

## **Jan 22, 2013 Senate Select Committee on PPACA – National Affordable Healthcare Act**

Meeting opened with Dr. Jonathan Gruber, Health Economist and driver of the PPACA legislation from Massachusetts Institute of Technology

Dr. Gruber opened by saying that this legislation ended the ability of insurers to discriminate in providing coverage

The bill ends the fact that insurers can Exclude them from coverage or surcharge them on their health

There were those that said You can't tell insurers what to do are the ones who do not want to support this legislation

the parallel I use is if you tell a sports bookie to take a bet at half time with pregame odds

Individual mandate to require health ins

Can't make folks to buy if they cant afford: Extensive subsidies then

Take a peek at [www.Mahealthconnector.org](http://www.Mahealthconnector.org)

Shows how we can use exchange tools to improve shopping.

MA health has been a success – those may disagree but the goal was to cover the uninsured and the uninsured rate has fallen by 2/3s but the reduction is clear

We didn't crowd out private ins and increased priv ins and offers went up 10%

Premiums were down by 50% by universal ideas to the market.

Importantly in MA and we expect for FL, premiums for employers rose at exactly the national average rate. There was not a meaningful effect.

This law has broad public support and once ACA gets in place we should see it.

Cost control: hasn't been successful – criticizing the dolphins for winning the world series and its not relevant though.

We are passing a major transformation – ending ins mkt discrimination, mandating health insurance purchase and providing subsidies (Medicaid, etc)

About half of Floridians get their insurance from large employers – by and large these large self insured are untouched. There is an assessment on firms over 50 and all these firms offer

Small employers – about 22 pct get insurance from small employers and they shall see their rates go up but tax credits will offset these. The benefits will help small benefits. SHOP is a bold new feature which will provide choices of plan vs now with only one plan. Employers can buy into the exchange and employees benefit from this. While premiums will grow up and small employers will see year to year certainty vs the huge jumps. If you ask small businesses, you ask what makes them crazy and they will say this bill will help.

Individual market: About 6 pct in this market. rates will go up and the law talks about a bronze package which is a median product. Insurers can reject the sick and the average health of the pool worsens and premiums will go up and tax credits will offset this. What happens to prices in individual market? For the typical you get a large decrease in premium because of the tax credit. Most folks will pay less and get more coverage. This varies by state. Younger and high end individuals will be worse off.

There will be no meaningful effect on small businesses in premiums.

Medicaid expansion: for states expanding to 133 of poverty – 100 pct of costs for first three years and for the remaining years, its 90%.

Those below the poverty line, there is no recourse for them to get health insurance.

Four implications of state rejecting expansion

2 in 5 uninsured live below and and of the roughly 4 mil uninsured in Florida, 1.6 million you get nothing. That makes them worse and much more financially insecure. This will lead to higher premiums in the exchange because more sick folks are going into the exchange. More hospital uncompensated care and finally, rejecting an enormous federal stimulus. It makes no sense to turn down this 90 cents on a dollar vs the 10 cents the state will pay.

Exchange:

Hard part – coordinating eligibility, interoperability of plans, etc  
Fun part – should it be like yellow pages of plans? Doesn't take much work but really fun. Choice architecture often says more choice is better. There is a growing sentiment from "choice overload" because it limits competition and folks get confused and insurers take advantage of this. This is true in Part D – 50 choices but not better outcomes.

In MA we had a yellow page approach but too many choices. Then we went to 7 choices and it standardized benefits. Smaller insurers weren't happy. MA is going to keep standardized but with a set of options to choose from. The yellow page approach isn't right.

Best idea is to evaluate what we have to set up best set of choices.

**Mike Cannon, CATO institute** – director of health policy studies. Please address the two questions – set up exchanges and /or expand Medicaid.

NFIB v Sebellius – this decision gives FL power but only if we reject the exchanges and the law.

The ACA depresses economic activity, increases healthcare costs, increases the burden of government and repealing this law is essential. The ACA will reduce economic output and eliminate 800k jobs. Will increase marginal tax rates that will exceed 100%. The law has increased cost of health insurance. Some consumers will see increases of 100% even after Dr. Gruber's tax credits.

Exchanges: 32 states have refused to create an exchange. We are under no obligation to create one and some states would violate their own law to create one although not in Florida. Minnesota said it would cost them \$54 million and \$64 million in the following year. There are no deadlines you shouldn't feel under the gun. States can shift to their own and state officials' choice is not simply the federal v the state exchange – actually the

Dr. Gruber said that the feds appear to allow any health plan but unclear.

