

# Healthcare Costs & Competition in the 2016 Election

In the second presidential debate, an undecided voter [asked](#) Hillary Clinton and Donald Trump how they would each address high healthcare costs and improve insurance coverage. It was an opportunity for the campaigns to highlight their visions on health policy, which has been outside the spotlight for most of the campaign. Clinton's answer focused on fixing the rising costs of ACA exchange plans, while Trump argued that the ACA should be repealed, and replaced with rules that allow insurance to be purchased across state lines.

There's a lot to discuss when it comes to [Clinton](#) and [Trump's](#) full proposals on health policy, but here we are just going to take a closer look at four issues that closely relate to healthcare costs and competition. Those issues are: 1) Clinton's proposal to make a public option available in every state|2) Trump's proposal to replace the ACA with insurance sales across state lines|3) both candidates focus on increased price transparency|and 4) both candidates call to reign in prescription drug costs.

## CLINTON'S CALL FOR A "PUBLIC OPTION" ON THE ACA MARKETS

Clinton has several strategies for increasing competition on the ACA markets and cutting costs, one of which is making [public option choice](#) available in every state. A "public option" refers to creating government-run health insurance plans that would be sold on the ACA exchanges, competing with private insurers. Because the plans are run by the government, they would not operate for a profit, unlike private insurance plans. The public option, which was part of the original ACA bill but dropped in order to pass the law through the Senate,

has gained [renewed attention](#) by Democrats in the last few months, as politicians seek to fix to the [ailing](#) health law. Public insurance could be offered on either the federal or state level. If run through the federal government, Congress would have to pass a law creating a public insurance plan modeled after Medicare, which would be made available in all state exchanges. States could also pass their own versions of a public option, make available in only the state's exchange.

In a recent [interview](#) with the New England Journal of Medicine, Source [advisory board](#) member [Paul Ginsburg](#) discussed how state-run public options seem more likely to be politically feasible in the next term, as a federal option will face strong opposition in Congress. A state option could be passed by a state legislature, and then would only need to be approved by the Clinton administration under the ACA state waiver provision. Under [Section 1332](#), the state waiver provision which goes into effect beginning in January 2017, the President can allow states to pursue innovative strategies in order to achieve the goals of the ACA. Ginsburg thinks it is likely that the Clinton administration would grant the waiver approval if a state legislature creates a public option for its state.

While politically feasible, there still are questions about whether a public option in states is a fix to the ACA's woes. The Urban Institute's Linda Blumberg and John Holahan put out a [paper](#) in late September analyzing several versions of public option proposals. Their analysis found that offering a public option in some geographic markets could be a way to address high premiums caused by weak competition. Though, there are practical challenges to developing a strong provider network for a state-run public plan. Medicare is the strongest leverage tool available in the government for developing provider networks, but that tool is not an option at the state level. Thus, there is no obvious way to encourage providers to participate in a state-run plan. Blumberg and Holahan note

this challenge, and consider whether states could create tax penalties for nonparticipation, or develop other strategies to encourage provider participation.

There are also different versions of how state-run public options would work, and what they would hope to achieve. One goal of the public option could be to provide a fallback in states with the most troubled markets, where insurers are pulling out. President Obama proposed this idea in an [article](#) published August in the New England Journal of Medicine, which called for creating public options in states with weak exchange competition. The risk is that adding a public option could push out any remaining private insurers in those markets. With insurance companies already struggling to turn a profit in the exchanges, introducing a state-run plan with advantages private plans cannot replicate may discourage insurers from staying in the exchanges. There is also, however, the possibility that the public insurance could stabilize exchanges by enrolling consumers with the most expenses. If the public-option plans can do that, it might help curb insurers' losses, and encourage them to stay in the markets.

The public option could also operate as another choice for consumers in state exchanges that are functioning well. In California, a state with a [healthy](#) state market, insurance commissioner David Jones [recently said](#) he thinks that the state should consider setting up its own public option. In markets like California, a public option could provide consumers with more low-cost and high-quality coverage choices, but there is also a chance of destabilizing market that is functioning relatively well as-is.

## **SELLING INSURANCE ACROSS STATE LINES**

The foundation of Trump's proposed replacement for the ACA, which he highlighted in the second debate, is a plan to allow people to buy health insurance across state lines. Allowing

insurance to be purchased across state lines has been a part of the Republican platform for replacing the ACA for [many years](#). According to the Trump [proposal](#) “by allowing full competition in this market, insurance costs will go down and consumer satisfaction will go up.” The idea is that people would have more choices, more people would be in the market, and competition would drive prices down. In the debate, Trump claimed that opening up interstate markets would allow people with preexisting conditions to buy affordable coverage, even if the ACA anti-discrimination protections are repealed.

