The Affordable Care Act aimed to increase health insurance coverage by creating health insurance exchanges, offering financial help with premiums, expanding eligibility for Medicaid coverage, and implementing a range of health insurance market reforms. As a result of the law, about 20 million people have gained insurance coverage.

However, the law has been controversial since its inception and Congress and the new Administration have committed to repeal and replace it. The challenge is how people with diabetes and their providers should be aware of the implications that these changes will have on this important population.
The Fate of the Affordable Care Act: Implications for People with Diabetes and Other Chronic Conditions

Avalere Health | An Inovalon Company
February 17, 2017

Landscape of New Administration

New Balance of Power Suggests Potential Focus on Capped Spending and Increased Flexibility

CONGRESS IS LIKELY TO PURSUE REFORMS THAT SEEK TO:

- Cap Federal Healthcare Spending and Cost Growth
- Offer More Flexibility to Private Sector and States

- Initiatives to contain healthcare cost growth and limit spending could implicate changes to the employer tax exclusion, Medicare, or Medicaid programs
- Congress is likely to pursue opportunities to grant additional flexibility to states and provide more relaxed regulation for health plans

Incoming Administration Is Balancing Numerous Priorities on Timing, Substance of ACA Repeal

- Public opinion supports repeal, though many consumers like select ACA elements
- Pressure to deliver on campaign promises is high
- The President continues to emphasize near-term action tying repeal and replace together
- Republicans can lose only 2 votes in Senate
- No clear consensus at this time
- If repeal does not provide adequate funding for replace, difficult choices for offsets will follow
- ACA supporters beginning to mobilize, will spotlight adverse impacts

Speakers and Agenda

<table>
<thead>
<tr>
<th>NAME</th>
<th>TITLE</th>
<th>AFFILIATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marc Boutin, JD</td>
<td>Chief Executive Officer</td>
<td>Avalere Health</td>
</tr>
<tr>
<td>Kelly Brantley, MPH</td>
<td>Vice President</td>
<td>Avalere Health</td>
</tr>
</tbody>
</table>

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Landscape of New Administration  Scenarios for ACA Repeal  Options for Replacement  What's Next?
While Many Prominent ACA Provisions May Be Repealed, Some Policies Are Likely to Remain

**IPAB was not repealed in the 2015 reconciliation bill based on the ruling of Senate Parliamentarian.**

Mandates
- Prevention for the individual and employer mandates
- Financial Assistance: Premium tax credits and cost-sharing subsidies
- Tax-Related Provisions: Exclusions, medical device tax, health insurance tax, pharma/mac company tax
- Small business tax credit
- Medicaid tax increase for high-income individual

**DSH Cuts:**
- Reductions to DSH payments
- Medicare tax increase for high-income individuals
- Small business tax credit
- Cadillac tax, medical device tax, health insurance tax

**Tax-Related Provisions:**
- Premium tax credits and cost-sharing subsidies
- Penalties for the individual and employer mandates
- Pharmaceutical company tax

**Options for Replacement**

- Essential Health Benefits (EHB) requirements
- Center for Medicare & Medicaid Innovation (CMMI)
- Medicaid expansion

