Goodman Institute
Turning Ideas Into Policy

Pro-Patient, Pro-Family Health Reform

Ten ways to real health care reform by setting aside special interests and transforming our health care system to meet the needs of patients and their doctors.

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For millions of Americans, health insurance has become increasingly unaffordable and increasingly useless in meeting real health care needs:

- If you combine the average premium with the average deductible faced in 2019 by people in the Obamacare exchanges, a family of four (not getting a subsidy) had to pay $25,000 before getting any benefit at all from their health plan.
- All across the country, people with insurance purchased in the exchanges are denied access to the best doctors and the best hospitals, even though these providers accept private insurance and even Medicare.
- Parents of a child with special needs may comb through the published information to find a plan with the right doctors, only to discover that while they are locked into their choice for the next 12 months, the health care plan can change the doctors in its network every week.

Some employer plans – especially in such low-wage industries as fast foods – are almost as bad. That may explain why millions of employees turn down their employer health insurance offer. Employees who do sign up often cannot afford to enroll their families.

More than 80 think tanks and research organizations have studied these problems and produced detailed recommendations in *Health Care Choices*, a project initiated by the Galen Institute with input from the Goodman Institute and the Heritage Foundation. Here are recommended reforms largely based on that document:

1. End Obamacare's narrow networks, which are denying patients access to the best doctors and the best care.

According to its supporters, a primary benefit of Obamacare is protecting people who enter the individual market with a pre-existing condition. Yet the Affordable Care Act triggered a race to the bottom by giving health care plans perverse incentives to attract the healthy and avoid the sick. The most successful Obamacare insurers are Medicaid contractors. The plans that have survived in the exchanges look like Medicaid managed care with a high deductible.

As a result, in Dallas, Texas, no individual insurance plan includes UT Southwestern Medical Center. In Texas generally, cancer patients don't have access to MD Anderson Cancer Center in Houston. This pattern is repeated all

over the country.

How could the individual market be different?

In an ideal health care system, health care plans would compete to attract patients with medical problems. That's because risk-adjusted premium subsidies would make it profitable to compete to enroll the chronically ill. Something like this is already being successfully done in the Medicare Advantage program. (See below.)

2. End Obamacare's high deductibles and premiums, and let families have access to insurance that meets their medical and financial needs.

The most important reform is reinsurance — setting aside funds for the care of the sickest, most costly enrollees. Absent these catastrophic risks, insurers can afford to charge lower premiums.

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This reform has already led to lower costs in seven states that got a waiver to try it. The Center for Health and Economy estimates that a more liberal version of the concept would lower health care premiums by as much as a third, and would insure about the same number of people as Obamacare.

A second reform is "limited benefit insurance." Young families, with moderate incomes and routine health needs, will almost never willingly choose a plan with very high deductibles. They want to know that they can take a sick child to the doctor's office or to the emergency room without having to worry about whether they can afford it. That's why they will almost always choose first-dollar coverage over last-dollar coverage.

So why not allow people to have the kind of insurance that meets their needs? Let families have a partial tax credit for the kind of insurance they want and send the remainder of the credit to a safety net fund that will cover those rare and unusual circumstances when the medical bills are really high.

3. Let workers have access to personal, portable health insurance.

In an ideal world, most people would own their own health insurance and take it with them as they travel from job to job and in and out of the labor market. Because of a Trump administration executive order, we are closer to the ideal. Employers can now give tax-free funds to employees to buy health insurance that they will own.

This is a major change from the Obama regulations, which threatened to fine employers as much as $100 per employee per day – or $36,500 per year – for giving their employees the opportunity to own their own insurance.

Congress needs to codify this change.

4. Expand virtual medicine, so that patients can get more care in their own homes.

The benefits of telemedicine have been long known. But as we entered the year 2020 it was illegal (by act of Congress) for doctors to charge Medicare for a patient consultation by means of phone, email or Skype. Even non-Medicare patients and their doctors were prohibited from using Zoom or Facebook or similar devices – because of privacy regulations.

