

SOLUTIONS OVER POLITICS

STABILIZING & IMPROVING THE INDIVIDUAL MARKET

The Affordable Care Act (ACA) has been successful in bringing affordable health care to millions of Americans. The ACA has expanded health insurance to more than 20 million people, and consumers receive more coverage for their dollar. While we've made tremendous progress, we also acknowledge that many Americans struggle with the costs, particularly those in the individual insurance market. Many of the actions taken by the current administration have created instability and uncertainty in the individual market, thereby increasing costs and making affordability a greater problem. We are dedicated to finding solutions to reduce health care costs and further the goal of universal coverage for all Americans.

To be clear, repealing and undermining the ACA are not solutions, and rolling back Medicaid expansion only further destabilizes the individual market. Nevertheless, we believe certain reforms and recommitment to policies that work can improve the individual market and make health care more affordable. The following proposals will bring down costs for individuals and families, and help stabilize the individual insurance market.

1. Create a Permanent Reinsurance Program

We support the “guaranteed issue” and “community rating” provisions of the ACA, which ensure that patients can't be denied coverage or charged more based on health or other status, such as a pre-existing condition. We recognize, however, that some plans in the individual market have experienced unexpected costs due to the fact that some patients may require more health services than the average patient. Without a sufficiently funded reinsurance program, insurers will charge higher premiums to stem potential financial losses.

Reinsurance programs provide a backstop against extremely high medical claims while helping patients by stabilizing premiums in the individual market. Reinsurance programs have been successful in providing certainty and keeping premiums low in Medicare Part D, and have shown promise in state marketplaces. The ACA included a reinsurance program and other forms of risk sharing, but most of these programs have expired. A new reinsurance program should be made permanent and must be adequately funded. We propose creating a dedicated annual \$15 billion reinsurance fund.

According to the Congressional Budget Office, the ACA's temporary transitional reinsurance program reduced premiums by as much as 10%.¹ Thus, much of the cost of a permanent reinsurance program would be offset by a reduction in premium assistance tax credits.

2. Reduce Copays and Deductibles for Low-Income Americans

The ACA helps millions of families purchase affordable health coverage through cost sharing reduction (CSR) payments. These funds reduce copays and deductibles for low-income families across the country. Health insurers have made it clear that uncertainty about funding CSR payments is already creating a crisis in the market, leading to fewer choices for consumers and driving up premiums. These premium increases could in

¹ Congressional Budget Office, *Private Health Insurance Premiums and Federal Policy 21* (2016), https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51130-Health_Insurance_Premiums.pdf

turn cause federal spending to increase by \$2.3 billion in just the next year.² To avoid calamity for millions of Americans, Congress must make it clear that these payments will continue now and into the future.

3. Promote Coverage and Ensure People Pay their Fair Share

Congress and the administration must continue to use tools that support exchanges to ensure that the markets are stable:

- To ensure people enroll in coverage, the administration should exercise its existing authority to promote enrollment in exchange plans through robust marketing during and around open enrollment periods. We have seen increased levels of enrollment in states that have boosted marketing and advertising around open enrollment periods.
- Because all Americans will face significant health issues at some point in their lives, Congress and the administration should also ensure that everyone pays their fair share and premiums are paid. The participation of healthy individuals in markets helps keep costs down for everyone. The federal government should continue to enforce the individual shared responsibility requirement of the ACA. Without enforcement of the mandate, average premiums in 2018 and 2019 are projected to be 15% to 20% higher than they would be otherwise.³ Alternative options, such as auto-enrollment in a health plan that includes basic health services, come with their own set of complexities, but should be considered if they foster additional consumer choice and work to expand the risk pool by bringing younger, healthier adults into the marketplace.

4. Create More Affordable Options

Congress and the administration should consider several policies which have the potential to make health coverage more affordable for all Americans.

