



FREOPP: A NEW MODEL FOR BIPARTISAN REFORM

- **Our mission:** We are a non-profit think tank striving to expand economic opportunity to those who least have it
- **Our values:** We advance ideas that advance both conservative and progressive values, at the same time
- **Our focus:** Market-based reforms that improve the lives of Americans whose income or wealth is below the U.S. median

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IT'S THE PRICES, STUPID

- Tens of millions of U.S. residents lack coverage, and tens of millions more struggle to afford the coverage they have, **because**

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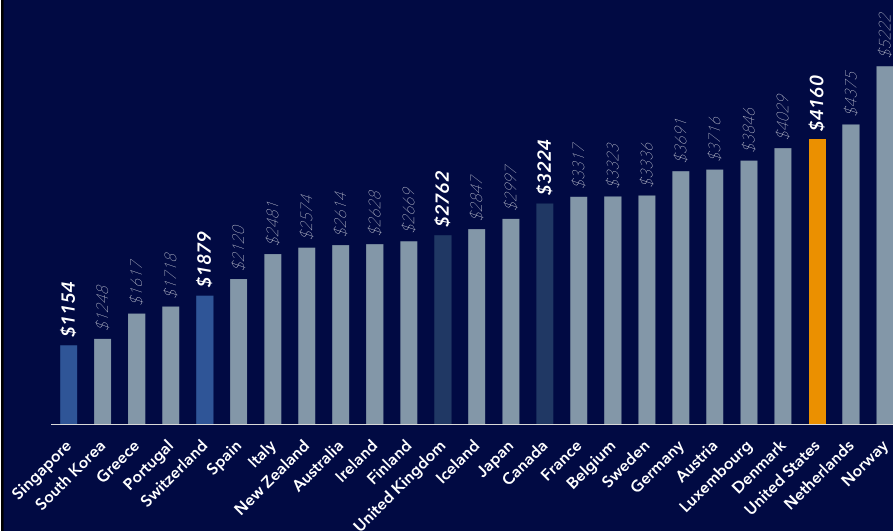
IT'S THE PRICES, STUPID

- Tens of millions of U.S. residents lack coverage, and tens of millions more struggle to afford the coverage they have, **because** the prices of health care services are too high in America.

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THE MYTH OF 'FREE-MARKET' U.S. HEALTH CARE

2012 government health expenditure per capita (US\$ purchasing power parity-adjusted)

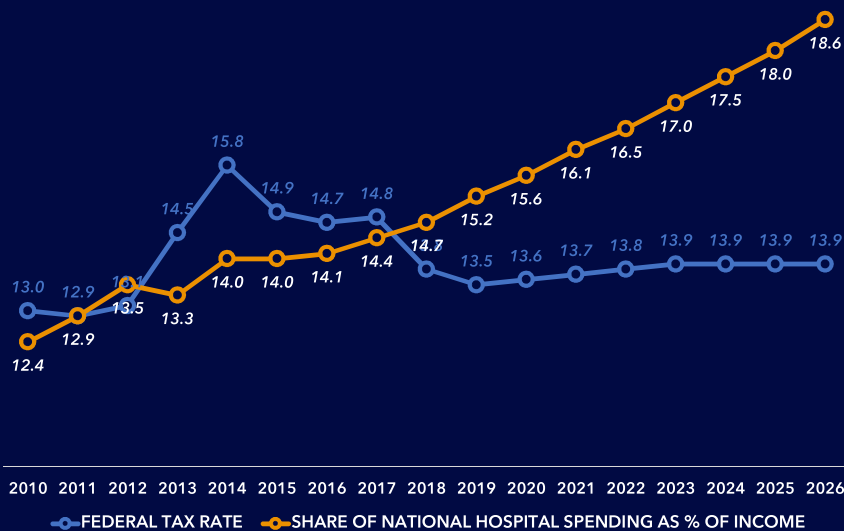


Sources: OECD, WHO, Commonwealth Fund

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FAMILIES PAY MORE TO HOSPITALS THAN TO THE IRS

Median household federal tax rate vs. median household's share of U.S. medical spending (%)



Sources: FREOPP, JCT, CBO, CMS

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WHY IS U.S. HEALTH CARE SO EXPENSIVE?

- **Ninth-party health care:** Third-party purchase (by employers or the government) of third-party payment (insurance) of health care
- **Monopolies vs. markets:** We accept, incentivize, and even subsidize monopoly power (esp. hospitals & drugs)
- **Regressive insurance subsidies:** The U.S. heavily subsidizes coverage for high-earners and wealthy retirees (through the employer tax exclusion & Medicare), destroying consumer price sensitivity

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STEP 1. STRENGTHEN & EXPAND INDIVIDUAL MARKET

- **Reduce adverse selection:** Reinsurance & invisible high risk pools; age-adjusted subsidies; 5:1 age bands; tax reductions; Copper plans; autoenrollment
- **Worker control of ESI funds:** Merge FEHBP into individual market via HRAs; require newly-formed companies to sponsor nongroup coverage via HRAs
- **Optional replacement of Medicaid expansion:** Give states the option to replace Medicaid expansion with expanded exchange eligibility & per-capita allotments

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STEP 2. STRENGTHEN & EXPAND MEDICARE ADVANTAGE

- **Competitive bidding & default enrollment in Part C:** Require MA plans to compete with FFS on price & quality; autoenrollment in integrated MA plans
- **Integrated MA-style plan for able-bodied duals:** Give states option of federally-funded integrated benefit, in exchange for ending provider & premium taxes
- **Stop subsidizing multimillionaires:** Elimination of Medicare subsidies for seniors with lifetime earnings >\$10 million

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STEP 3. COMBAT MONOPOLY PRICING POWER

- **Increase Rx drug competition:** End artificial monopolies; facilitate generics & biosimilars; accelerated approval for drugs treating non-terminal diseases; Medicare B/D drug reforms
- **Restore hospital competition:** Increase FTC funding for hospital antitrust; bar anti-competitive contracting provisions; establish a national all-payer claims database; benchmark monopoly prices to Medicare Advantage

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POLICY OUTCOMES BY 2030

- **Universally affordable coverage:** Autoenrollment; replacement of ACA Medicaid expansion; >25% reduction in nongroup premiums for those >200% FPL; more affordable options for those with ESI offers
- **Lower health care prices:** Ending free rein for hospital & drug monopolies could reduce ESI premiums by 5-10%; widespread use of HRA rule could reduce another 25%
- **Substantial deficit reduction:** Additional means-testing & efficiencies in Medicare; reduced ESI spending

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H.R. 1332: THE FAIR CARE ACT OF 2019

- **Title I:** Reduce private insurance premiums & taxes
- **Title II:** Medicaid & Medicare reforms
- **Title III:** Reducing prescription drug prices through competition
- **Title IV:** Reducing hospital prices through competition, antitrust
- **Title V:** Digital health reform & patient ownership of data

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