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Obamacare's ups and downs, as seen by a Republican doctor

By Francine Kiefer, Staff writer OCTOBER 25, 2016

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SEARCH FOR SOLUTIONS Daniel Derksen, who drafted part of Obamacare, has had a front seat to the implosion of Arizona's private insurance marketplace. But as a rural health expert, he also sees how it's helped.

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Daniel Derksen, director of the Center for Rural Health at the University of Arizona in Tucson, stands outside of his office on Oct. 4.

TUCSON, ARIZ. — Daniel Derksen knows only too well how polarizing Obamacare can be.

In 2012, he was leading an effort to build a health insurance marketplace for New Mexico under the new law. The state's Republican governor, Susana Martinez, and Dr. Derksen – also a Republican – were committed to standing up a robust, competitive marketplace that would be run by the state, not the federal government.

Initially, things went pretty smoothly for this family physician and health-policy expert. Derksen, who had actually drafted part of the Affordable Care Act, had secured a first round of federal funding for the state's marketplace exchange. He was readying his proposal for a second round of funding.

But as the Supreme Court moved toward a landmark ruling on the constitutionality of the law, conservative critics in the governor's administration began to question him. With tensions mounting, Derksen handed his funding proposal to New Mexico's secretary of human services.

"Obamacare's not coming in the door," said the secretary, throwing his proposal on the floor and storming out of the room, according to Derksen. He resigned, his plans for the state exchange

stalled, and New Mexico was forced to launch enrollment on the balky and much criticized federal insurance portal, HealthCare.gov

Now Derksen is again witnessing Obamacare fireworks, this time as director of the Center for Rural Health at the University of Arizona in Tucson.

Arizona has become a poster state for a nationwide problem with Obamacare: the exit of companies from the private insurance marketplace. That means that when 2017 enrollment begins on Nov. 1, many Americans shopping for plans on the marketplace exchanges will face steeply rising premiums and little or no choice of insurers.

The Obama administration announced Monday that the more than 11 million consumers in the federal exchanges will face an average 25 percent increase in premiums for a benchmark plan, though most people will qualify for tax credit subsidies to help pay for the increase. Some Arizonans in the exchange will see premiums more than double.

The marketplace implosion has become a red-hot political issue in the Copper State. Republican Sen. John McCain has hammered his opponent, Democrat Ann Kirkpatrick, over the "collapse" of Obamacare, which she has called her "proudest" vote as a representative in Congress. It's increasingly clear that the next president will have to address the instability of the federal exchanges.

The political divide goes deeper than the fiscal troubles with implementation, though, to a fundamental difference over the federal government's role in health care.

Republicans believe that markets should be allowed to work and that individuals should have the freedom to make their own health coverage choices. They have tried dozens of times to repeal or restrict the 2010 Affordable Care Act. Democrats believe markets have failed too many consumers and that the government needs to step in and help those who can't afford health insurance.

As the presidential and congressional campaigns battle over what to do about the controversial law, Derksen offers a more dispassionate lens through which to look at this issue.

As a Republican in a red state who has worked across the aisle on Capitol Hill, he has the political credibility to gain the ear of conservatives as well as liberals. He likes to point out that he voted for Republican conservative icons Barry Goldwater and Ronald Reagan in the same year (Reagan was running for president; Goldwater for his fifth term as a senator from Arizona). Derksen also spent nearly a year in a 15-by-15 foot cubicle in the office of then-Sen. Jeff Bingaman (D) of New Mexico, working on legislation that became part of the ACA. The two are still friends.

"Instead of saying 'damn Republicans' or 'damn Democrats,' he takes a cause up and looks for a solution," says James Dickson, chief executive officer of Copper Queen Community Hospital, in Bisbee, Ariz. He describes him as "very pragmatic."

Derksen strongly believes in competition in health care, and doesn't discount the "alarming" turmoil in the act's insurance marketplace nor the eye-popping premium increases, which he describes as "very disruptive to the most important person, the consumer."

But the Obamacare story, its impact and its future, is more complex than that, he says. With the Supreme Court upholding the constitutionality of the ACA in 2012 and 2015 – though it did make one key part, Medicaid expansion, optional for states – the main focus of the debate now is

whether it is fundamentally flawed from a fiscal and policy standpoint. Should it be scrapped for a do-over? Or should it be kept and improved?

Derksen admits he's not without bias, but he likes to say his biases are informed by data. He believes everyone should have insurance, a view stemming from his own experience. After graduating from a Jesuit high school in Phoenix, the sandy-haired young man worked in a Mexican orphanage. Later, as a family physician, it pained him to refer patients to specialists he knew they could not afford.

