THE ELECTION'S OVER. WHAT'S NEXT FOR HEALTHCARE?

The 2016 Presidential race is in the books. Despite winning the popular vote, HRC falls short and the future of Obamacare is called into question. What can the healthcare industry expect from President Donald Trump? And given his relative inexperience with – and potential disinterest in – "wonkish" healthcare policy issues, how personally involved will President Trump be in formulating and executing on his administration's policy agenda?

While it's early, here are 10 key healthcare turning points to look for under the new administration.

1

Repeal, or at least Roll Back, of the ACA

The showstopper piece of political theatre already being planned for media consumption in late January is going to be the substantial repeal of the Affordable Care Act (ACA). In the six years since its 2010 enactment, the Republicans have made over 60 attempts to repeal the ACA. But despite the "repeal" mantra, look for President Trump and congressional Republicans to unravel major elements of the ACA, rather than do away with it entirely. Targets are likely to include the individual and employer mandates, the minimum essential benefit requirements, and the independent Medicare Independent Payment Advisory Board. Look for debate in 2017 about how to address the lost access to care and whether to offer supplemental coverage to deal with it.

2

The End of the State Exchanges

The state insurance exchanges established under the ACA have already been languishing due to the limited involvement of unconvinced younger, healthier people who elected to pay penalties rather than purchase coverage, versus the sicker, older patient population that is unprofitable to insurers. Exchange-based subsidies to consumers are expected to be replaced by age-adjusted refundable tax credits for the uninsured and no risk mitigation subsidization for insurers. Look for the exchanges to die a slow death, if they are not killed outright in January.

3

Risk Shifting via Value-Based Care and Global Medicare Capitation

While it may get a new name to replace the ACA, President Trump is likely to continue and even accelerate the Medicare risk shifting to providers, particularly through the transition to value-based care across the hospital and post-acute care world. This will largely depend upon whether Trump names a professional healthcare manager or a governor/politician to head the Department of Health and Human Services. Assuming the former, look for celebration of the cost-reducing, quality-improving power of initiatives such as the Bundled Payment for Care Initiative (BPCI) and the Comprehensive Care for Joint Replacement (CJR) program. Expect expansion of bundled payment models to a broader range of procedures and to wide-ranging use nationwide. We believe that the inevitable march to global capitation for all Medicare beneficiaries is likely within three years as the major Trump health initiative and post-ACA repeal.

4

Support for HMO Mergers

In order to support the money-saving expansion of global capitation, the insurers will likely make the case that they need two things: (1) a federal mandate to offer national underwriting to supplant state-by-state regulation, and (2) support for larger national entities. We believe that the former will be shot down in Congress as overreaching into states' traditional regulatory power (with perhaps some limited exceptions to offer national plans to national accounts), but that the latter will likely be the result of a more laissez faire antitrust enforcement tact, including leniency on the two pending merger challenges involving Anthem and Aetna.

5

Scale back of Medicaid expansion

President Trump is likely to seek to cap federal contributions to the states to fund Medicaid coverage for low-income Americans, shifting to a "block grant" model. A Republican Congress is likely to support this move, along with shifting Medicare to a "premium support" model and raising the eligibility age to 67. This will put pressure on states to determine whether to preserve expanded eligibility and benefits. Look for Medicaid cutbacks to result in substantial losses of coverage for able-bodied adults in many states that had expanded coverage.

6

Tougher DEA Enforcement Against Physicians and Pharmacies for Opioid Abuse (and maybe Marijuana)

With the DEA "handcuffed" from enforcing federal laws on marijuana with increasing state decriminalization and the opioid crisis at epidemic levels nationwide, the new Trump Administration is likely to ratchet up the fight against prescription opioid abuse in all settings: interdiction against the rising problem of criminal importation and manufacture of narcotic opioids, more prosecutions of physicians and pharmacies for loose prescribing and dispensation practices (and non-use of monitoring resources), and more public health efforts to identify, prevent and treat addiction. Depending upon who is named Attorney General, this effort may well be expanded to attack recreational marijuana and loose state medical marijuana systems. If the Governor of Kansas is named Attorney General, look for rescheduling of marijuana to a regulated pain killing medicine for which a prescription is needed, and then a national move of marijuana into regular pharmacies with mass closures of 'pot stores.' Absent a hardline Attorney General, look for Congress to sway the day and keep the current "hands off" approach with continued delegation to states of the right to regulate marijuana as more pressing federal issues take up the national agenda.

7

Decreased Pressure on High Pharma Pricing versus a Clinton Approach

While drug overpricing has been a Democratic issue, the Republican Congress will become more hands off, allowing markets to set prices in the Pharma space. The small exception might be to enable Medicare to negotiate prices for high-cost, low-competition drugs under threat of price regulation. President Trump's populist bent is likely to put pressure on drug pricing by increasing competition, including by reducing the FDA biologic exclusivity period (from its current 12 years), directing the FDA to give prioritized, expedited review to biosimilar applications with limited competition in the marketplace, and accelerating the approval process for generics and other drug applications.

8

Expansion of Health Savings Accounts

The Trump Administration and Republican Congress are likely to promote the options of Health Savings Accounts (HSAs) that incentivize employees to control healthcare costs by allowing them to keep funds that go unspent. Employees get tax deductions (currently $3,350 individual/$6,750 family) and tax free distribution for qualified expenses, such as out-of-pocket deductibles, copayments, and prescription drugs. Look for the terms to be sweetened to incentivize more use of HSAs as a healthcare savings tool. This assumes, of course, that there is no massive overhaul of the IRS Code that would eliminate deductions and special credits generally.

9

Congressional Democrats Back for the Single-Payer Public Option (Universal Medicare)

While Bernie Sanders was lambasted by Hillary for advocating the costly expansion of Medicare into a universal, single-payer healthcare program, the unraveling of the ACA is likely to strengthen the call among congressional Democrats for a single-payer "public option" that will ensure expanded access. While the idea will get nowhere legislatively under a Trump Administration and Republican Congress, the death of the ACA is likely to fuel the rise of the more radical reform of single-payer in the Democratic platform in coming Presidential elections.

10

Continued stalemate in DC (re: all of the above)

Washington will become a more clearly-articulated three-headed monster as both the House (on budget and tax matters) and the Senate (on personal liberties and social issues) will assert themselves in different ways. We see the independent President Trump as largely indifferent or passive on most issues impacting healthcare once the showstopper of the ACA repeal is over, and, as a consequence, the traditional bickering of what to do next will likely pit the cost-conscious, religiously-motivated Republican House against the more socially conscious and liberal Senate on many fronts. This is likely to translate to revision of initiatives and uncertain enactment. As a result, while we have clarity on pieces of the executive agenda, we predict continued stalemate in DC over most matters in healthcare not covered by the initial roar to repeal the ACA.