Two things made radical change possible: Covid-19 and the Trump administration's commitment to deregulation.

Unfortunately, the administration's executive orders can easily be reversed by a future

president. And, in almost every case, when the Covid emergency goes away, the newly acquired freedoms also go away. Congress needs to codify these changes to ensure their permanence.

5. Give families access to 24/7 care.

Atlas MD in Wichita, Kansas offers round-the-clock care by means of phone, email, Skype, Zoom, and Facebook if needed. The cost: $50 a month for a mother or father, and $10 for a child. This model, called "direct primary care," not only offers patients the entire range of primary care services, it helps patients make appointments with specialists and helps them get discount prices on MRI scans and other medical tests. It even provides generic drugs for less than Medicaid pays in some instances.

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This type of care needs to be an option throughout the health care system – in individual plans, in the Obamacare exchanges, in employer plans, and in Medicare.

6. Let patients manage more of their own health care dollars.

There is mounting evidence that patients suffering from diabetes, heart disease and other chronic illnesses can (with training) manage a lot of their own care as well as — or better than — traditional doctor therapy. If they are going to manage their own care, they should also have the opportunity to manage the money that pays for that care.

Unfortunately, the Health Savings Account (HSA) law does not allow employers and insurers to pay for drugs and other services that should be made available to chronic patients at no cost (to encourage their use) and to put additional funds into the HSA account for patients to manage other expenses (to encourage economical choices).

Guidance issued by the Trump administration was a major step in the right direction. People who use HSAs are now exempt from the high-deductible requirement for the purchase of drugs for 13 chronic conditions. This means that the employer or insurer can now provide first-dollar coverage for drug therapy without running afoul of HSA regulations.

These changes need to be codified and expanded.

7. Give seniors the same opportunities young people have, including access to Health Savings Accounts.

Once seniors become eligible for Medicare, they are no longer able to make deposits to HSAs. This restriction should be replaced with the opportunity to have a Roth-style savings account, with after-tax deposits and tax-free withdrawals for any purpose.

8. Let families know the price of care ahead of time, and benefit financially from smart choices.

In medical markets where patients pay out of pocket, buyers always know the price in advance of purchase, and competition based on price and quality is normal. Cosmetic surgery and LASIK surgery are examples. In addition, when Canadians come to the United States for knee and hip replacements (to avoid long waits in their own country) they are almost always given package prices, covering all elements of their

procedure – by American hospitals! In the third-party payer sphere, by contrast, providers rarely compete for patients based on price. When they don't compete on price, they don't compete on quality either.

Pursuant to an executive order signed by President Trump, hospitals are now required to post their prices for common procedures in a consumer-friendly manner, and that requirement has been upheld in the courts. Congress should codify this rule and encourage price and quality competition.

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9. Give patients with chronic diseases access to health plans that specialize in their condition.

Outside of Medicare, insurance plans are not allowed to specialize. They are required to offer a full range of services to all enrollees. Yet if health plans are not allowed to focus and get good at meeting some patient needs, they are likely to be mediocre when they try to meet all patient needs.

How can this be done? We're already doing it.

Medicare Advantage Chronic Condition Special Needs Plans can specialize in 15 chronic conditions. These plans can exclude applicants who don't have the condition. They can also ask health questions and request medical records.

Congress needs to apply the same concepts to the reform of the Obamacare exchanges.

10. Empower patients – not special interests and bureaucrats.

In *America's Bitter Pill: Money, Politics, Backroom Deals and the Fight to Fix Our Broken Health Care System*, Steven Brill describes how Obamacare was created: secret meetings, cynical emails, hidden contributions to political action funds and much more. Industry was often too willing to accept additional regulations in exchange for bigger government subsidies. There are also state-enforced barriers to entry and guild-like protectionist regulations that reduce competition at the local level.

Real reform starts by setting aside the special interests and transforming our health care system to meet the needs of patients and their doctors. The proposal made here would move in this direction.

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