



## What's Next for U.S. Healthcare Under Trump?

What will the transition to a Donald Trump administration mean for the healthcare industry's key constituents? While experts of all stripes are asserting predictions, they are typically long on speculation and short on evidence. Detailed predictions are premature, but this article provides a framework for evaluating developments over the coming months.

At this stage, there are still far more unknowns than knowns. How much of the GOP healthcare agenda will the Trump administration adopt? What will be the openness to traditionally powerful lobbying groups, such as the AHA, AMA, AHIP and Big Pharma? Most important, what will be the focus and cadence of change efforts to come?

In a moment of political uncertainty, it is most useful to know which issues and stakeholder "tensions" to watch closely. In this *Executive Insights*, we briefly evaluate the current state of play as Trump assumes the presidency. We then discuss a framework for monitoring and interpreting possible executive and legislative actions as the path ahead comes into focus over the coming months. Finally, we share six specific tensions that we believe will drive the near-term evolution of U.S. healthcare reform.

### Current Republican reality — from opposition to accountability

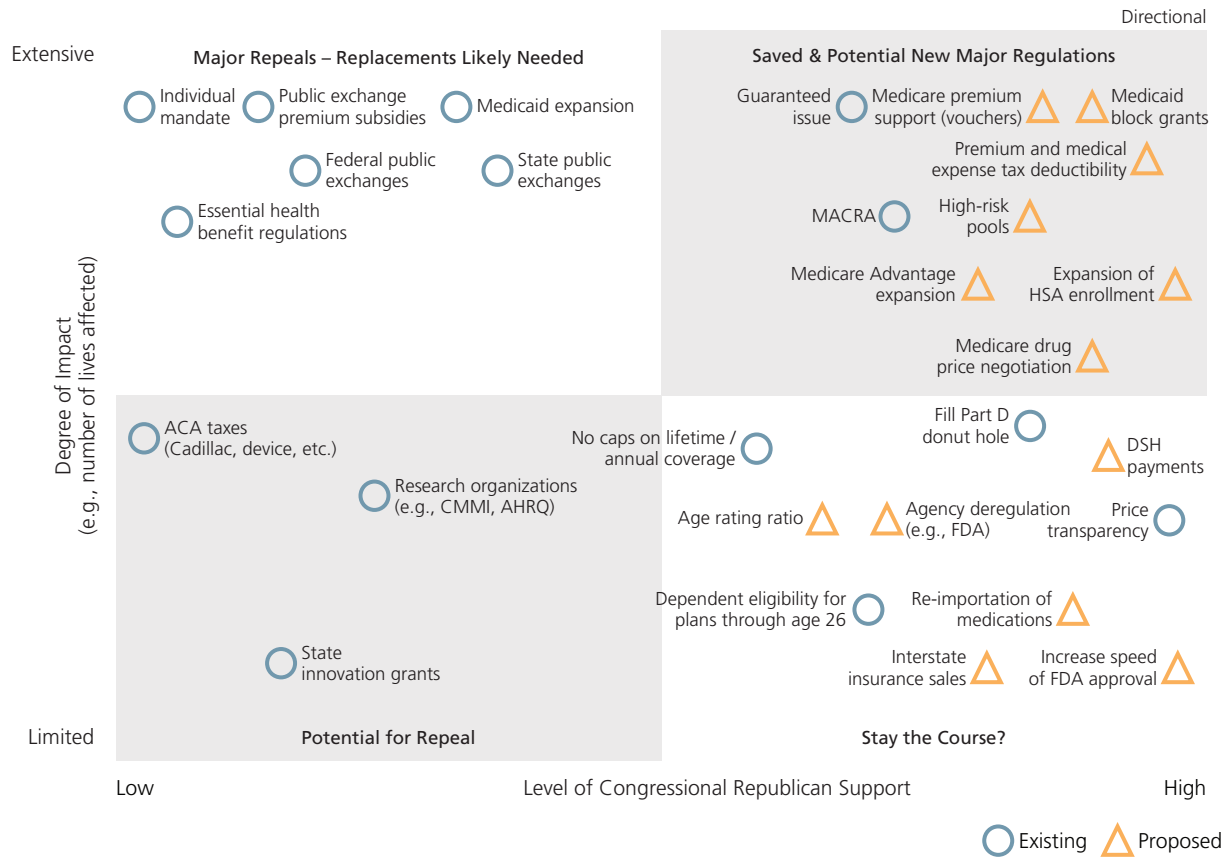
As Trump and the GOP grasp the levers of power in Washington, the beautiful messiness of American democracy is about to assert itself.