The choice we really face is a federal exchange or none vs a state exchange v a federal exchange.

When this law denies care to the sick and premiums go up, legislators will be blamed. Refusing to create an exchange blocks federal subsidies. The act is still unpopular. Finally rejecting an exchange blocks the taxes of this law through the employer mandate.

Not creating an exchange would exempt 1.1 million from the penalties. For a family earning \$24k a year, they could be exempt from the over \$2k penalty they could face in 2016. Contrary to statute and congressional intent, congress wants to impose penalty.

Oklahoma is trying to block IRS from imposing a penalty. FL can lose jobs if they support an exchange and the decision should be postponed until these cases can be resolved. We should pass a similar action to block the IRS from collecting taxes.

Medicaid: NFIB v Sebellius – allowed states to NOT implement Medicaid expansion. Medicaid expansion is now optional – the federal government can withhold only new funds

for Medicaid and not withhold existing funds. Medicaid is rife with waste and fraud and Medicaid crowds out private ins and discourages folks from climbing eco ladder.

Rebuttal from Dr. Gruber:

Everyone's point of view is that CATO is to stop government growth. Respond to three points:

ACA- part of the reason the ACA is unpopular is so much misinformation – there is no credible study that folks will lose jobs and enormous costs. There is no credible study that this will destroy the conomy. This is all rhetoric

Why not implement the exchange: if you don't have an exchange then your folks won't be subject to the mandate. If you don't have an exchange you won't get the resources to meet the mandate . The 2<sup>nd</sup> leg is in place and the 3<sup>rd</sup> leg isn't and floidians won't get that help. If FL denies its citizens the tax credits then we are subjet to mandate without the means to pay them. It will cost money and would be cheaper if you let the fed do the hard work and let FL do the fun part. Help guide what the market looks like and do within in existing insurance dept. For 2014 I'd let Feds figure out what to do. The imporratnt point is that what you do here won't block the federal system. Michael wants to re-legislate this fight and let it play out. The issue will you help Floida meet or not.

Medicaid expansion: does'nt improve health? Medicaid doesn't crowd out - I was the first author of an article on crowd out. People will gain coverage and health will improve. Most of the costs of the state will happen anyway. What are the incremental cost to increase Medicaid? What Michael says will penalize 1.6 million.

**Michael Cannon, Cato Institute:** On rhetoric vs studies – the CBO substantiates my claims. The idea that this law will somehow to create ertainty of premiums or coverage? We should focu on averages not outliers? More than ¾ of this isn't tax credits theyare govt spending.

The 3 legged stool – 1<sup>st</sup> leg is insurance reforms. We are saying to ins co's you must charge the same prem to healthy vs sick. I was thinking about this price control and I came across the daily mail: a ruling last mark by Denmark of board of equal treatment and the price differential between women and men's haricuts are illegal. Barbers and hairdressers have to charge the same. My wife pays \$90 and I pay \$10 and if there is an average cost it'd be \$50. Do we really thinik that her \$50 cut will be the same as a \$90 cut? The folks that need healthins the most don't get the quality they need. This law punishes health insurers.

The 2<sup>nd</sup> leg – we are going to force folks to get a haircut.

3 – we are going to create massive subsidies. The price controls are so damaging and this won't prevent the harm.

The most important issue is the agreement that he and I have that FL should wait till next year. Sapore 1.1 million Floridians on an individual mandate.

Negron : when Mr/mrs jones cant get care and go to Jackson, the hospital passes this costs on. mr. cannon – is there a way to provide healthins for this family. I assume the doc and hospital want to get paid. What is the plan you suggest

Cannon: if your goal is to buy healthnsurance – let them pick a plan that best fits their needs. Aca doesn't allow it. Florida's law mandates benefits which makes the cost more affordable. Let folks select their coverage.

Negron: how do they afford the premium

Cannon: let them pick a high deductible plan

Negron: how do they pay high deductible

Cannon: we don't have a one bullet solution for one single family. We make use of innovation to bring down the cost of care and cost of insurance and that is a process that takes time. Nothing magical about the exchanges that will make issues go away.

Negron: I am libertarian and I filed a bill to limit the use of drones and I tend to go that direction. If you had come to me that said – two issues – the feds are going to run this entity or option b is the state can run its gig. I'd say gee, I would intuitively think is why are you abdicating your rights to the govt and the conservatives are arguing let DC run your exchange and the leftists are saying let states run exchanges.

