Top Takeaways: Wall Street Comes to Washington

The JKTG Foundation sponsored the annual Wall Street Comes to Washington Roundtable bringing Wall Street analysts together with Washington policy expert Paul Ginsburg, Ph.D., to explore what the latest market developments meant for national health policy and how Trump's election and the new political climate is impacting the health sector. Below are takeaways from the discussion with Ginsburg, Brookings and USC Schaeffer Center, and panelists Matthew Borsch, BMO Capital Markets; Ana Gupte, Leerink Partners; and Sheryl Skolnick, Mizuho Securities, USA Inc.

Read the full transcript or watch a video replay.

For all the hype, ACA repeal and replace was not that big a deal for the market: Panelists noted that many insurers had little to do with the individual health insurance market or ACA exchanges having left before Trump's election, and those which do still participate such as Anthem/Blue Cross, have significantly reduced their exposure. Pieces of the ACA repeal and replace failure that did matter were Medicaid implications, and the health insurer provider fee. Had repeal and replace passed, that fee likely would have been repealed permanently. In 2018, insurers are dealing with as much as 15% - 20% fee which will impact plan pricing and benefit design.

However, tax reform did matter: Not-for-profit hospitals, managed care negotiators, and others were much more worried when Washington considered limiting the ability of hospitals to use tax exempt financing. For many, such policies will prove devastating as they grapple with pressure on patient volumes, the adverse payer mix shift, and potential Medicare and Medicaid cuts. Hospitals, for example, will struggle when key financing is taken away making capital structures, which are expensive to maintain, potentially at risk.

The consolidation trend in health care will eventually end: Publicly traded hospital companies tend to buy, fix, grow, then do it again. They buy at a low price, and fix it up, then grow in volume by recruiting physicians and adding services. One fixer-upper is used to fund the next one, but consolidation fundamentally hits a wall, no matter the industry.

Investing in social determents: While there are no hard numbers, there is more discussion about Medicaid long-term support services. It's not just about utilization, it's about moving members out of care settings into independent living. Some companies have built houses or adapted existing housing for wheelchair accessibility; they are integrating their own home and community health workers with social workers within the community. Such investment impacts insurers top line, because there's huge unit volume growth. Moving a very complex member out of constant, high-cost health care setting can be quite profitable.

Technology is the next big trend: Expect people to be tied to their health plan through phones which will get consumers to what their health plan believes to be the right place, at the right time, for the right care.

The impact of specialty drugs: By 2020, close to half of total prescription drug spend will be on specialty drugs. This is happening in the context of overall slow trend and, therefore, hasn't been treated as the crisis it might otherwise be. The high spending is complicated by the fact that some of these specialty drugs offer a cure or significant improvement in quality of life for a longer period of time, and that is seen as socially worth it.