"You don't save money when you don't cover people. You just shift the tax," he says.

In a country and state at loggerheads over Obamacare, here's what this pragmatist says is working and not working about the law, and what may lie ahead.

Helping the poor

"What's working incredibly well is covering the uninsured," begins Derksen, sitting in his university corner office with a stunning view of Tucson's Santa Catalina Mountains. His Center for Rural Health here receives federal money to fund "navigators" who help guide patients through the sign-up maze.

Arizona has halved the number of uninsured since the Affordable Care Act, Derksen points out. Today, 850,000 more Arizonans have coverage. Nationally, 8.6 percent of people were without health insurance in the first quarter of 2016 – a record low, and about half the rate when the law was signed, according to the US Department of Health and Human Services. The Obama administration says 20 million more Americans are covered.

"It's gratifying to see that expansion in such a short time. That's extraordinary," he says.

Hop into Derksen's Toyota 4Runner, and he'll take you to the new El Rio Community Health Center in south Tucson, a neighborhood of cleared dirt lots and modest homes with chain link fences.

A $5 million federal grant helped build this modern facility. From its terracotta and periwinkle facades to its soaring glass-plated lobby, the facility brims with warmth – and technology. It's as fine as any private practice, although more than 60 percent of its patients live at or below the federal poverty line. Many are Spanish speakers and native Americans.

Derksen describes the health center as a prime example of what is working with Obamacare – more coverage for poor people, more doctors willing to serve them, and a healthier bottom line for hospitals.

Robin, a patient here, was among the first to sign up for insurance under the ACA. She is retired, but not yet eligible for Medicare. Without the insurance, she says she would not have been able to afford cataract surgery.

"The problem for me was my age. Unless I could pass the really strict guidelines, no one would insure me," she says.

Because Arizona expanded Medicaid coverage under the act, the number of nonpaying or under-paying "charity cases" has dropped at El Rio. The percent of patients who have to pay out of pocket, but who often can't afford even a minimum $25 charge, has fallen from 30 percent to 12 percent since 2014, when the first ACA enrollment was completed.

The community health center also has 10 medical students embedded at its facility each year as part of their medical school training. Under the Affordable Care Act – and under the provision that Derksen researched and drafted – federal funds help support training centers for doctors in underserved communities.

That's a staffing help to an urban health center like El Rio, and to a rural one like Mr. Dickson's award-winning Copper Queen Community Hospital in Bisbee.

The ACA's repayment of medical school loans for doctors who head to the hinterlands has helped Dickson to entice doctors to come to the former copper mining town of about 5,000 people some 100 miles to the east of Tucson. Dickson says he wishes there were more such funds available.

As at El Rio, Medicaid expansion has also cut the rate of charity cases at Copper Queen by more than half. It's a tricky thing, though. Because Medicaid costs are not fully covered by the government, Dickson has to find a way to make up the difference. The more Medicaid patients he gets, the more costs he has to cover.

Still, this self-identified conservative Republican does not want expanded Medicaid revoked.

"We need all the help we can get to just survive," he says. "Loss of the expansion of Medicaid or special federal designations would be devastating to our effort."

Derksen agrees.

Of the total number of Arizonans who have gained coverage since 2013, more than two-thirds – or 600,000 of them – come from expanded Medicaid coverage, according to Derksen's Center for Rural Health. Another 70,000 come from young adults being allowed to piggy-back on their parents' plans, and only 180,000 come from the private marketplace exchange.

The increased coverage has reduced the number of unpaid charity cases to a record low in the state, or 2.2 percent of all care, as of March.

It was a tough political battle to get the Republican legislature to do the expansion, which it calls Arizona Health Care Cost Containment System. Then-Gov. Jan Brewer, also a Republican, urged legislators to "do the math" and realize the benefits. Many Republican governors have shunned the expansion, fearing they will be saddled with higher Medicaid costs they can't afford.

But Derksen notes a correlation between the 19 states that have refused to expand Medicaid, and states where rural hospitals are closing. He singles out Texas, which has closed 11 rural hospitals since 2010.

"Where's the highest number of hospitals closing in rural areas? Texas…. You're not saving money by not covering people."

Insurers rush for the doors

The drive from Tucson to Phoenix via the back road of Route 79 could tempt a motorist to stop every five minutes to take pictures – big blue sky, armies of saguaro cacti standing watch on the high desert plain, purple mountains in the distance.

The road unfolds through lonely Pinal County like a satin ribbon. Hardly any cars pass. It's a wonderland for a nature lover, perhaps, but not for health insurers who quit serving the county on the ACA exchange.