Cannon: you do not have any control here – there are 3 provisions of aca that deprive you of any control over the exchange . section 1321 sebellus can do whatever they want.

3 – get your state exchange approved

Negron: a false choice.

Cannon: no control

Sen smith: 800k jobs lost from CBO –what was the reason?

Cannon: effect of higher taxes and the subsidies that would encourage folks not to work. The latter is the dominate one. That has led some folks who support the law say “you see, it gets rid of those who don't want to work.” A job isn't getting done or the person that wants a job can't get one or loses it.

Smith: does cbo break down by age. The older ones are working

Cannon: doesn't break down by age

Gruber: no evidence in MA about loss of jobs. Seniors chose to retire and no longer work and

Gruber: if you are going to turn down 90 pct of federal dollars when you only have to spend 10c ents then you are allowing your poorest folks get healthcare.

Oregon studies:

Cannon: people shouldn't have to work for health insurance said dr gruber - let me comment - someone has to work! You asked about that family of 4 for those folks making 24k a year - if that family increases its earnings by \$2k then it may not be better of financially because it could pay \$500 in taxes to get \$1500 in taxes.

Simmons: what do you understand to be the average cost per patient of Medicaid for implementation of our system -

Gruber: I don't know exact nbr for FL -

Cannon: I don't know

Simmons: what is the cost for private person

Cannon: around \$5k for a single and \$15k for a family

Simmons: lets say we put a Medicaid system that is on the same order as private . if \$6k per patient and we add one million more, that's \$6 b and that means \$600 million for us as Florida over 10 years. I just take a regular 7 years at \$600 million and that's \$4.2 billion.

Gruber: FL for adults is \$2,500 in 2009 so we can say \$3k and for a child its \$2k. The rough idea of your math is right. Medicaid expansion in the state will cost \$4 billion. Whats in your control is what should you expand.

Simmons: do you think the cost is \$4 to \$5 b or greater?

Cannon: room for error - nationwide the share of folks enrolled are 2/3 and 1/3 can enroll at any time. I say \$20 billion over 10 years and much larger woodwork effect with 1/3 not enrolled but will enroll. I thnk FL has some control of the woodwork effect. There will be news reports about that and required to educate.

Simmons: one of those 1 million doesn't have Medicaid that we are paying \$600 since we are paying 10% - what is the cost to this state if they remain uninsured. What will it cost for them to remain uninsured? What do they cost us?

Cannon: I don't have those figures. Folks are surprised how little reliable data, improvements in health or improvement in financial security and less info of how Medicaid outcomes improve.

Bean: all kinds of list out there and the 2011 medical expenditure survey – Massachusetts has the highest medical cost and do you see FL going up too?

Gruber: we were number one before the law and number one after – can't blame the law for the healthcare spend. There is no evidence that this law will increase healthcare cost.

Bean: in 2008 the legislature launched the marketplace where ins co's and other medical suppliers can come sell their goods and the marketplace will determine what will be offered. Vs the exchange that the feds dictating the products. Dr. Gruber I am looking on how to sell me on this. Why do we want to invest money in things can change. Why on earth would we want to run an exchange with no flexibility?

Gruber: why would you want the govt do it for you? You are saying we for political reasons we want to abdicate this role? Why would you do that? There is a partnership role and let them do the programming but don't abdicate your responsibility to your citizens. You want to be a learning organization and try to set up a marketplace.

Bean: you keep saying choice? Take what the fed are offering or pay a fine.

Gruber: there is a middle ground – tell the feds you set it up and you set up what you offer.

Grimsley: she funds the health and human services budget. I have question about the connector program . changes to that?

Gruber : 133% poverty below will be in Medicaid.

Soto: will we spend more money in the ACA or leave as is

Gruber: you will spend more on the ACA and folks will get more care. Preventive care doesn't lower total costs it presents better outcomes and is more efficient and its good for health and health will improve . the law will improve the health of Americans.

Cannon: two ideologies – agree with professor gruber and look at cost effective of preventive care and compare the health gains achieved vs not treating an acute condition, then an

Gruber: if you are going to address the federal deficit and follow cannon's approach then you are going to balance the federal budget on the backs of the poorest in your state . I don't know why you're doing that. You can do many other things that affect the federal deficit and not on the backs of these poor people.

Sobel: I was going to ask about that and what is the single biggest benefit and drawback?

Gruber: that for your lowest income citizens improve their health and increase their financial security.

Cannon: the worst part is the centerpiece of the law – the price controls that force private insurers to deny care to the sickest patients. David cutler, Obama's advisor show this is a disincentive.