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## THE FUTURE OF HEALTHCARE INSURANCE

EXPERT CALL WITH KEN BURDICK

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## **PRESENTATION OUTLINE**

### **1. THREE CORE ASSUMPTIONS**

- Unsustainable cost trends will ultimately be addressed
- Role of state and federal government will continue to expand
- Consumerism is here to stay

### **2. PPACA 101**

- Mandated Insurance Reforms
- Economic Stimulus to Encourage Investment
- Bottom-line Impact
- Projected Outcomes include Intended and Unintended Consequences

### **3. What will Finally Move the Needle ?**

- Aligned Incentives between consumers, physicians and insurers
- Care Delivery Integration
- Fundamental Shift in Reimbursement Methodology
- Effective Use of Technology

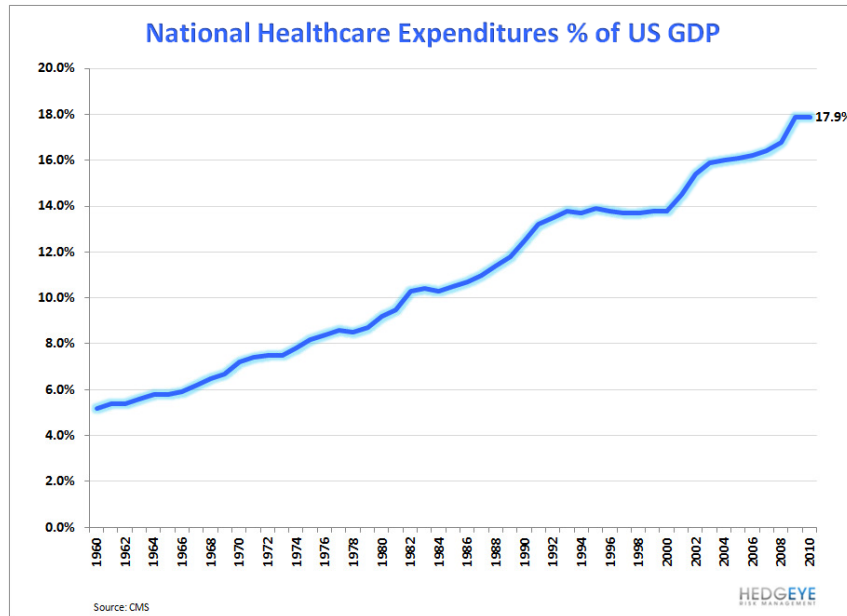
### **4. Q&A**

# **1. THREE CORE ASSUMPTIONS**

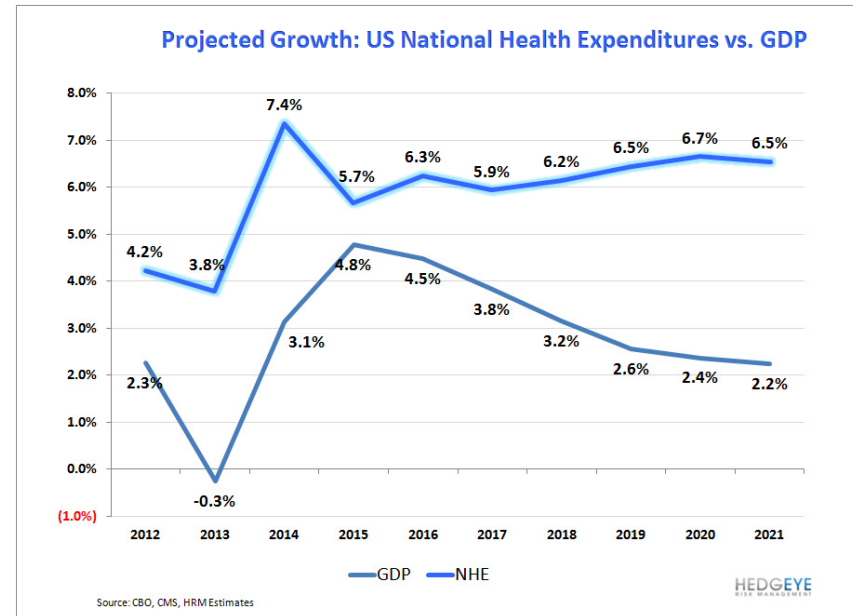


## UNSUSTAINABLE COST TRENDS WILL ULTIMATELY BE ADDRESSED

### HEALTHCARE CONTINUES TO GROW RELATIVE TO GDP

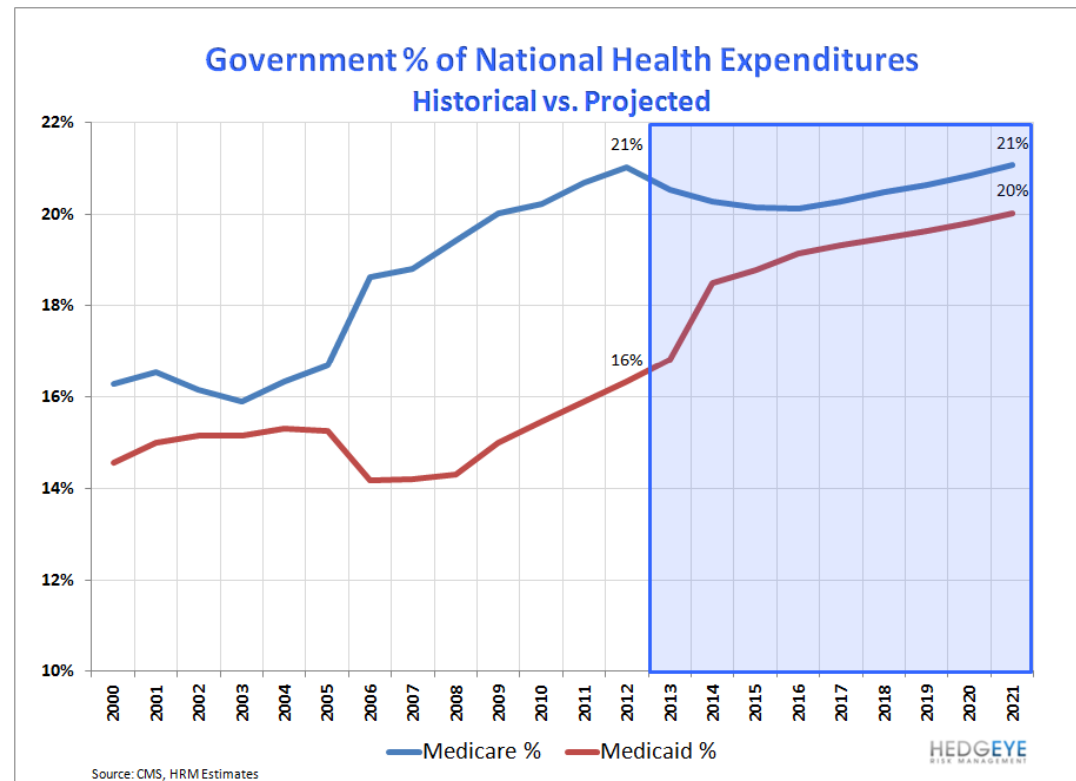


### AND ARE EXPECTED TO OUTPACE GDP GROWTH THROUGH 2021



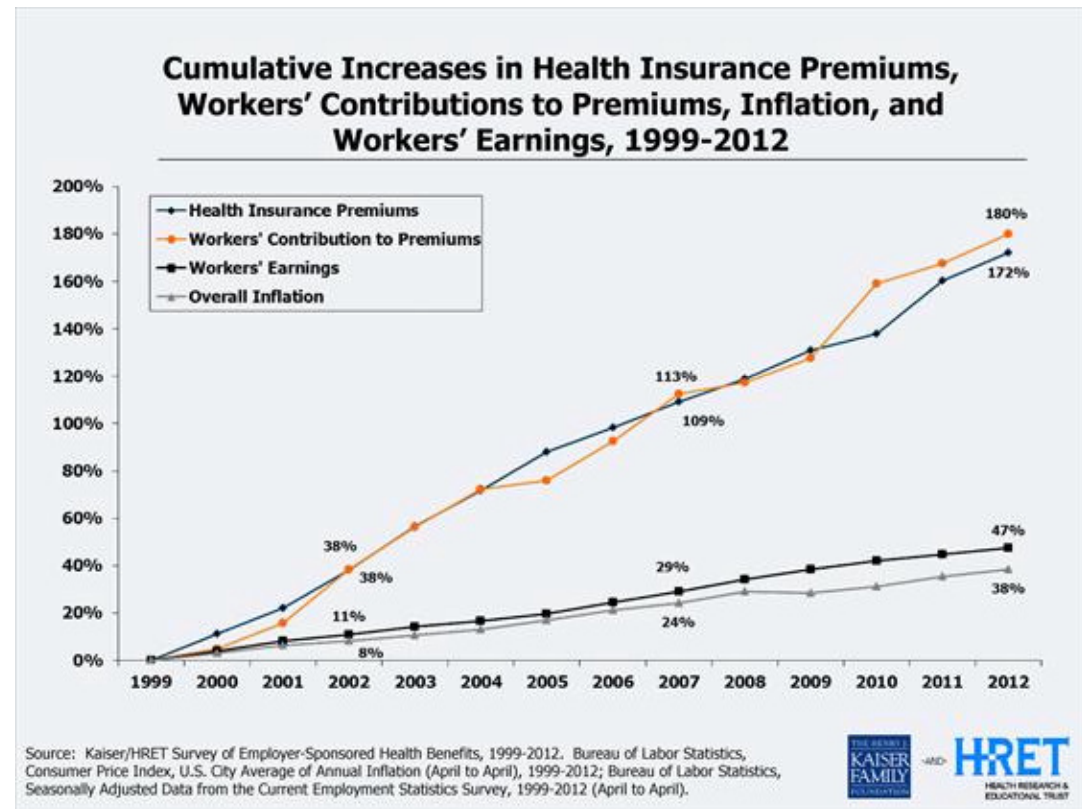
## ROLE OF GOVERNMENT WILL CONTINUE TO EXPAND

- The 2014 Medicaid Expansion will shift an increasing cost burden to the Federal Government
- Aging Baby Boomers will shift costs away from the private sector into Medicare



## CONSUMERISM IS HERE TO STAY

- Health Insurance Premiums have been escalating with employees bearing a growing portion of that increase
- The Patient Protection & Affordable Care Act (PPACA) is meant to address this problem, with Managed care bearing the brunt of the legislation





