

Scoring Health Reform Options

“Most of it doesn't add up to much that I could relate as a way of life that you'd approve of...”
h (Jack Nicholson, Five Easy Pieces, 1970)

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Highlights

- Simulation Scoring Objectives & Challenges
 - Levers that Matter
 - ARCOLA Simulation Model
 - Preview estimates
 - Senate Finance Committee (to date)
 - Sens. Coburn, Burr and Reps. Ryan, Nunes
 - Debits & Credits
 - There's an extra Trillion
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Scoring Objectives

- Federal government cost of reform (1 & 10 year)
 - Tax credits, deductions, vouchers, subsidies, system investments, direct service provision.
 - Federal government revenue generated
 - Taxes and fees collected – usually from change in tax law for individuals and corporations.
 - Change in insured/uninsured
 - System wide impact (non-tax \$\$\$ effects placed upon stakeholders – positive & negative)
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Scoring Challenges

- ❑ Inter-related set of factors that play on each over time – dynamic simultaneous equations
 - ❑ Little true data to be used to predict response from comparable experiments or demonstrations
 - ❑ Few actual ‘levers’ to test effect based on real data
 - ❑ Little peer review and few colleagues that are not ‘conflicted’ or ‘private’ or ‘non-transparent’
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Levers that Matter

- Credits/Deductions/Subsidies
 - Insurance Choice Set
 - Plan Design
 - Premiums in the Real World
 - State-specific factors
 - Growth rate & inflation
 - Income-related points of inflection
 - Out of Sample Land - Missing data assumptions
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Policy Proposal Simulations

*Impacts simulated by the ARCOLA
(Adjusted Risk Choice & Outcomes
Legislative Assessment) model*

What Does ARCOLA Do?

- ARCOLA models national health plan take-up from policy proposals in the individual and group markets
 - Unique combination of attributes:
 - Uses MEPS for simulation weights
 - Choices based on claims from 4 large employers matched with employee demographics and plan choices
 - Includes HRA/HSA choice data in model
 - Risk-adjustment (Hopkins ACGs) used to predict both individual and group market premiums
 - Model is iterative
 - Can identify premium elasticity response to policy options for specific plan choices and the uninsured
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From ARCOLA: What if we let the status quo persist (*millions*)

Year	Our Sample Uninsured	Projected Total Uninsured
2005	34	44
2009	39	50
2010	40	52
2011	41	55
2012	43	57
2013	44	58
2014	45	60
2015	46	61
2016	47	63
2017	48	64
2018	49	65

2009 Senate Finance Committee

- Big Caveat: There is no comprehensive plan to yet score.
 - Major Policy Components Scored:
 - Public Plan as FEHBP (BCBS-Style PPO)
 - Public Plan as a Commercial Low-option PPO
 - Regional insurance exchanges
 - Individual mandate
 - Focus on:
 - Impact of credits on uninsured
 - Federal cost to achieve Massachusetts level of uninsurance (~3%)
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2009 The Patient's Choice Act

- Using the ARCOLA model, we predict the effect of the Sens. Tom Coburn (Okla.) and Richard Burr (N.C.), as well as Reps. Paul Ryan (Wisc.), and Devin Nunes (Calif.)
 - Major Policy Components Scored:
 - Recover employer tax exclusion for funding
 - Tax credit: (\$5.7K families, \$2.3K individuals)
 - Regional insurance exchanges
 - Focus on:
 - Impact of credits on uninsured
 - Tax subsidy redistribution
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Senate Finance Committee Plan

- Uninsurance is reduced by
 - FEHBP Public [____] % or ~ ____,000,000
 - Massachusetts Public [____] % or ~ ____,000,00
 - 2010 annual cost of public plan:
 - FEHBP Public \$____,000,000,000
 - Massachusetts Public \$____,000,000,000
 - Ten year cost:
 - FEHBP Public \$ ____,000,000,000,000
 - Massachusetts Public \$____,000,000,000,000
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Coburn/Burr/Ryan/Nunes Results

- Uninsurance is reduced by []% to cover approximately ____,000,000
 - Subsidy - Tax Recovery = Net cost:
 - ____,000,000,000 subsidy to the individual market
 - ____,000,000,000 subsidy to the ESI market with
 - Tax recovery of ____,000,000,000 billion
 - Net cost: \$____,000,000,000 (annual)
 - Net cost: \$____,000,000,000,000 (10 year)
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Debits (costs) & Credits ('pay-fors')

□ DEBITs to Federal Government:

- Tax credits/vouchers
- High risk pool subsidies
- Public plan IF COUPLED with individual mandate.
- Health IT purchases

□ CREDITs to Federal Government:

- Untaxed employee wage substitute artifact of WWII
 - Tax (a la Senate Finance Committee) sin & non-profits
 - Rationing through supply (fee schedules & 'saying no')
 - Rationing through price (remove premium supports)
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There's an Extra Trillion – A 12 Step Process to have: **Expansion**/**Efficiency**/**Health IT**/**Quality** for **FREE**

1. Appoint CMS Administrator (Yo! Its June, 2009 and \$350B already got spent)
 2. Executive Order to change Part A & Part B payment by 2010
 3. Identify 90% of HCPC procedures to pay in **4 days or less**
 4. Create 50 experimental **Global DRGs** with opt-in **hospitals + MDs**
 5. Accelerate Part A & Part B carrier/intermediary conversion
 6. Require new A/B processors to use **financial services fraud blocks**
 7. Require **minimal clinical metrics** for **fraud detection signal**
 8. Turn on new system by July 1, 2010; opt-in MD payment in 4 days
 9. Have 18 month phase out of old system
 10. Real-time CMS site tracks **\$60 billion/yr. of suspected fraud saved**
 11. Use **clinical metrics** to create & enhance prices for **quality/value**
 12. Deploy in Medicaid, FEHBP, DOD for remaining **\$40 billion/yr.**
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