- 1. Pressure to act — but how?** After years of emphasizing repeal, the GOP must act. But their policy outlines were created in opposition, not while in power. They have had nearly unanimous support on the right when actual implementation was theoretical. Substantial intra-party debate will now occur before a truly workable replacement plan can be proffered. Though premium hikes (whether ACA-driven or not) and mandates earn voter wrath, many elements of the ACA are quite popular in states and districts nationwide.
- 2. A tripartisan era?** Further, Trump's election win may turn out to be the equivalent of a third-party victory. To the more predictable battle between the GOP and Democrats, we can now add the question of how closely the president will adhere to the GOP's agenda — particularly when it conflicts with his populist messaging. For example, despite the campaign rhetoric, Trump is holding the door open for guaranteed issue and maintaining coverage for dependents up to age 26.
- 3. No free hand.** If the ACA were fully repealed, up to 24 million people would be at risk of losing coverage. Fifty percent are non-Hispanic whites — a demographic that appears to have preferred Trump to Clinton by over 20

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Figure 1  
Healthcare Reform Initiatives



points per exit polls. Working-class white voters may have favored Trump by closer to 40 points. And one of the strongest predictors of Trump support is in fact health status.\* If repeal without robust and swift replacement were to happen, it would be the first time in modern American history that a major entitlement program was successfully clawed back from the people. In fact, only 26% of Americans want to repeal ACA while 49% want to either continue ACA implementation as is or expand the law.\*\*

## A framework — rating reform elements by degree of impact and level of GOP support

Given the current political uncertainty, how can industry stakeholders think effectively about possible alternative futures? We suggest unpacking current and potential elements of reform legislation and regulation. We can then assess each element along two dimensions: degree of impact and level of congressional Republican support. This will allow us to project the expected

impact — both overall and for specific industry stakeholder groups — as the uncertainty surrounding each component diminishes.

Initiatives in Figure 1, Healthcare Reform Initiatives, are color-coded. A blue circle indicates an existing regulation, and an orange triangle represents a potential new regulation that Republicans or Trump may introduce.

Initiatives on the left of the chart are unpopular with congressional Republicans (and possibly Trump himself) and are therefore likely targets of change efforts. Initiatives on the right are either bipartisan provisions that may remain untouched or potential Republican-supported ideas for “replacement.”

The matrix shows graphically that healthcare reform entails many moving parts. Several of the elements are closely interrelated, and many high-impact elements represent policy concessions that were required to achieve payer, provider or pharmaceutical industry support for reform. If Trump and the GOP repeal key coverage elements of the ACA, it is widely recognized that they will need to

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swiftly and smoothly replace them with initiatives they support in order to avoid widespread disruption of the healthcare system. But such disruption may be unavoidable.

## Tensions to watch: Six bellwether issues that will drive the coming era

Of the dozens of possible reform actions illustrated in Figure 1, which are the most important to watch? We believe there are six “fault line” issues — the outcomes of which will determine the shape of healthcare reform moving forward.

- **Individual mandate vs. guaranteed issue:** Guaranteed issue is widely popular. While Trump, the GOP and many Americans dislike the mandate, it was necessary to achieve consensus across stakeholder groups (including payers and providers) on the full range of reforms in the ACA.

**Issue to watch:** How do the GOP and Trump, having collectively promised to both guarantee coverage for those with pre-existing conditions as well as remove the individual mandate, retain healthy enrollees and market solvency?

- **Medicaid’s future:** Most signs from Trump and the GOP point to funding via block grants to states. Success here is all in the execution — and the established funding levels. Regardless of the future dynamic between the federal government and the states, the rapid expansion of effective managed Medicaid solutions at the state level may very well continue.

**Issue to watch:** Would block grants be established at a level that significantly constrains state budgets? Do states cut eligibility, reduce benefits, delegate Medicaid coverage to managed care organizations, or implement a different solution to balance coverage and cost?

- **Death of exchanges:** Public exchanges could fall apart quickly if Republicans elect to cut federal subsidies. Trump and the GOP may attempt to support coverage through five key measures: (1) high-risk pools for patients with chronic conditions, (2) an end to ACA essential benefit regulations, (3) expanded use of HSAs, (4) tax deductibility of premiums, and (5) interstate insurance sales.