**ACA Provision Replace Concept Key Considerations**

**Common Themes to Replace ACA Provisions Emerge Across Proposals**

<table>
<thead>
<tr>
<th>ACA Provision</th>
<th>Replace Concept</th>
<th>Key Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual / employer mandates</td>
<td>Guaranteed issue during set open enrollment periods or in all states</td>
<td>Individual / employer mandates have not always worked. Requires people to choose coverage in a way that is friendly to patients</td>
</tr>
<tr>
<td>51 age rating</td>
<td>51 age rating or higher</td>
<td>Increase premiums to levels that may be unaffordable to older enrollees and discourage older enrollees from enrolling</td>
</tr>
<tr>
<td>Significant insurance market reforms</td>
<td>Preserve access, but set all market reforms (e.g., dependent coverage to age 26, as before 2010)</td>
<td>Markets do not specify member requirements around NOS/NOB so plans can potentially choose to reduce benefits</td>
</tr>
<tr>
<td>Consumer need purchasing insurance in the marketplace</td>
<td>Consumers may purchase insurance from a variety of different companies</td>
<td>Potential to undermine state patient protections and increase the competition for individual and employer contracts</td>
</tr>
<tr>
<td>State risk pools with mandatory supported risk adjustment program</td>
<td>State-based high risk pools with some federal funding</td>
<td>Can limit savings and result in high costs for patients</td>
</tr>
<tr>
<td>Income-based tax credits and medical COOPs</td>
<td>Fixed dollar subsidy for purchase of insurance with incentives to use HSAs</td>
<td>Lowers plan affordability for patients with chronic healthcare needs</td>
</tr>
</tbody>
</table>

**AHA Replacement Plans Often Address Similar Elements**

- Individual and Employer Mandates, Other Coverage Incentives
- Health Insurance Market Reforms
- Sale of Insurance Across State Lines
- Medicaid Block Grants or Per Capita Cap Funding Approaches
- ACA Taxes, Tax Credits, Employer Tax Exclusion
- State High-Risk Pools, Use of HSAs

**Health Saving Accounts and High-Risk Pools Might Offer Pathways to Improved Access for Patients**

- Health Savings Accounts (HSAs)
  - Republicans and conservative thought leaders consistently call for utilizing and expanding HSAs
  - HSAs are a central component of nearly every recent GOP replacement proposal
  - As currently implemented, HSAs are unlikely to meet the needs of patients with chronic healthcare needs
  - The flexibility offered by an HSA-type funding approach for subsidies could potentially reduce spending and benefit the individualized needs of patients

- High-Risk Pools (HRPs)
  - Prior to the ACA, HRPs were a source of insurance coverage for high-cost patients
  - Among current proposals, $25 billion for HRPs is included in two of four recent plans
  - In the past, HRPs often struggled to meet the needs of patients and program funding did not meet demand
  - Embedding an HRP for high-cost patients within the overall market may help stabilize the market and maintain access to coverage for patients
A Spectrum of Medicaid Changes Are Possible in 2017

<table>
<thead>
<tr>
<th>Less Likely Reforms</th>
<th>Most Likely Reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repeal Medicaid expansion under the ACA. The federal funding could potentially be phased out over a transition period.</td>
<td>Reform Medicaid financing to either a block grant or per capita cap approach.</td>
</tr>
<tr>
<td>Stakeholders and Republicans have proposed a range of other Medicaid reforms, including enrolment Medicaid beneficiaries in individual market coverage through premium assistance.</td>
<td>Particularly if Medicaid expansion remains intact, the Trump administration could provide additional flexibility to states through waiver arrangements.</td>
</tr>
</tbody>
</table>

Governors Have Called for a Range of Additional State Flexibilities in Medicaid

- **Premiums**
  - Require Medicaid beneficiaries to pay a premium to be enrolled.

- **Cost Sharing**
  - Require greater levels of cost sharing than under current rules.

- **Program Lockouts**
  - Enact a lockout period for when beneficiaries miss payments.

- **HSAs**
  - Use HSAs and require beneficiaries to contribute to the HSAs.

- **Job Search / Work Requirements**
  - Require beneficiaries to meet job search or work requirements to gain coverage.

- **Benefits**
  - Allow states to design Medicaid benefit packages with fewer federal benefit requirements.

The Debate on Drug Prices Continues, though Threat of Significant Reforms May Be Reduced

- **Uncharted Territory**
  - President Trump has repeatedly stated his intent to lower drug prices.
  - Congressional/Republicans would not generally be inclined to drive major govt’s role in setting prices.
  - With growing political pressure, it’s unclear how Congress will react to any administrative proposals / actions or efforts to compromise with Democrats.