That's left consumers such as Natalie McCasling of Maricopa in Pinal County in a panic.

After receiving notice in June that UnitedHealthcare was dropping out of Pinal County, she wondered what would happen to coverage of therapy for her autistic daughter that United is providing – therapy that, without insurance, would cost her $50,000 per year.

It got worse.

Pinal County made headlines in August when Aetna said it would exit the insurance marketplace in Arizona and in 10 other states, leaving Pinal poised to become the only county in the United States with no marketplace option for 2017. County spokesman Joe Pyritz says he fielded calls from reporters as far away as London.

Since then, Blue Cross Blue Shield of Arizona has stepped in, but that hasn't done much to alter the overall picture of a state where insurers are rushing for the Obamacare exit doors. (The insurer, now the dominant player in the state's marketplace exchange, turned down the Monitor's request for an interview.)

Two years ago, 10 insurers offered plans under the ACA to Arizonans in the Tucson and Phoenix areas (Pima and Maricopa Counties), where most Arizonans live. In the state's 13 other – rural – counties, residents could choose from among seven insurers, according to Derksen's data.

Now, it looks like only one insurer will be available in each county for next year, with two serving Tucson in Pima. Premiums for a benchmark "second-lowest cost silver plan" for a hypothetical 27-year-old will increase by 116 percent, from $196 to $422, according to the administration. But again, federal subsidies will help many people pay for the increase.

Companies that have dropped out cite financial losses. Blue Cross Blue Shield said in a statement that it lost $185 million on individual marketplace plans in Arizona in 2014 and 2015.

Nationwide, other participants in the ACA also face double-digit premium increases and fewer choices. About 6 in 10 counties in America – many in rural areas – will have two or fewer insurers offering plans for 2017, according to a preliminary analysis by the Kaiser Family Foundation.

However, "Arizona is by far the most affected state when it comes to these exits," says Cynthia Cox, at the foundation.

And they've left residents like Ms. McCasling in limbo. Even with Blue Cross Blue Shield's intention to cover Pinal county as the sole insurer, she still has no idea what the premiums or deductibles will be for her daughter.

The unpredictable lurching has taken a toll. When the ACA first came out and McCasling found she could get coverage for her daughter, "it was one of the best days of my life, and when we found out [in June] we couldn't, it was one of the most devastating," she says.

Republican Nancy Barto, who chairs the health committee in the Arizona state Senate, wants the law repealed. "The ACA has not only failed to produce the competitive marketplace it advertised but has produced just the opposite. Fewer policy choices, narrow physician networks and unacceptably high premiums," she says in an email.

Why they're leaving

Analysts cite several reasons for the insurer exits, including inexperience with the marketplaces, the end of certain federal support for the insurance companies, and an imbalance among those covered: too many sick participants, not enough young, healthy ones.

“The exchanges are in trouble. That’s not surprising to an economist,” says Marjorie Baldwin, a professor of economics at Arizona State University in Phoenix.

In the exchanges, insurers have to cover anyone who signs up, regardless of preexisting conditions – and they have to charge the same premium to everyone. Healthy individuals would rather pay the required penalty, currently set at $700 or more**,** then buy a plan they don’t want.

Costs are higher than anticipated, insurers raise premiums, people can’t afford them, and the insurance market enters a death spiral. “This was predictable,” she says.

But Derksen is not convinced that’s the entire explanation.

The marketplace is a wobbly toddler still learning to walk, he says. He also suspects some “scurrilous” behavior on the part of insurers – using the election cycle to twist arms on pricing and regulation; forcing out competitors through low pricing only to raise premiums under monopoly conditions; and sacrificing market share now for a future comeback – and higher prices. He calls this an “aberration year.”

What lies ahead depends on who wins the White House and the makeup of Congress.

Donald Trump has promised to repeal Obamacare, and replace it with a more free-market system. He has mentioned throwing out the unpopular individual mandate to buy insurance, turning Medicaid into a block grant to the states, and making insurance premiums 100 percent tax deductible.

Hillary Clinton wants to improve the ACA. She promises to increase subsidies to help middle-income consumers with the exchanges and add the choice of a “public option” – basically, a government plan – to every state exchange. She also wants to offer people 55 and older an option to buy into Medicare.

In rural areas, a public option might be necessary, says Derksen. But his thought is to turn the Obamacare exchanges from a yearly competition where insurers jump in and out, to one that takes place every three to five years. Contracts could be sent to bid, as with the military’s Tricare program. That way, companies would have a chance to build consumer loyalty and realize longer-term gains.

As he admits, however, “politics changes the ability to have a rational discussion about this.”