Georgetown University Health Policy Institute

CENTER ON HEALTH INSURANCE REFORMS

Fix it, Don't End it: Common Sense Prescriptions for Individual Market Stability

Posted on **March 27, 2017** by **Sabrina Corlette**

Affordable Care Act supporters have cause to celebrate. The congressional vote on a bill that threatened to throw as many as 24 million people off coverage was canceled on March 24 because the leadership of the U.S. House of Representatives lacked the votes to pass it.

It is extremely troubling that, in response to this failure, the President and executive branch officials have suggested they will use administrative actions to further destabilize the health insurance marketplaces upon which millions of consumers depend. While the President and others have alleged that the ACA is "collapsing," the CBO actually concludes that the ACA's insurance markets are likely to be stable in most places, if left unchanged. There is also emerging evidence suggesting that last year's premium rate hikes were a one-time correction, not the start of a "death spiral" as some have claimed.

Supporters of the ACA may feel a sense of schadenfreude by the new President's dawning recognition that health care is "unbelievably complex" and Congress' difficulties pulling together a legislative package. But they shouldn't be too smug. The ACA insurance markets have had their struggles. Eighteen percent of marketplace enrollees have just one choice of insurer. And continued policy uncertainty driven by the ACA repeal debate could cause more insurers to exit the market or to increase premiums.

In saner times, Congress would probably be able to reach a bipartisan consensus on a set of policies that would boost and maintain enrollment in the ACA marketplaces and stabilize insurer participation and premiums. For federal policymakers who want to improve the individual markets and build on the coverage gains launched by the ACA, such common sense policy fixes would likely include:

- *Improve affordability.* The top reason people don't enroll in individual market insurance is that they don't perceive it to be affordable. Partly as a result, enrollment in the ACA's marketplaces has lagged behind expectations. One way to solve this problem is to improve the generosity of the subsidies to defray consumers' premium and cost-sharing expenses, such as by reducing the amount of income families are expected to contribute to premiums or by tying subsidies to a more generous coverage package than allowed under current law (i.e., to a Gold plan instead of Silver).

- *Fix the "family glitch".* Under Obama administration rules, families are denied access to financial assistance on the marketplaces if one family member has access to affordable self-only coverage, even if the coverage isn't affordable for the family. Reversing this interpretation of the ACA would make coverage more affordable for significant numbers of families and boost enrollment in the marketplaces.
- *Boost funding for outreach and enrollment assistance.* Robust support for outreach and education campaigns and one-on-one assistance with eligibility determinations and plan selection are critical not just to keep enrollment stable and growing, but to maintain a healthy risk pool.
- *Simplify the eligibility and enrollment process*. When it takes as much as 90 minutes for a consumer with a relatively uncomplicated financial and health situation to apply for and enroll in coverage, something is wrong. An onerous and complicated process discourages healthy people from signing up and depresses overall enrollment. The federal and state marketplaces need to invest more in the design and user testing of their IT systems to make the sign up process as simple and quick as possible.
- *Reinsurance or a similar premium stabilization fund*. The individual health insurance market is likely always to have a somewhat sicker risk pool that the group market, if for no other reason than there are many people unable to work full time because of their health status. One of the primary drivers of premium increases in 2017 was the expiration of the ACA's reinsurance ACA opponents have charged that this program was an insurance industry "bailout," but the AHCA also includes a state stabilization fund of $100 billion over 10 years that states can use to help compensate insurers for high-cost enrollees; CBO assumes that most will use that money for a reinsurance program. On the administrative front, the Department of Health & Human Services (HHS) has recently encouraged states to adopt their own reinsurance programs through a 1332 waiver, similar to one adopted in Alaska last year.
- *Ensure a level playing field*. The continuation of health plans that do not have to comply with ACA rules, referred to as transitional or "grandmothered" plans, has perpetuated a segmented market and adverse selection against the ACA's marketplaces. This, in turn, has led to higher premiums for people enrolled in ACA-compliant plans. Unfortunately, HHS has extended grandmothered policies for an additional year, through 2018. But states can and should consider ending the policy sooner. Similarly, federal policy should prevent insurers or other entities, such as health sharing ministries, from marketing "look alike" products that mimic health insurance but do not comply with the ACA's consumer protections. Entities selling these products siphon off healthy enrollees, leaving the ACA's marketplaces with a sicker, more expensive risk pool
- *Smarter, not skimpier, benefit design*. What to do about high deductibles? Every year, as many as 20 percent of marketplace enrollees drop out, in part because of dissatisfaction with high deductibles. Yet AHCA would encourage insurers to increase cost-sharing across all their individual market plans. What we need are not skimpier benefit designs but smarter designs. For example, policymakers could require high deductible plans to provide some benefits pre-deductible, such as two-three annual primary and urgent care visits and a prescription or two, in addition to preventive services like birth control and pediatric wellness visits. This could, in turn, improve the attrition rate in marketplace plans, as consumers receive more high-value services without having to pay the full cost.
- *A fallback plan*. Under the ACA, private insurers are the sole route through which consumers can obtain premium tax credits and cost-sharing subsidies. But the law doesn't require those insurers to participate. When a GOP Congress and President created the Medicare Part D program, they were worried there might be some parts of the country that would lack a willing insurer, so they created a fallback option, to be triggered only if there weren't at least two plans available. With many parts of the country down to just one insurer participating in the individual market, Congress could take a page from Medicare Part D and create a similar fallback option for the marketplaces.

- *Flexibility to provide regulatory relief*. Congress could also consider giving HHS and states greater flexibility to provide regulatory relief to insurers willing to compete in underserved markets, such as by relaxing network adequacy standards, supporting the use of telemedicine for some services, or offering temporary relief from the medical loss ratio requirement if an insurer had an unexpectedly bad year.

Other thoughtful analyses of the ACA's individual markets, and prescriptions for improvement, are discussed in briefs by the Commonwealth Fund, the Urban Institute, the American Academy of Actuaries, and the McKinsey Center for Health System Reform.

Are all of the above politically feasible in today's polarized climate? Probably not. Several would require more federal spending. But not too long ago, Medicare Advantage faced similar challenges, with many private insurers threatening to pull out of that market. In response to that crisis, the GOP Congress and President did not repeal the program or reduce its funding. Rather, they negotiated and passed bipartisan reforms that injected new financing to enhance plan payments. Plenty of people criticized the costs of that policy at the time, but it did result in dramatic enrollment growth and stable insurer participation. Today, that kind of pragmatic bipartisanship seems like a distant memory.

Related Posts:

1. **Missouri's Health Reform Assisters Triumph In Court**
2. **New Health Affairs Policy Brief Examines the Regulation of Health Plan Provider Networks**
3. **As Administration Reviews Comments on Short-Term Insurance Plans, Analysis Finds Gaps in Coverage**
4. **What to Expect When You're Enrolling: A Preview of Open Enrollment Season 4**

This entry was posted in **Health reform**, **Implementing the Affordable Care Act** and tagged **affordable care act**, **family glitch**, **grandmothered plan**, **health insurance marketplace** by **Sabrina Corlette**. Bookmark the **permalink [http://chirblog.org/fix-it-dont-end-it-common-sense-prescriptions/]** .