Written by John Sarich // November 20, 2015

What will replace PPACA 1.0?

In May 2013, John Sarich warned in an interview, with sobering accuracy, that builders of the Patient Protection and Affordable Care Act (PPACA) enrollment systems would probably be in big trouble during the first PPACA open enrollment period if they failed to get detailed specs to technology vendors by June 1, 2013.

In July 2014, he talked about the back-end system gaps that led to the exchange system's chronic reporting problems, and the U.S. Department of Health and Human Services' problems with understanding and managing the PPACA risk corridors program.

Now Sarich, vice president of corporate strategy at VUE Software, an insurance industry automation company, is thinking about another health insurance industry driver: insurers' own views on what the United States should do now that any gains from the PPACA coverage expansion provisions seemed to have flattened out.

VUE has been in Orlando, Fla., this week, at the NAILBA 34 conference, to promote a new compensation tracking system aimed at insurance distributors, including distributors of a variety of health-related supplemental products.

Sarich said he thinks the insurance distributor sector is where the action is right now, mainly because of the collision of ideas going on in the major medical market.

Sarich said he believes the health insurance community itself now has a split: between insurers that are still hoping for the current exchange-based arrangement to succeed; insurers that would like to see a return to something like the 2009 U.S. major medical market, but with higher deductibles and more flexible health savings accounts (HSAs); and insurers that want to see the major medical market for working-age Americans look much more like the Medicare supplement insurance market or the Medicare Advantage market, with the government providing universal basic coverage and private insurers competing to sell supplemental products.

Another driver, Sarich said, is that he has a hard time imagining any new type of entity bothering to take on the giants already in the health insurance market. A few big, hospital-based health care systems or insurance distributors may still try to break in, but, even if Google and Facebook dip their toe in the water here and there (Oscar), they probably have better ways to use their capital, Sarich said.

Health insurance "is a complicated business," he said. "And this is a very low margin business. You've got a market that's pretty well served by the companies that are in it right now."

Many insurers seem to be inclined to pass as much of the insurance risk as possible on to the government or some other entity, and to operate more as distributors of other insurers' products, Sarich said.

If the Democrats are able to keep the current version of PPACA more or less in place, then the commercial health market is very likely to start looking more like the Medicare Advantage or Medigap market, Sarich said.

Even if Republicans and moderate Democrats manage to repeal the PPACA commercial health insurance provisions, the fact that so many insurers like the Medicare market model means that there's probably only a 50 percent chance of shifting to a model with high-deductible commercial insurance and improved HSAs, Sarich said.

When insurers provide the supplemental coverage, rather than the basic coverage, "then the risk is taken care of," Sarich said. Insurers "make money on Medicare Advantage," he said. "They don't make money on straight health insurance."

Sarich said he himself is a fan of the flexible HSA approach.

If Congress could free HSAs from the restrictions Ted Kennedy attached to them, "you would open up a lot of innovation," Sarich said. "The customer's actually in charge of his treatment."

But Sarich said he believes some kind of change is probably coming, because PPACA has been so complicated and expensive, and so many people are still uninsured.

Although the country has reduced the total uninsured rate sharply, by putting about 15 million to 20 million people in Medicaid and helping a few million uninsured people get exchange plan coverage, achieving further reductions in the uninsured rate seems difficult, Sarich said.

"At the end of the day," he said, "what have you really done?"

Meanwhile, Sarich said, the non-giant health insurers need something other than major medical to write, and the many agents who have been selling major medical are getting serious about selling a much wider array of products.

At a time when the non-giant health insurers are trying to roll out new products, retail producers are trying to offer new products, and few insurers even remember how to build their own agent networks, a distributor that can connect an insurer with thousands, or tens of thousands, of agents is in a good place to be, Sarich said.

"That's a very active business," Sarich said. "It's a growing business."

End of Article

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John Sarich

As Vice President of Strategy at VUE Software, John Sarich serves a senior solutions architect, strategic consultant and business advisor with over 25 years of insurance industry experience. He uses his extensive knowledge of insurance operations, information technology (IT) systems, sales and marketing to develop and define operational strategies for the company's sales and marketing initiatives.

About VUE Software

VUE Software is an innovative provider of performance-driven solutions built exclusively for the insurance industry. With over twenty-three years of experience in Life & Annuities, Health and P&C Insurance, VUE Software is one of the most experienced and established Insurance Distribution Technology providers in the business today. VUE Software is leading the Distribution Modernization movement, bringing clients a solid path to revenue growth and competitive advantage.