

Report to President Trump on Reforming America's Healthcare System Through Choice and Competition



December 3, 2018

The President
The White House
Washington, DC 20500

Dear Mr. President:

On October 12, 2017, through Executive Order 13813, you directed the Administration, to the extent consistent with the law, to facilitate the development and operation of a health care system that provides high-quality care at affordable prices for the American people by promoting choice and competition. We are pleased to provide you with this report, prepared by the Department of Health and Human Services (HHS) in collaboration with the Departments of the Treasury and Labor, the Federal Trade Commission, and several offices within the White House. This report describes the influence of state and federal laws, regulations, guidance, and policies on choice and competition in health care markets and identifies actions that states or the Federal Government could take to develop a better functioning health care market.

As health care spending continues to rise, Americans are not receiving the commensurate benefit of living longer, healthier lives. Health care bills are too complex, choices are too restrained, and insurance premiums and out-of-pocket costs are climbing faster than wages and tax revenue. Health care markets could work more efficiently and Americans could receive more effective, high-value care if we remove and revise certain federal and state regulations and policies that inhibit choice and competition.

The Administration has already taken significant steps to improve health care markets by addressing government rules and programs that limit choice and competition and produce higher prices for the American people. Among the most significant actions:

- In October 2018, the Departments of HHS, the Treasury, and Labor proposed a rule that would provide employers with significant new flexibility in how they fund health coverage

through Health Reimbursement Arrangements (HRAs). If finalized, this flexibility would empower individuals to take greater control over what health insurance benefits they receive. The Treasury estimates that more than 10 million employees would benefit from this change within the next decade.

- In August 2018, the Departments of HHS, the Treasury, and Labor finalized a rule to expand Americans' ability to purchase short-term, limited-duration insurance—coverage for which premiums are generally much more affordable than Affordable Care Act (ACA) plans. Millions of Americans, including middle-class families who cannot afford ACA plans, will benefit from the additional choice and competition resulting from this reform.
- In June 2018, the Labor Department finalized a rule to expand the ability of employers, including sole proprietors without common law employees, to join together and offer health coverage through Association Health Plans. For many employers, employees, and their families, these employee benefit plans will offer greater flexibility and more affordable benefits.
- In May 2018, HHS released “American Patients First,” a historic blueprint for actions to bring down the high price of drugs and reduce out-of-pocket costs. HHS has taken a number of actions that were laid out in the blueprint to empower consumers and promote competition, building on accomplishments such as the Food and Drug Administration's record pace of generic drug approvals.
- In December 2017, you signed the Tax Cuts and Jobs Act, which eliminated the onerous and regressive individual mandate tax penalty. This freed Americans to finance their health care needs in the way that works best for them.
- The Administration has enacted reforms to deliver better value through choice and competition in the Medicare program, including payment changes that establish site-neutral payment policies for a number of Medicare services, a simplification of how physicians are paid for evaluation and management visits, new consumer-transparency measures, and flexibility for insurers to offer more options and benefits in Medicare Advantage.

- HHS and the Treasury have issued revised guidance under section 1332 of the ACA that significantly expands the ability of states to reform their individual insurance markets while ensuring that people with pre-existing conditions are protected.

While the Administration has made much progress in reforming the American health care system significant obstacles remain. This report identifies four areas where federal and state rules inhibit adequate choice and competition and offers recommendations for improving public policy in each of these four areas.

Health Care Workforce and Labor Markets: Reduced competition among clinicians leads to higher prices for health care services, reduces choice, and negatively impacts overall health care quality and the efficient allocation of resources. Government policies have suppressed competition by reducing the available supply of providers and restricting the range of services that they can offer. This report recommends policies that will broaden providers' scope of practice while improving workforce mobility, including telehealth, to encourage innovation and to allow providers more easily to meet patients' needs. The report also recommends that the Federal Government streamline funding for graduate medical education to allocate taxpayer dollars efficiently and to address physician supply shortages.

Health Care Provider Markets: State policies that restrict entry into provider markets can stifle innovative and more cost-effective ways to provide care while limiting choice and competition. These policies have resulted in higher health care prices and fewer incentives for providers to improve quality. This report makes several recommendations to promote choice and competition in provider markets, including state action to repeal or scale back Certificate of Need laws and encourage the development of value-based payment models that offer flexibility and risk-based incentives for providers, especially without unduly burdening small or rural practices.

Health Care Insurance Markets: Government mandates often reduce choice and competition in insurance markets and increase overall premiums. In the individual and small group markets, many consumers face limited coverage options that cover services they do not want or need and that drive up premiums, while others have been completely priced out of the market. Regulations that limit coverage choices should be changed so that states have more flexibility to develop policies that account for diverse consumer preferences. This report recommends scaling back government mandates, eliminating barriers to competition, and allowing consumers maximum opportunity to purchase health insurance that meets their needs.

Consumer-Driven Health Care: Our health care system's excessive reliance on third-party payment insulates consumers from the true price of health care and offers them little incentive to search for low-cost, high-quality care. When federal and state health policies give consumers more control over their health care dollars, they can use that power to demand greater value. For example, promoting and expanding Health Saving Accounts (HSAs) and HRAs would expand personal control and introduce more consumer power into the health care market. The report recommends expanding access to HSAs, implementing reference pricing where appropriate, and developing price and quality transparency initiatives to ensure that newly empowered health care consumers can make well-informed decisions about their care.

We know the United States health care system too often fails to deliver the value it should. This report identifies barriers on the federal and state levels to market competition that stifle innovation, lead to higher prices, and do not incentivize improvements in quality. It recommends policies that will foster a health care system that delivers high-quality care at affordable prices through greater choice, competition, and consumer-directed health care spending. While American consumers and many providers would significantly benefit from the reforms laid out in this report, there are entrenched and powerful special interest groups that reap large profits from the status quo. It will take bold leadership to confront these incumbents and implement reforms, but under your direction, we are convinced we can significantly improve the American health care system.

We look forward to working with you as we create a more effective and efficient health care market that provides information for consumers as they make health care decisions for their families, rewards quality, encourages innovation, and delivers care at prices the American people can afford.

Sincerely,

/Alex M. Azar II/

Alex. M Azar II

Secretary

U.S. Department of Health and Human Services

/Steven T. Mnuchin/

Steven T. Mnuchin

Secretary

U.S. Department of the Treasury

/Alexander Acosta/

Alexander Acosta

Secretary

U.S. Department of Labor

[View the full choice and competition report](#)  .

####