## **2. PPACA 101**

## MANDATED INSURANCE REFORMS

- Minimum Medical Loss Ratios on Individual & Small Business Plans
- Annual Rate Increases will be Subject to Review (10% threshold)
- No Lifetime Coverage Limits
- Pricing based on Health Status (Pre-Existing conditions) and Gender Prohibited
- Dependent Coverage on Parent's Insurance up to Age 26
- Free Preventative Services (no patient cost-sharing)
- Individual and Employer Health Insurance Mandates in 2014
- Health Insurance Exchanges in 2014

## ECONOMIC STIMULUS TO ENCOURAGE INVESTMENT

- Electronic Medical Records
- Health Information Exchange
- Accountable Care Organizations

## BOTTOM-LINE IMPACT

- Expanded health insurance coverage for Medicaid eligible population
- Blurring of lines between insurance payers (financing) and providers (delivery)
- Nothing in PPACA that directly addresses health care costs for commercial population

## PROJECTED OUTCOMES: INTENDED AND UNINTENDED CONSEQUENCES

- Fewer employers will offer health insurance coverage
- The individual insurance market will grow by 300% or more in the next 4 years
- Estimates of increased access (50 million Americans) will only partially materialize
- Health Insurance premiums will trend higher in the short-term due to adverse selection
- Many states will opt-out of Exchange administration and allow federal government to administer this highly complex program

### **3. WHAT WILL FINALLY MOVE THE NEEDLE ?**

## ALIGNED INCENTIVES: CONSUMERS, PHYSICIANS AND INSURERS

- Greater share of cost will be directly placed on consumers
- CMS (federal government) will continue to adjust reimbursement for clinical outcomes and patient satisfaction (STAR Ratings)