- **States and Pay-Fors Create Additional Pressure**
  - 10 states and Congress introduced drug price transparency legislation in 2016, and 7 states have begun to consider similar measures in 2017.
  - “Pay-for” needed to fund other initiatives or legislative initiatives focused on addressing health care costs, including drug pricing.

- **Drug Prices**
  - The public, a range of stakeholders, and bipartisan policymakers continue to focus on drug prices.
  - President Trump has publicly supported drug importation and negotiation during the campaign.
  - These concepts are not necessarily limited to Part D, and may also involve Part B or entire market.

The NHC Has Launched a Project to Investigate Policies to Bend the Healthcare Cost Curve

**Task 1: Determine the Universe of Prominent Policy Proposals**
- Conduct assessment of current policy debate to identify most prominent policy proposals to address health care costs, including drug pricing.

**Task 2: Draft Domains and Values**
- Develop domains and values to serve as a guide for the evaluation of policy proposals and for gap identification.

**Task 3: Analyze and Prioritize Proposals**
- Conduct preliminary analysis of the proposals and prioritize them.

**Task 4: Assess Policy Proposals (ongoing)**
- Evaluate policy solutions on their potential for cost savings and political feasibility.

**What’s Next?**

- Drug price transparency
- FDA reforms
- Private sector innovative contracting arrangements (e.g., outcomes-based contracting)

- Drug importation
- Medicare price negotiation

- Government price regulation / price controls

**Spectrum of Potential Reforms Possible, While Others Less Likely to Be Pursued**

- Some policies and trends are likely to continue
  - Major drug pricing reforms are less likely to be pursued

- Other policies could potentially be considered
  - Government price regulation / price controls

- What’s Next?
### Repeal and Replace Options Raise Different Issues for Stakeholders

<table>
<thead>
<tr>
<th>Patients</th>
<th>Health Plans</th>
<th>Providers</th>
<th>Manufacturers</th>
</tr>
</thead>
<tbody>
<tr>
<td>How will sources of coverage change?</td>
<td>What risk remains in the market and what tools will issuers have to manage that risk?</td>
<td>Will the focus and pace of payment and delivery reform change?</td>
<td>What “pay fors” will industry face?</td>
</tr>
<tr>
<td>How many patients may lose coverage?</td>
<td>How will consumers respond to market changes?</td>
<td>How will changes in insurance coverage impact provider finances?</td>
<td>How will patient access to medications be affected?</td>
</tr>
<tr>
<td>Will financial assistance (e.g., tax credits) be sufficient?</td>
<td>What level of federal financial support will be available to stabilize the market?</td>
<td>What level of choice will be available in the market?</td>
<td>What “pay fors” will industry face?</td>
</tr>
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### Debate on ACA and Other Healthcare Issues Will Occur As Issuers Prepare for 2018 Exchange Plan Year

#### TIMELINE OF 2017 KEY EVENTS

- **January 20, 2017**
  - Inauguration Day
- **February 28, 2017**
  - State of the Union address
- **June 2017**
  - IPAB trigger determination
- **March 15, 2017**
  - Debt ceiling expires
- **Summer / Fall 2017**
  - PDUFA reauthorization
- **September 30, 2017**
  - End of FY 2017
- **February 15, 2017**
  - Issuers Submit Rates for 2018 Exchanges
- **August 1, 2017**
  - 2017 Exchange Open Enrollment begins
- **November 1, 2017**
  - 2018 Exchange Open Enrollment begins
- **November 14, 2017**
  - President releases FY 2018 budget proposal
- **November 30, 2017**
  - IPAB determines 2017 IPAB trigger
- **December 11, 2017**
  - President’s FY 2017 budget released
- **February 26, 2018**
  - 2018 Exchange Open Enrollment ends

### The Current Environment Requires Preparation, Prioritization, and Proactive Engagement

- Identify potential policy change
- Understand the impact on patients
- Develop analytic evidence
- Agree on priorities
- Advocate and shape the policy outcome