

**AMCP WESTERN REGIONAL
CONFERENCE
UNIVERSITY OF THE PACIFIC**

HEALTHCARE REFORM

**Craig Stern, RPh, PharmD, MBA
President Pro Pharma
Pharmaceutical Consultants, Inc.
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OUTLINE

- **Current Situation**
 - Criticisms
 - Perspectives
- **Affordable Care Act (ACA)**
 - Highlights
 - Reforms
 - Challenges
 - Implications for Stakeholders
- **Unknowns?**
- **Opportunity!**

CRITICISMS OF CURRENT HEALTH CARE SYSTEM

- For Profit vs. Not for Profit
- Health Care Services
 - Overuse
 - Fragmentation
 - Overemphasis on Technology
 - Cream-Skimming
- Leading to High Cost, High Trend, High Utilization BUT Low Value

BROKEN HEALTH SYSTEM

- ❖ Rising Health Insurance Premiums
- ❖ Loss in Employer Coverage
- ❖ Drain on the Economy
- ❖ Low Scores on Key Health Indicators
- ❖ Growing Number of Uninsured
- ❖ Concentrated Health Markets



ACA HISTORICAL CONTEXT

	100 Years of Proposals	Activities
Early 1900s	Progressive platforms	National health insurance excluded from the final draft
1934-1939	New Deal	Social Security took precedence over health care benefits
1945-1950	Fair Deal	Labor split and AMA vigorously opposed
1960-1965	Great Society (Medicare & Medicaid)	AMA opposed creation of Medicare but lost the debate
1970-1974	Nixon vs. Kennedy	Competing plans split the cause
1992-1994	Clinton's attempt	Opposed by every major health care stakeholder group
2009-2010	Affordable Care Act	Legislation passed despite significant and continuing opposition

PERSPECTIVE: MEDICAID & MEDICARE PART D

- When Medicaid was implemented in 1966:
 - Only 6 states signed up initially
 - 27 states quickly followed
 - 11 more states in 1967
 - 8 states in 1970
 - Last state to adopt Medicaid was Arizona in 1982
- Upon rollout in 2005, Medicare Part D:
 - 27% understood the law
 - Only 21% were in favor of the law
 - Computer glitches in moving “dual eligibles” from Medicaid to Medicare

AFFORDABLE CARE ACT (ACA): HIGHLIGHTS

- ❖ Coverage
- ❖ Focus on Transparency
- ❖ Insurance Market Reforms
- ❖ System Efficiencies
- ❖ Delivery System Reform
- ❖ Focus on Prevention and Wellness

ACA HEALTH INSURANCE REFORMS

- ❖ Guaranteed Issue
- ❖ Community Rating
- ❖ Essential Health Benefits (EHB)
- ❖ Limits on Policies that Impose Cost Sharing

ACA DELIVERY SYSTEM REFORMS

- ❖ Accountable Care Organizations (ACOs)
- ❖ Value-Based Purchasing
- ❖ Readmissions
- ❖ Hospital-Acquired Conditions
- ❖ Bundled Payment Pilot
- ❖ Other Initiatives

IMPLEMENTATION CHALLENGES

- ❑ Tight Implementation Timeframes
- ❑ Scarce Administrative Funds (\$1B for ACA vs. \$1.5B for MMA)
- ❑ Complicated Statute
- ❑ Reality of Pre-ACA Market
- ❑ No single person in charge of IT Build
- ❑ Well-Funded and Fervent Opposition
- ❑ Significant Public Confusion
- ❑ Reluctant Governors
- ❑ Late start on Enrollment

PAYER IMPLICATIONS

- Payers / Purchasers
 - Direct Care Delivery Services to Doctors
 - Participate in the 85% MLR
 - Creating Clinical Networks / Narrowing Networks
 - Buying Physicians / Groups

EMPLOYER IMPLICATIONS

- Revenue / Fees / Taxes imposed on Insurers, PhRMA, and Device Makers will be passed on to consumers
- Reimbursement Rates to Hospitals/Providers likely to increase to compensate for Medicare cuts
- Provider Shortage
- Stop Loss Premiums Impact
- Health Improvement is Key
- Employees seeking information from Employers

POPULATION HEALTH

VOLUME TO VALUE

➤ **Hospitals**

- Employing Physicians
- Risk contracts
- ACO Experiments
- Creation of new health plans
- Vertical integration
- Greater emphasis on ambulatory and post acute

➤ **Physicians**

- Aggregating aggressively into IPA's, Medical Groups
- More risk
- Employed by plans and hospitals

UNANSWERED QUESTIONS

- ❑ Will Exchange Enrollments hit targets? Newly or already Insured?
- ❑ Will Enrollees figure out how to pay their Premiums and Copays?
- ❑ Will we have enough PCPs?
- ❑ Will Hospitals see No Pay convert to Some Pay?
- ❑ Will Hospitals learn how to Take Risk?
- ❑ Will Private Exchanges change the face of Managed Care?
- ❑ How will we Pay for all this Change?



OPPORTUNITY KNOCKS

- **Maximum Therapeutic Benefit**
 - Masters of Decision Analysis
 - Masters of Critical Appraisal
 - Information Sharing
- **Minimum Acceptable Risk**
 - Utilization Management
 - Collaboration with other Providers
 - Communication with Patients
- **Affordable Cost**
 - Comparative Cost Analyses
 - Cost-Effectiveness
 - Affordable Options



REFERENCES

- 2014 Health Care Forecast Conference, UC Irvine, The Paul Merge School of Business
- HealthCare Partners / DaVita HealthCare Partners, Inc.
- CRT Capital

Pro Pharma Pharmaceutical Consultants, Inc.

P.O. Box 280130
Northridge, CA 91328-0130
(818) 701-5438
(818) 701 - 0249 Fax

Email: craig.stern@propharmaconsultants.com

...or Visit Our Website at:

www.propharmaconsultants.com

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