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The Newest Era of Uncertainty- Likely Policy Changes and Implications for Providers December 2016

Seems like we have been here before!

President - elect Trump and his Republican Colleagues in both houses of Congress promise to quickly repeal and replace Obamacare and remove the shackles of regulation to allow the private market to provide high quality affordable care to all.

At the same time, the provider community continues to experience increased consolidation among providers, insurers, and non-acute players hoping to achieve sustainable scale.

What will actually happen and when is not so clear. Once again healthcare leaders will be forced to respond to this newest era of uncertainty to ensure sustainability for their organizations.

While we have no “informed” insights as to what will transpire, the following policy directions that seem likely:

- **Obamacare will be significantly restructured** if not replaced. Removal of the minimum coverage standards and the insurance mandate are fairly certain. Not clear what happens to the 20 million people currently insured or if any agency, other than providers, will assume “safety net” responsibilities for those who do not have or will lose insurance coverage. The future of Exchanges remains unclear as does CMS’s payment reform initiative. It will be messy and probably contentious.
- **Medicare is a clear target for privatization** initiatives with or without premium support. At the same time, providers can expect continued price cuts without the upsides of shared savings or expansion of covered lives. Support of the continued growth in Medicare Advantage programs given interest in private market solutions is likely to grow.
- **Medicaid reform and expansion is likely to be re-focused** to give control to states. Federal support may be provided by block grants. Federal mandates for benefits and eligibility and payment rates are likely to be reduced. States will decide independently how their Medicaid programs will be structured. Not clear whether DSH will be restored or that payment rates to providers will be adequate.
- **The Health Insurance Industry will push hard to reduce regulation**, including employer coverage requirements, and increase the use of high risk pools and HSAs. Prospects for maintaining requirements to cover pre-existing conditions will be clearly affected by cost considerations. Anti-trust prohibitions against consolidation are likely to be relaxed and market power of plans is likely to be increased.

- **Payment reform and MACRA implementation remains uncertain.** The potential for further reductions in physician payments remains high in the absence of a coherent cost management strategy.
- **Controls over drug prices are likely to be reduced, and**
- **The health care portion of the Federal Budget** will continue to be stressed, particularly if CMS's cost reduction initiatives are curtailed. Providers should expect to bear the brunt of cost reduction initiatives.

Implications for Providers

Uncertainty over the direction of the new administration's policies and the mechanisms that will be put in place to implement them will remain high for some time. To manage through the transition, leaders will be required to:

- **Remain competitive in and "essential" to the communities** they serve in terms of quality, cost and access in an environment which will produce reduced demand and increased competition for scarce resources.
- **Continue to reduce costs** through continued reduction in variation in care delivery.
- **Be prepared for a restructuring of Medicare and Medicaid**, which in the past has meant that providers must be prepared for reductions in payment rates.
- **Deal with the potential of an increase in the number of un-insured or poorly insured** patients who will present themselves for care.
- **Re-double efforts to be prepared for what remains of the Medicare and Medicaid value based, bundling and accountable care initiatives.**
- **Be prepared to effectively embrace Medicare Advantage** programs
- **Recognize that consumer decision making in terms of cost and access will become increasingly important** as the insurance landscape evolves, and
- **Be prepared to partner effectively with physicians and pre and post-acute providers** to develop vehicles and approaches to offer improved access, quality and cost to the government and private payers as well as directly to employers.

If you would like help through The Newest Era of Uncertainty, don't hesitate to contact us.



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