Health Care Newsmakers J. Bradley Wilson & Michael M. Dudley

04.05.2017

We are fortunate to have two industry leaders, J. Bradley Wilson, President and CEO, Blue Cross and Blue Shield of North Carolina, and Michael M. Dudley, President and CEO of Optima Health and Senior Vice President of Sentara Healthcare, provide the insurance industry's perspective on health reform.

J. Bradley Wilson, President and CEO, Blue Cross and Blue Shield of North Carolina

1. **With "Repeal and Replace" at the forefront of the post-election debate, what are some options to replace the Affordable Care Act (ACA) without reducing access?**

   It is important that we not jeopardize access to health insurance and health care no matter what happens with this new round of reform. Any legislation must ensure a smooth transition so that the millions of Americans with coverage do not fall back into the ranks of the uninsured.

   How we accomplish that is a challenge. The ACA did expand access, but it also did little to address costs. That increased access must be preserved in the transition to whatever new system we have.

2. **There was much discussion over the last year about the rising ACA insurance rates. Short of rationing, what are a few things that insurers, employers and patients can do to try to better manage health care costs?**

   Rising ACA rates have grabbed a lot of headlines, but the real issue is the underlying cost of providing medical care. There are a lot of things driving health costs higher including waste and inefficiency in the system, our fee-for-service payment structure that rewards more tests and procedures instead of quality and outcomes, the soaring prices of prescription drugs, and our unhealthy lifestyles.

   Insurers are taking a number of steps to address the cost challenge. For example, at Blue Cross and Blue Shield of North Carolina, we are making the costs of various medical

procedures available on our website so that consumers can compare hospitals and doctors on price and quality. We are also collaborating with doctors and hospitals to reward them for hitting quality standards. Employers are embracing narrow networks where their employees have incentives to choose certain providers with a history of high quality and reasonable cost. Two things we all can do are take advantage of tools and resources to make good decisions about our care, including the cost, and make sure we live healthy lifestyles.

3. **What are some successes and shortcomings which we saw with the Exchanges and Medicaid expansion under the ACA?**

   The success with the exchanges is that millions more Americans have health care coverage today. The shortcoming is the cost. To give you an example, our company was paid $131 million in premiums from the top five percent of ACA customers with the highest claims in 2016. However, it paid $1.08 billion in claims to cover their expenses. That is unsustainable. The ACA population continues to be much higher-cost than other lines of business, and this is true for all insurers that are participating in the ACA.

   Medicaid expansion was intended to help extend coverage to even more people as part of the ACA. There are thousands of North Carolinians with incomes too low to qualify for an ACA subsidy and who also do not qualify for Medicaid. We all pay when hospitals treat patients who cannot afford it, as hospitals are required to do when the patient shows up in the emergency room.

4. **Many in the GOP seem to be suggesting that "replace" take the form of a high-deductible plan (perhaps without premium subsidy) with a tax deductible Health Savings Account. Will that be a practical alternative for a family of four of moderate means? What could be done to make it more affordable?**

   High-deductible health plans are becoming more popular as a way for consumers and employers to better manage the rising cost of health coverage. They do give consumers good options and get them more involved in managing health care expenses. Contributions to the health savings account are not taxed, and these plans are portable for people who change jobs. Whether they are practical for a family of four depends on the family's income and the amount their employer contributes to the HSA.

   If these plans replace current ACA plans, it will be essential to consider how health savings accounts are funded. Many people simply do not have the money to set aside in savings for health care while juggling retirement savings, paying for college educations and managing other bills. Today many consumers depend on their employer to help contribute to health savings accounts.

5. **If you could write the new "replace" law, what would be two or three key elements?**

   Any change in the ACA must start by ensuring a smooth transition to the new law, and it

must include ways to address rising health care costs. The only way to make health care work is to solve our unsustainable rise in costs.

Getting to the new law requires a lengthy process. At Blue Cross, our commitment to our customers is that we will remain engaged in the discussions, continuing to meet with leaders in Washington and Raleigh. Our focus is on making sure our customers have access to high-quality health care while protecting their financial well-being.

Michael M. Dudley, President and CEO of Optima Health and Senior Vice President of Sentara Healthcare

1. **Please tell us a little bit about your company and how the uncertainty around health reform affects your efforts to expand its footprint in Virginia and other markets?**

Optima Health, a division of Sentara Healthcare, serves 445,000 health plan members in Virginia and Ohio. With more than 33 years of experience, Optima offers health plan products to employer groups, individuals on the Federal Exchange, Medicaid and Medicare. Optima is a not-for-profit, 501(c)(3), organization with annual revenues of $1.6 billion.

The Affordable Care Act ("ACA") enacted in 2010 provided Optima with opportunity to grow in the individual market, but it also introduced significant risk and uncertainty in the marketplace. The risk and uncertainty will continue for the next several years as major changes to the law are developed and implemented.

Notwithstanding the uncertainty, Optima plans to continue to provide coverage and service to our members with its hallmark customer service. In fact, our intention to grow in and out of Virginia is on track.

2. **With "Repeal and Replace" at the forefront of the post-election debate, what are some options to replace the Affordable Care Act ("ACA") without reducing access?**

With the news on the afternoon of March 24 of the withdrawal of the House GOP's plan to repeal and replace the ACA, the obvious question is what are the next steps. Will President Trump really move on to tax reform and not continue to work on health care reform? Will the Republicans give up? Will some moderate Democrats come to the table? All of these questions have been asked since the House GOP's decision. No one really knows what the next steps will be, but most believe that health care is still high on the agenda. It is only a matter of time. With that in mind, here are some thoughts about the "repeal and replace" agenda.