- **Create more options for Americans near Medicare eligibility:** Allowing the option for some consumers to buy in to Medicare as they approach retirement age could allow for additional affordable and reliable options through traditional Medicare and Medicare Advantage programs.
- **Provide additional targeted premium assistance:** Though approximately 84% of participants on the health exchanges receive a premium tax credit,⁴ costs are still unaffordable for many. Congress should consider ways of providing additional targeted assistance by age and geography as well as income.
- **Reexamine the qualifications for plans for younger enrollees:** Congress should consider expanding the availability of catastrophic health insurance plans that include essential health benefits and coverage for primary care for younger enrollees.
- **Ensure that health savings accounts (HSAs) are flexible and compatible with plans compliant with the ACA.**

² Larry Leavitt, Cynthia Cox, and Gary Claxton, *The Effects of Ending the Affordable Care Act's Cost-Sharing Reduction Payments*, Kaiser Family Foundation, Apr. 25, 2017, <http://www.kff.org/health-reform/issue-brief/the-effects-of-ending-the-affordable-care-acts-cost-sharing-reduction-payments>.

³ Congressional Budget Office, *Cost Estimate for HR 1628, American Health Care Act 21 (2017)*, <https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/costestimate/americanhealthcareact.pdf>

⁴ Paul R. Houchens, Jason Clarkson, and Zachary Fohl, *Summary of Individual Market Enrollment and Affordable Care Act Subsidies*, Milliman, Apr. 6, 2017, <http://www.milliman.com/insight/2017/Summary-of-individual-market-enrollment-and-Affordable-Care-Act-subsidies>.

5. **Make Additional Improvements to the Health Insurance Market**

Like any law, the ACA isn't perfect and it needs reforms to ensure that it works for all Americans. To improve and expand the ACA to work better for everyone, Congress and the administration should work together to:

- **Ensure bidding areas in the marketplace are balanced and geared toward more competition in rural and urban areas.** Though many marketplaces are thriving with multiple competitors, rural areas usually see less insurer participation and competition.⁵ The marketplace should ensure bidding areas in the individual market are drawn to include a balanced pool of enrollees so consumers in rural areas are not at a disadvantage.
- **Consider ways to reduce churn in the market.** Due to changes in employment status and income swings, the individual market has historically been prone to significant churn. The ACA empowers states to use the Basic Health Program to create additional options for those who do not qualify for Medicaid or CHIP, but may be unable to afford individual market coverage. Congress and the administration should consider ways to boost and expand use of the program to streamline coverage between Medicaid and the individual private insurance market. Congress should also consider allowing ACA subsidy certification for multiple years, which would give plans and consumers greater certainty.
- **Provide clear guidelines for states that want to innovate on the exchange or enter into regional compacts to improve coverage and create more options for consumers.** Section 1332 of the ACA allows states to innovate and share in health savings while offering strong plans with all essential health benefits, and some states have begun to experiment in this regard, with great potential for success.⁶ Similarly, Section 1333 of the ACA allows states to enter into Health Care Choice Compacts, which allow insurers to sell across state lines in participating states. However, the federal government has not yet released regulations on Section 1333.⁷ The federal government should issue clear guidelines and work with states to spur innovation and bring more choice and competition to the market while protecting consumers.
- **Consider aligning the ACA's open enrollment period with tax season.** Bringing the open enrollment period for individual coverage in line with tax season will allow those facing a penalty an opportunity to enroll in coverage and avoid it in future years.⁸ Many taxpayers receiving tax refunds will also see an influx in cash which could help offset premium costs.

⁵ Cynthia Cox and Ashley Semanskee, *Preliminary Data on Insurer Exits and Entrants in 2017 Affordable Care Act Marketplaces*, Kaiser Family Foundation, Aug. 28, 2016, <http://www.kff.org/health-reform/issue-brief/preliminary-data-on-insurer-exits-and-entrants-in-2017-affordable-care-act-marketplaces>.

⁶ Dept. of Health and Human Services, *Offering States Flexibility to Increase Market Stability and Affordable Choices*, <https://www.hhs.gov/about/news/2017/03/13/offering-states-flexibility-increase-market-stability-and-affordable-choices.html> (March 13, 2017).

⁷ Linda J. Blumberg, *Sales of Insurance Across State Lines: ACA Protections and the Substantial Risks of Eliminating Them*, Urban Institute, June 29, 2016, <http://www.urban.org/research/publication/sales-insurance-across-state-lines-aca-protections-and-substantial-risks-eliminating-them#ref3>.

⁸ Katherine Swartz and John A. Graves, *Shifting the Open Enrollment Period for ACA Marketplaces Could Increase Enrollment and Improve Plan Choices*, Health Affairs, July 2014, 1286–1293.