**Issue to watch:** Will high-risk pools enable insurers to offer affordable health plan options? Would they be funded sufficiently to support a much broader population than the 100-200K people covered under pre-ACA state pools? Will HSAs and other low-premium, high-deductible plans generate enough revenue to maintain risk pool solvency? Would these plans result in such high out-of-pocket costs for consumers that they effectively lack sufficient coverage?

- **Medicare’s future:** A long-standing element of the GOP plan is a wholesale redesign of Medicare toward a premium support

## Challenges ahead for healthcare reform under Trump

“[Republicans are] actually in a tough policy spot. They’ll get the blame if they don’t fix or repeal the ACA, and they’ll get the blame if they don’t replace it with something people like better. Health policy is a very difficult and thankless task.”

Austin Frakt, Health Economist  
*The New York Times*, Nov. 21, 2016

“I don’t believe the incoming Trump administration or Congress want to see more than 20 million Americans who have gained coverage lose that. That would be devastating ... If you look at where Trump’s support came from, if you look at the map, much of that solid majority came from rural America. This demographic is helped by (Medicaid) expansion and the exchanges. I don’t think he’s going to run and hurt the people who came out and helped him.”

Tom Miller, CEO, Quorum Health  
*Modern Healthcare*, Nov. 11, 2016

“If you take one of those away [guaranteed issue or the individual mandate], this doesn’t work ... If you want to get rid of the mandate, you have to go back to underwriting.”

Craig Garthwaite, Health Economist, Northwestern University  
*Modern Healthcare*, Nov. 9, 2016

“Given the Republican tenet of giving states more control, states that haven’t expanded yet may find increased flexibility on how to do so.”

Joe Reblando, Medicaid Health Plans of America  
*Modern Healthcare*, Nov. 9, 2016

program. A political battle here could end up dwarfing the debate that occurred over the ACA. The Medicare Advantage program may be an easier tool for Trump and the GOP to use to attempt to control costs. As with Medicaid, L.E.K. Consulting remains bullish on the outlook for Medicare managed care at this point. Medicare Advantage penetration growth may very well accelerate.

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**Issue to watch:** Will Trump and the GOP be willing to spend the political capital and make the tradeoffs necessary to plunge the nation into a major debate over the design of Medicare?

- **Value-based care and Medicare Access and CHIP Reauthorization Act (MACRA):** MACRA passed in 2015 with bipartisan support, outlining a blueprint for a transition to increased value-based care (VBC). MACRA is likely to stay, with bipartisan recognition that VBC is necessary to prevent healthcare costs from increasing to unsustainable levels. Other executive branch tools may prove attractive for the administration to maintain.  
**Issue to watch:** Will Republicans maintain support for VBC-enabling entities like the Center for Medicare & Medicaid Innovation (CMMI), the Independent Payment Advisory Board (IPAB) and the Agency for Healthcare Research and Quality (AHRQ)? Will the trend toward VBC decelerate if funding is cut?
- **Life sciences innovation vs. cost containment:** Trump has asserted strong support for research and development in healthcare. But he also supports drug re-importation and allowing Medicare to negotiate drug prices. The GOP seems to favor accelerating FDA drug approval and streamlining regulation to reduce costs. The view forward may be haziest and most risky for drug and device companies.  
**Issue to watch:** How will the Trump administration balance the competing priorities of bringing new drugs to market while managing pharmaceutical pricing power and member premiums?

Taken together, these six issues are bellwethers. Pay attention to signs of unity or discord between the Trump administration and Congress on these questions to inform where healthcare is headed and the degree of impact on participants across the healthcare value chain.

We look forward to sharing our perspectives on likely implications for specific healthcare industry stakeholders as the picture sharpens in the months ahead. In the meantime, you know the issues that L.E.K. will be watching closely.

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\* "[Illness as indicator](#)" Economist.com Nov. 19, 2016.

\*\* "[Americans are divided over repealing Obamacare](#)" cnn.com Dec. 1, 2016

Austin Frakt: "[Let's Say Obamacare Is Repealed. What Then?](#)" *The New York Times*, Nov. 21, 2016.

Tom Miller: "[Investors still punishing hospital companies on ACA repeal fears](#)" *Modern Healthcare*, Nov. 11, 2016.

Craig Garthwaite: "[Trump, GOP sweep may disrupt every corner of health insurance market](#)" *Modern Healthcare*, Nov. 9, 2016.

Joe Reblando: "[Medicaid expansion could continue under Trump](#)" *Modern Healthcare*, Nov. 9, 2016.

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