- Contracts between hospitals, physicians and insurers will shift to clinical outcomes, quality measures and appropriate utilization (aligned incentive contracting)
- New companies will continue to flourish in the patient engagement and data analytics space

## CARE DELIVERY INTEGRATION

- Hospitals are purchasing physician practices so they can directly employ physicians
- Physician practices are consolidating to provide negotiating leverage and comprehensive patient-centered care
- Increased use of nurse practitioners, physician assistants and medical technicians



## FUNDAMENTAL SHIFT IN REIMBURSEMENT METHODOLOGY

- Fee for service reimbursement is slowly giving way to bundled payment for an episode of care and global capitation
- Number of services performed will become less important than performing the appropriate services (evidenced based medicine) in the proper location (away from the hospital and the emergency room) by the most appropriate practitioner (primary care versus specialists)
- Exchanges will include risk corridors, risk adjustors and reconciliation mechanisms to minimize the impact of attracting healthy versus unhealthy participants

## EFFECTIVE USE OF TECHNOLOGY

- Reduced Risk of Adverse Drug Interactions
- Improved Communication/Coordination between physicians treating the same patient
- Increased use of technology for self-monitoring, telemedicine and less invasive surgical procedures
- Improved data sharing between providers and insurers will increase efficiency of both
- Expanded use of mid-level professionals

# QUESTIONS

Please email questions to [qa@hedgeye.com](mailto:qa@hedgeye.com)

# Thank you

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