Expert analyses of this proposal, however, have shown that it is unlikely that this will lower prices, and in fact will cause the most harm to people with preexisting conditions. An [article](#) published by Linda Blumberg with the Urban Institute’s health policy center discussed how repealing the ACA insurance regulatory protections and replacing with insurance sales across state lines would raise the cost of insurance for people with preexisting conditions. This move would allow insurers to exclude people who are less healthy, and only enroll healthy individuals. Premium might go down for healthy individuals in the short-term, but people who are less healthy would face much higher premium costs. Further, Blumberg points out that this leads to long-term consequences for everyone, because “over the course of a lifetime, the increased costs for those with health problems and the reduced choice in plans could affect a broad swath of the population.”

Experts have also pointed out that states and insurers have [not been interested](#) in entering multi-state markets. The ACA already contains provisions that would let states allow insurers to sell across state lines, though perhaps not to the extent envisioned by Trump. The ACA provision, which went into effect in January 2016, allows states to pass legislation that empowers insurers to enter into “healthcare choice compacts.” States that join together in these compacts would let their citizens buy insurance from other state markets in the

compact, which would not be subject to the rules of citizen's home state. Thus far, no state has taken advantage of the option to sell across state lines.

Moreover, establishing new networks of healthcare providers is a costly task, and the barriers to entry make it hard for new plans to enter the market. Insurers operating in state markets have spent years negotiating prices with providers, and have significant bargaining power because their plans already cover many people in the state market. This makes it hard for an out-of-state insurer, with no market share, to enter in to the market and negotiate rates that would compete with the in-state plans. Creating new networks is also recently becoming more costly because insurers need complex health information systems to support the [move](#) from fee-for-service models to value-based care.

## **PRICE TRANSPARENCY**

Both candidates agree that increased price transparency in healthcare can help drive down costs and increase competition. However, both of their plans for how to meaningfully increase transparency in an effort to reduce costs remain underdeveloped. Clinton plans to enforce the ACA transparency requirements, which require providers, employers, and insurers to provide more information about healthcare and insurance costs. She also believes increased transparency will help consumers make more informed healthcare decisions.

Like Clinton, Trump proposes increasing price transparency in order to enable individuals to shop for the best prices on medical procedures. It's unclear what mechanisms Trump would use to carry out this plan. Presumably he would not, as Clinton plans, aim at enforcing the transparency requirements already in the ACA, since the heart of Trump's policy is to repeal that law.

## **PRESCRIPTION DRUG COSTS**

The candidates have also both weighed in on pharmaceutical drug pricing, sharing the view held by the [majority of the public](#) that drug prices are too high. Clinton's plan on curbing rising prices is more detailed than Trump's, but the two share the belief that the pharmaceutical market needs increased competition.

Clinton has suggested getting more competition on the market faster by stream-lining approval of high-quality biosimilar and generic drugs. Her plan also includes eliminating "[pay to delay](#)" practices which inhibit competition. In addition to competition, Clinton's plan focuses on lowering the out-of-pocket drug costs paid by consumers. Her plan would require all insurers to limit out-of-pocket pharmaceutical costs to \$250 per month for covered medications. This plan, however, might lead to insurers raising premium rates to cover the pharmaceutical costs. She also hopes to stop unjustified price increases by requiring pharmaceutical companies to defend pricing, and by creating a new federal consumer team charged with identifying excessive price increases.

Both candidates have suggested importing drugs from other countries with safety standards on par with the United States. Trump's plan says "allowing consumers access to imported, safe and dependable drugs from overseas will bring more options to consumers." Both Trump and Clinton have also said that they would like to see Medicare have more leverage in drug prices by negotiating directly with drug companies on pricing.

### **FURTHER ELECTION READING**

- [The Choices on Health Reform in the US Presidential and Congressional Elections](#) by John E. McDonough, DrPH and David K. Jones, PhD, *JAMA Intern. Med.* (October 10, 2016).
- [From Obamacare to Hillarycare – Democrats' Health Care Reform Agenda](#) by Jonathan Oberlander, PhD, *New England Journal of Medicine* (October 6, 2016).

- [What Would a Republican Win Mean for Health Policy?](#) by Gail R. Wilensky, PhD, *New England Journal of Medicine* (October 6, 2016).
- [Past as Prologue—Presidential Politics and Health Policy](#) by David Blumenthal, M.D., and James Morone, *The Commonwealth Fund* (October 4, 2016).
- [Designing a Medicare Buy-In and a Public Plan Marketplace Option: Policy Options and Considerations](#), by Linda J. Blumberg and John Holahan, *Urban Institute* (September 29, 2016).
- [My Vision for Universal, Quality, Affordable Health Care](#) by Hillary Clinton, JD, *New England Journal of Medicine* (September 28, 2016).
- [Snapshot of Where Hillary Clinton and Donald Trump Stand on Seven Health Care Issues](#), *Kaiser Family Foundation* (September 23, 2016).
- [Sales of Insurance across State Lines](#), by Linda J. Blumberg, *Urban Institute* (June 2016).