

Insurance Market Reforms, States, and Regulations: Squaring the Circle(s)

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Where Innovation Is Tradition

What Is Reform About?

- Recognition that system cannot reform itself
- Signaling
 - Business as usual is over
 - New business models will be profitable
 - Risk selection → help all find value
 - FFS → pay for value
 - Value = f (quality, patient experience, cost)
 - Incentive ALIGNMENT

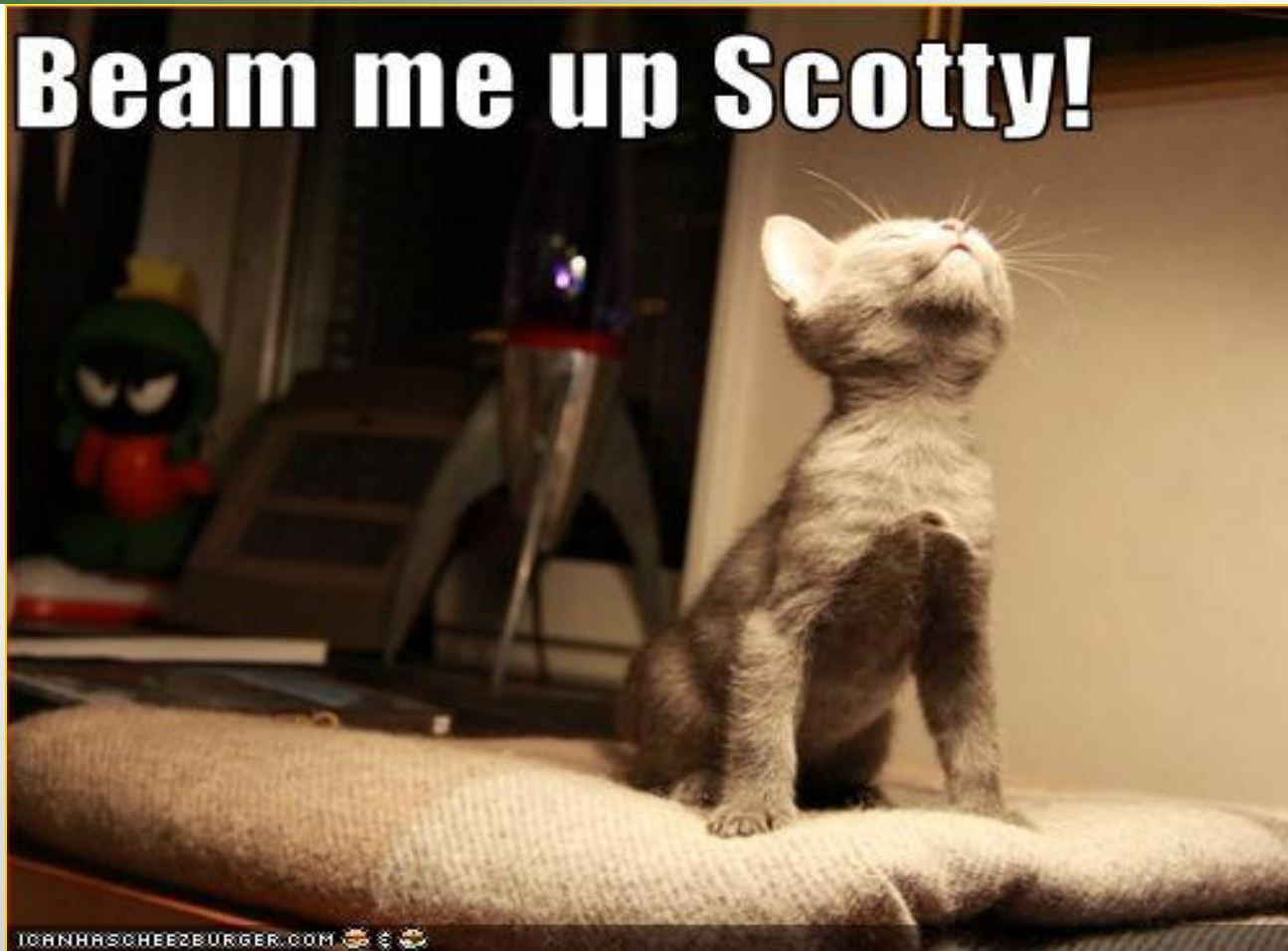
Two Roads to Fiscal Balance



Cost Containment Theory of PPACA

- End profitability of risk selection
 - Change insurance business model to value seeking
- Force transparency and margin limits on insurers
 - Channel competition into socially productive areas
- Make FFS less attractive in Medicare
- Develop incentive structures that reward cost reduction, improve quality, and *SPREAD*

Problem: There is no Scotty!



This Will Not All Be Smooth Sailing



Close Up of Not Smooth Sailing



Implementation Challenges

- Our politics are largely broken
- Uncertainty is great, breeds nightmares
 - Supreme view of mandates, election of 2012
 - Quality reporting requirements, ranking algorithm
 - Essential Benefits Package
 - Small employer dilemma
 - Choices states will make in and out of Exchanges
- All policies involve tradeoffs
 - Losers terrified, potential winners scared

What is desperately needed?

- Flexibility and discretion
- Trust
- Agreement about shared goals and basic facts
- Shining cities on hills