Repeal or Scale Back The Affordable Care Act

- President-elect Donald Trump vowed to repeal the Affordable Care Act (ACA) as soon as he takes office. A number of Republicans, including House Speaker Paul Ryan of Wisconsin, are calling for a quick repeal of the law as soon as Donald Trump takes office in January of 2017.
- The Republican Party does not have the 60 seats in the Senate needed to repeal the ACA outright and is subject to Democratic filibustering. They may dismantle the ACA in phases through reconciliation (defunding certain programs) which only requires a simple majority.
- House and Senate leaders will likely work with President-elect Donald Trump in the coming months to dismantle the law over the next year and replace it with their own ideas for how to regulate the healthcare industry.
Ideas for Changing Healthcare in America

Proposed ideas include:

• Lifting mandates that individuals have coverage and that companies with 50 or more employees provide workers with affordable insurance.
• Eliminating funding for Medicaid expansion.
• Canceling a multitude of Obamacare-related taxes.
• Phasing out Medicare and replace with a premium support program including Medicare and private plan alternatives.
• Raising the Medicare eligibility age to 67.

Impact on Hospitals

Hospitals Are Down

• Shares of HCA Holdings Inc., the nation’s largest hospital company, were down 12% the day after the election from the prior day’s close.
• Tenet Healthcare Corp. was down 23%.
• Community Health Systems Inc. was down more than 20%.
• Universal Health Services Inc., which operates acute-care and behavioral health hospitals, was down 6.2%.
Impact on Hospitals (cont.)

Accountable Care Organizations (ACO’s)

• Hospitals currently operate on thin margins.
• If ACA is repealed, hospitals may no longer receive sufficient funding for ACO programs.
• However, the Trump administration may take a close look at those programs to determine whether they are saving money as promised.

Impact on Hospitals (cont.)

Medicaid/Medicaid Expansion

• If Medicaid Expansion is repealed or scaled back, hospitals would lose revenue.
• Trump plans to turn Medicaid into a block grant program in which states would get a fixed amount of federal funds to cover low-income residents.
  − May give states more flexibility to design programs to cover their residents.
  − May limit overall funding for Medicaid.
• May reduce the number of Medicaid benefits or number of Americans covered by the program, driving up uncompensated care rates at hospitals in impoverished or rural communities.
Impact on Hospitals (cont.)

- In the short-term, hospitals may freeze or limit capital spending, increase mergers, acquisitions and strategic alliances.
- Hospitals may increase lobbying efforts.
- No one likes uncertainty.

Impact on Independent Physician Groups

- There may be a trend back towards traditional fee-for-service reimbursement instead of bundled payments/value-based healthcare.
- If recent regulations and requirements for reimbursement associated with the ACA are decreased, there may be less pressure for physicians to participate in ACOs and it may be easier to remain independent.
- There may be a decrease in patient volume if the number of insured patients decrease when some or all of the ACA is repealed, but many physician groups were not accepting healthcare exchange patients due to poor reimbursements.
Impact on Insurance Companies

- Stock prices for UnitedHealth went up 0.4% the day after the election and competitors Anthem, Cigna, Humana and Aetna saw gains.
- Insurers participating in the state’s ACA exchange may lose thousands of new members.
- Insurance companies may or may not again refuse coverage for preexisting conditions, a key barrier to coverage before the ACA coverage expansion if allowed by the new administration.
- Many insurance companies still intend to participate in this year’s open enrollment as planned, but they would like to see changes to the existing health care law in order for it to be sustainable.

Impact on Insurance Companies (cont.)

- Trump proposes to modify existing law that inhibits the sale of health insurance across state lines.
- If the plan purchased complies with state requirements, any vendor may be able to offer insurance in any state.
- Allowing more competition in this market may drive insurance costs down.
Impact on Pharmaceutical Industry

- Immediately after election, biotech/pharmaceutical stocks surged due to expectation that there will be less scrutiny/action over high drug prices compared to Clinton.
- However, Trump administration has stated commitment to reducing drug prices by allowing importation of drugs from other countries, Medicare negotiating drug prices with companies directly, and price transparency, which has not been favored by pharmaceutical companies.
- Decreased number of insured patients from ACA repeal may lead to decreased market for expensive drugs.

Impact on Individuals Seeking Insurance

- Overall impact on healthcare premiums/cost for consumer is still unclear.
- Insurance coverage may be sold from out of state which may lead to decreased premiums due to increased competition.
- May allow health insurance premiums to be deducted from tax returns.
- However, without Marketplace subsidies, cost may go up for some.
- Trump stated last week that popular reforms from ACA such as allowing children to remain on parents’ health plans until age 26 and preventing denial for pre-existing conditions will likely stay.
- Penalty not really enforced – with no pre-existing conditions, what stops a person from not getting insurance until they are sick?
Impact on Individuals Seeking Insurance (cont.)

Health Savings Accounts

- Trump plans to promote tax-advantaged HSAs to encourage consumers with high-deductible health plans to set aside money for out-of-pocket healthcare costs.
- HSAs may reduce healthcare spending by causing consumers to avoid medical care altogether, not by encouraging them to price shop.

Impact on Employers

- Trump may end employer mandates that require employers provide insurance for employees or pay a penalty.
- Employers with more than 50 full-time employees may no longer need to provide benefits to at least 95% of their employees.
- However, it is possible that the government may tax employer health benefits to provide revenue for subsidies and help control overall healthcare spending.
Questions?

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