

Legacy of 2008 Market Meltdown ▼

The year is 2016...

As President Barack Obama enters the final year of his second term in office, a look back at how the health care coverage landscape in the U.S. has evolved during his presidency is in order. Was the dire economic turbulence of 2008, which triggered the demise and/or material restructuring of many financial and insurance institutions previously thought invincible, a facilitator of, or hindrance to, the President's health care system reform intentions? Evidence supports the premise that the distressed financial market conditions of 2008 were a major catalyst for systemic changes that have begun to redefine the U.S. health care paradigm.

by Kenneth Ambros

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Obama's large margin of victory over Republican candidate John McCain was seen as a mandate for his Democratic "Change" platform, which included major health care reform initiatives intended to improve affordable access for all Americans, increase efficiency/reduce waste in the health care delivery process, and rein in the hyper-inflationary growth of associated system costs. The financial markets turmoil that continued to worsen as Election Day 2008 neared gave Democrats the rallying issue needed to regain control of both houses of Congress, paving the way in Washington for real movement on national health care reform that either eluded or was not a top priority of previous administrations.

FIRST TERM (2009 – 2012)

Health care coverage market conditions following Obama's inauguration were reflective of the U.S. economic crisis that was negatively impacting all aspects of the business community at that difficult juncture:

- Carrier market consolidation continued, further reducing the number of viable options available to plan sponsors country-wide but better ensuring the remaining players' financial stability. However, insurers were caught in the squeeze of needing to raise premiums in the face of declining investment earnings and ever-rising health care costs, in direct conflict with their customers' heightened sensitivity to absorbing such increases.
- Employers of all sizes, but particularly the embattled small/middle employer market, showed an increased willingness to change car-

riers and reduce coverage levels for any meaningful price savings. Correlated employee cost-sharing ratios were increased materially to further offset any gross cost escalation employers could not abide.

- The rate of employer group uptake of "Consumer Directed Health Plan" (CDHP) designs ramped up notably, less in support of their conceptual belief that spawning "educated health care consumers" would lead to long term cost stabilization than for the immediate affordability gains.
- A marked increase in smaller employers abandoning their group health plans was evidenced, triggering a correlated uptick in sponsorship of voluntary programs.

Overt change on the legislative front of the health care coverage battle was difficult to see in the initial haze of a government pressed to first wrestle with global economic and international security issues. However, during this critical foundation-building period, several important developments helped establish the framework for the Obama administration's vision of health care system evolution:

- The government's ability to allocate billions of dollars for financial market bail-outs alerted the taxpayer to the relative "affordability" of funding health care reform initiatives that had previously been deemed beyond government resources. In turn, legislators (particularly the controlling Democrats pre-disposed toward system change) were empowered to pursue solutions with grass roots support never before seen.
- New guidelines for health care insurance industry regulation were signed into law, requiring carriers to provide guaranteed issue coverage. Pre-existing conditions could no longer be used as grounds for exclusion and/or "laser" pricing. The insurance industry's willingness to make this concession, signaled publicly by representative trade groups in late 2008, opened the door to cementing the subsequent approval of regulations requiring the phase-in of an individual coverage mandate for all U.S. citizens by 2015,

landmark legislation that forms a basis for universal coverage to start taking root.

- Legislation aimed at health care providers and plan insurers/administrators was enacted, requiring their specific investment in and implementation of medical data technology system enhancements that adhere to an established set of uniform parameters. The objectives were clear, and critically important: to facilitate process administration efficiency gains; to enable best treatment practices sharing among medical care providers; to reduce the quantity and impact (human, and financial) of medical errors; to improve multi-specialty care coordination during acute episodes; and to weed out inadvertent health services redundancies.
- Meaningful malpractice insurance reforms were ratified and scheduled for rapid implementation. These reform measures were designed to address the heavy toll of defensive medicine practices that have long burdened the system.

SECOND TERM (2013 – PRESENT)

With the noted building blocks in place, and with re-election momentum in his pocket, President Obama's primary objective of structuring a federal government managed "National Health Insurance Exchange", inclusive of a Medicare-like government sponsored plan option along with qualifying private insurer alternatives, was ratified in late 2013. The target kick-off date was established as January 1, 2015. This ambitious platform was formulated with the stated intent to build upon the prevailing employer-based private insurance system, augmenting it with a government-run program to address the many categories of uninsured and/or under-insured Americans left exposed in the employer-centric model.