First, let's size the situation. Between employer-provided health insurance and Medicare, over 200 million Americans are well covered and very pleased with the health insurance they

have. For these people, there will be little, if any, change. The effort to “repeal and replace” the ACA is focused on Medicaid which serves 75 million Americans and the 12 million who have coverage through Federal or State Exchanges. Admittedly, there are still 30 million Americans who do not have coverage, so the ACA goal of 100% of all Americans with health insurance is still a goal to be achieved.

Clearly, the ACA has not lived up to expectations. Options for replacing the ACA need to be evaluated in light of the probability of achieving the illusive goals of coverage for all at a cost that is affordable – affordable to people buying health insurance, and affordable to the taxpayers who assist those who are not able to afford insurance at any price.

Access to care and access to coverage are two different issues. Almost all Americans have access to care. Many doctors provide services without charge, and all hospitals are required by law to care for anyone who presents at an Emergency Department.

The real issue is access to coverage. The proposals for “repeal and replace” need to do three things to assure those covered now are able to have continuous coverage. First, there must be a transition period of 24-36 months during which time the rules for neither individual coverage on the Federal Exchange nor Medicaid change. Second, when the change occurs, individuals who currently qualify for assistance in payment of premiums and high deductibles still need to receive assistance. And third, with the mandate that all Americans must obtain health insurance repealed, there must be high risk pools established to mitigate the risk insurance carriers face due to the continuation of guaranteed coverage for anyone with pre-existing conditions. Enactment of these features and others designed to promote coverage will address the issue of access to coverage.

3. **There was much discussion over the last year about the rising ACA insurance rates. Short of rationing, what are a few things that insurers, employers and patients can do to try to better manage health care costs?**

To increase the number of Americans with coverage, the key is to make health insurance affordable. Attacking insurance companies for the high cost of insurance premiums is like swinging an axe at the tree tops and expecting the tree to fall. The axe needs to be swung at the roots for the tree to come down. Likewise, more attention must be given to the root cause of the high cost of health insurance – the high cost of medical and pharmaceutical services.

That is not to say that doctors and hospitals charge too much. Rather, it is to say that Americans consume more health care services than is necessary. Americans must take better care of themselves – over-eating, sedentary lifestyles and substance abuse cause most chronic disease and drive utilization of health care services. On the other hand, healthy eating, active exercising and significant reduction, if not elimination, of tobacco, alcohol and harmful drugs result in wellness. Each American controls the most significant factors that promote health or cause disease. Improving health of our population through active

engagement of each person in his/her health promotion is the best solution set for addressing the high cost of health care. Better health results in lower utilization of services, which results in lower costs.

Employers can encourage and incent employees to take their health seriously and engage in healthy lifestyles. What's in it for employers is a more productive workforce. Health plans can support members to engage in healthy lifestyles by incenting such behaviors and providing trusted information on how to achieve health, and when care is needed, transparent information on where to obtain high quality cost effective care.

4. **It is often suggested that health care costs can be controlled simply by permitting insurers to "cross state lines" to sell their products and compete. While that may be practical in life insurance and car insurance markets, how would it work in the health insurance market?**

   Even if less expensive benefit plans (i.e. less coverage) approved by the Bureau of Insurance in State A could be sold across state lines in State B without State B's Bureau of Insurance approval, the fact is that a health plan must have a competitively priced provider network in State B in order for the premiums to be affordable in the State B marketplace. More important than the benefit plan designs approved to be sold are the contracts a health plan has with doctors, hospitals, pharmacies and other care givers. Without market-based provider contracts and the ability to assure appropriate utilization of services, an out-of-state insurance company will not be able to offer affordable premiums in another state.

   The result will be a situation in which legislators will have delivered on a promise, but the market reality will be that the goal of providing affordable coverage will not have been achieved. Hence, few, if any people will buy a policy in State B that is approved in State A just because the law permits selling across state lines.

5. **What are some successes and shortcomings which we saw with the Exchanges and Medicaid expansion under the ACA?**

   Success:

   - 20 million Americans have coverage today they didn't have before the ACA.

   Failures:

   - There are still 30 million Americans without coverage.
   - Premiums for all health plans have skyrocketed.
   - Millions of Americans had to switch doctors and change their benefits.
   - Deductibles and co-insurance are higher than most Americans can afford and result in bad debts

for doctors and hospitals.

6.

Many in the GOP seem to be suggesting that “replace” take the form of a high-deductible plan (perhaps without premium subsidy) with a tax deductible Health Savings Account. Will that be a practical alternative for a family of four of moderate means? What could be done to make it more affordable?

While it is counter-intuitive, there is some evidence that lower income people will make modest contributions to an HSA and, more importantly, change the way they obtain health care services.

Indiana introduced an HSA feature to their Medicaid plans and required beneficiaries to make a modest contribution in to the HSA account. Experience shows that 65% of individuals earning less than 23% of the Federal Poverty Level (FPL) make a contribution. Emergency Department utilization is down by 30% and utilization of preventive services such as cervical and breast cancer screening is up.

If the results in Indiana’s Medicaid program is a predictor of things to come, then there is some validity in considering HSAs as an element of the “replace” plan.

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