled without impacting costs and unbalancing the entire system.

“They will need to make sure they don’t inadvertently cause a cascade of unintended problems by undoing one part without the other,” said Kelly Price, Vice President & Chief of Healthcare Data Analytics at DataGen, a healthcare analytics and payment policy advisory company. “One of our big concerns is that the ACA included significant cuts to provider payments to help pay for the insurance coverage expansion. Repealing the coverage provisions without restoring payment rates to pre-ACA levels would significantly disadvantage the provider community.”

Michael Merson, an SGP advisor, senior consultant at Yaffe & Company, Inc. and retired President of MedStar Health, thinks that the large percentage of the U.S. population enrolled in government-based plans will make it challenging for Trump to cut health care costs significantly. “The ACA added about 22 million people to government rolls... When the Trump people get deeper into the economics of health care, they’re going to conclude that the demographics of the U.S. population will continue to necessitate either incentives or restraints on the provider system to materially increase efficiency and continue delivering value.”

David Manko, Partner, Rivkin Radler, a healthcare law firm, noted that any partial repeal of the less popular components of the ACA, such as the individual mandates, would have to be offset by other measures in order to prevent premiums from becoming even more expensive than they currently are.

He expects that the most tenable approach to repealing the ACA would be the legislative process known as reconciliation, which expedites the approval process. Further, he believes that the most effective way for Republicans to modify Medicaid would be through waivers. Section 1115 waivers would allow states to impose premiums and work requirements and limit specific procedures like IVF. Section 1332 waivers would permit states to modify insurance marketplaces and eliminate mandates, cost sharing subsidies, and exchanges if they improve access to high-quality, affordable insurance.

An imperfect ACA

At the same time, SGP clients acknowledged that the ACA in its current form is far from perfect. A key issue with the existing ACA, according to Price, is that insurers started by offering unrealistic premiums in the healthcare exchanges in part to capture initial market share.

Manko observed that the ACA’s goal of balancing sicker and higher-cost beneficiaries with younger, healthier beneficiaries has at least partially failed, leading to higher insurance premiums. Merson believes that the ACA also has failed to provide sufficient penalties to drive young people into the health insurance market, and would like to see a modified model provide them with better incentives or penalties to achieve higher enrollment numbers.

Hung Davis, MD, CMD, WCC, co-founder and CEO, Adfinitas Health, Maryland’s largest private hospitalist group, believes that the ACA’s appeals process is poorly designed.

Medicaid likely to move to block grants and defined benefits

The naming of Congressman Tom Price to head HHS makes it more likely that the new administration will seek Medicaid block grants to states and define contribution plans with subsidies based on age rather than income. Further, the appointment of Seema Verma as head of CMS could usher in Medicaid policies similar to those she helped implement in Indiana under Governor Mike Pence.

As the governor of Indiana, Pence accepted ACA funding to expand Medicaid health plans that are independent of government.”

Kelly Price
Vice President & Chief of Healthcare Data Analytics at DataGen, a HANYS Solutions Company

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Mike Pence.

Katy Caldwell, Executive Director, Legacy Community Health, a Federally Qualified Health Center (FQHC), pointed out, “For years, Republican governors have wanted Medicaid block grants. Now, with the majorities they have in both houses, that’s a possibility. Then it will be up to the states. It will be interesting to see what federal restrictions they’ll impose on these block grants.”

She and other FQHCs are deeply concerned about the impact of block grants on the people they serve, and noted that their patients share that anxiety.

McDaniel agreed that the majority of FQHCs are vulnerable under a Trump administration, because the dollars earmarked under the ACA for safety net programs are at risk. “They do, however, have longevity with patients and are key conduits of care,” he said.

Existing exchanges should be modified, not abandoned

Merson hopes that Trump will use the existing healthcare exchanges rather than abandon them. “There’s a real op
Medicare Advantage Plans will Increase

SGP clients generally agreed that Medicare Advantage plans are likely to grow under a Trump administration. According to Price, many people reaching Medicare eligibility have been in managed care plans most of their lives, making them more receptive to a managed Medicare strategy. “That could be a successful strategy,” he said. “It’s a matter of shifting power from providers to insurers.”