Key features of Obama's plan included:

- Individuals and small businesses would be able to purchase a private or government-sponsored plan through the new Insurance Exchange.
- Such plans would need to adhere to a minimum standard coverage level, and be portable so that worker movement from job to job would not be hindered.
- Participating private insurers would not be able to turn down applicants or target price the sick; their plans would need to meet federal quality and efficiency standards.
- Access to existing government health plans focused on the neediest (i.e. Medicaid, SCHIP) would be expanded; other needy population segments would be helped in affording Exchange participation via subsidies and/or tax credits.

As this major endeavor was taking shape, health care inflation trend lines began to align more closely with the CPI for the first time in many years. This phenomenon was thought by some experts to be caused by reduced utilization of medical services by economically challenged people avoiding expensive treatments. Others attributed this trend stabilization to the impact of CDHPs, given their growing market share. Concern began to emerge that momentum for Obama's broader system changes well underway would dissipate under the typical blizzard of special interest lobbying that would press for maintenance of the now "manageable" status quo. However, the majority coalition of change proponents held together on the strength of:

- Statistical indications that the technology mandates on both health care providers and insurers/administrators were beginning to have a positive effect on trend.
- Widely publicized warnings from health care policy wonks that the trend toward moderation recently evidenced would be compromised longer term by an explosion of acute care episodes resulting from missed chances for early detection.
- Emerging signs of the overall economy's recovery from recession, allowing lawmakers opportunity to assure their taxpayer constituents that big-ticket economic bail-out activity was no longer

an issue. Further investment in the health care system overhaul could therefore continue with less worry about draining Federal coffers and causing major new taxation burdens.

With that challenge neutralized, the balance of 2013 and 2014 was spent in preparation for rolling out the new system's core elements, which required a tremendously complex project management process to orchestrate the necessary private market regulation changes, to develop the Insurance Exchange and government plan infrastructure, and secure the managerial talent to run the various new agencies overseeing the initiative going forward.

The January 1, 2015 target date for the new structure's roll-out was predictably delayed, mainly due to: difficulties in gaining consensus on the underwriting process regulations to be followed by private insurers; lengthy debate over what would ultimately constitute the "minimum standard" health plan coverage levels; and assessing the extent to which subsidies/tax credits would be made available to those in financial need.

An informal assessment of the inaugural enrollment process, as measured via post-enrollment participant surveys provided anecdotal indications of typical benefits enrollment snafus, confusion and frustration. However, comments also reflected a general sense that an undertaking this big and this important should be expected to have its challenges, so patience was surprisingly and generally in evidence.

Recently published government reports of enrollment outcomes are giving new life to a concern that detractors of Obama's plan have long harbored. Initial data suggests a higher percentage of employers than anticipated appear to have opted to cease providing their private health plans for employees, and chosen instead to pay into the Insurance Exchange and get out of the health care coverage provision "business". Is this an unintended consequence to be monitored and addressed going forward, or an intended backdoor path to gradually move toward a single payer, government-run system? Obama administration officials of course claim the former, but skepticism may mount if this original market reaction snowballs in subsequent enrollment cycles and no action is taken to arrest it.

We are now well into the 2016 election season, which will play out in part as a referendum on President Obama's legacy. With regard to the health care system, his specific legacy will have been borne to a substantial degree of the 2008 market meltdown, and will undeniably be deemed consistent with his original campaign's call for change: most Americans are now enrolled in some basic form of health coverage; health care cost escalation has begun to show alignment with general inflation; legislated medical data technology improvements have begun to demonstrate measurably positive impact.

The evolution of a system so enormous will never be "finished" or perfect, but the current administration has overseen the largest scale health care system overhaul since the advent of Medicare. Whether history will view that as an overall successful achievement remains to be seen; however, indications to date suggest that the private and public sector balance Obama's program relies upon may indeed have staying power in the battle to tame the health care monster.❖