That could shift some of the balance of power from providers to insurers. Doug Mitchell, MD, MBA, co-founder and CEO, Adfinitas Health, stated, “Medicare may diverge from the trend to value-based reimbursement under a more market-based system. I can’t imagine that we don’t stay in some form of value-based care model. Too much work has been done by plans, large systems, and CMS not to move forward with some type of payment reform,” predicted Caldwell.

While Price observed that some Republican lawmakers dislike mandatory payment reform programs, like the Comprehensive Care for Joint Replacement (CJR) model, he hoped that they won’t be immediately rescinded. “Hopefully, it will take long enough for the new administration to tackle bundled payments to have some results under our belt from CJR,” she said. “If we can have enough information to determine how successful it’s been in lowering costs and maintaining or improving quality, then we can determine if we should tweak these types of programs, or do away with them altogether.”

McDaniel expects to see more pronounced winners and losers in the new administration. “I hope the focus on value continues. Inefficient providers will lose bigger in the future than they do now. Providers need to get their act together and plan for more risk.”

There’s a real opportunity not just to look at rolling back or reducing what’s called Obamacare, but to actually make great use of the exchanges that have been created at incredible cost.”

Michael Merson

Sage advisor, Senior Consultant, Yaffe & Company, Inc. and a retired President of MedStar Health.

She also said that the FQHCs are watching this issue closely. “Because most of our business revolves around Medicaid, we’ll be very diligent in watching what they do with Medicare and Medicaid reform. We’re making sure we reserve cash to weather any transition.”

“Value-based reimbursement should and will expand.”

Our experts agreed that the new administration is unlikely to abandon the trend to value-based reimbursement under a more market-based system. “I can’t imagine that we don’t stay in some form of value-based care model. Too much work has been done by plans, large systems, and CMS not to move forward with some type of payment reform,” predicted Caldwell.

The PCMH Model Works and Should Expand

The Patient Centered Medical Home (PCMH) model was lauded by SGP’s clients, who saw it as a proven approach to better care management.

“We have a ready-made, proven model in PCMH,” Merson noted. “Everything that’s been said over and over that should be done is frankly already in place in the CareFirst PCMH program. It has already been vetted through CMS in a one-year trial and has proven that it can work with a Medi-care population. The Blues should have been all over this model to figure out how to expand it on a nationwide basis.”

Davis believes Blue Cross plans will indeed push forward with PCMH. “They’re and committed to this model. I think they see it as saving a lot of money, so they may do that.”

That would be good for FQHCs, according to Caldwell. “If they go forward with PCMH for the delivery of care, health centers will be in a good place because we’ve all adopted those models. From a payment perspective, most of us have been moving towards the triple aim of cost, quality, and access, so we would be well positioned for that.”

Living Wills Should Expand

Merson advocated for mandating or incentivizing Americans to create living wills so that providers could know their end of life choices, “Their choices can be as much care as possible to respect their wishes for limitations on care. The problem today is that there are too few people inclined to have a living will that lets providers know what to do.”

The Takeaway

SGP clients clearly viewed that dismantling the ACA was unlikely, given that some 21 million Americans gained coverage under it, and that roughly 20 million more Americans remain uncovered. As Merson said, “The Trump administration has an opportunity to fix the ACA rather than repeal it.”

Given that many Republicans are bent on getting the government out of the mandate business, change is inevitable, and healthcare providers that are not prepared to take on risk and respond to market-oriented forces are likely more vulnerable. For those who move proactively to anticipate the shift, there’s an opportunity to rethink and rework what’s in place, with the possibility of greater innovation that could lead to some still needed reforms.

Interviewees

Don McDaniel
CEO, Continuum Health Alliance

Michael Merson
Sage advisor, Senior Consultant, Yaffe & Company, Inc. and retired President of MedStar Health

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Executive Director, Legacy Community Health

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Douglas Mitchell, MD, MBA
Co-founder and CEO, Adfinitas Health, formerly MDIC

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David Manko, Partner, Rivkin Radler

About Sage Growth Partners

Sage Growth Partners is a healthcare strategy, technology, and marketing firm. With deep roots in the business of healthcare, SGP delivers solutions to complex industry challenges.