

Priorities for Health Reform

Coloradans who do not have access to employer- or government-sponsored health insurance or public programs rely on well-functioning markets, incentives to purchase and maintain coverage and, in some cases, financial support to secure health insurance coverage. Connect for Health Colorado® seeks to inform changes to the individual insurance market so they bring needed improvements, preserve stability and ensure affordability for consumers.

Critical Elements for Preserving Stability and Ensuring Affordability in the Individual Market

Success of any Affordable Care Act replacement proposal will require adoption of some critical elements that work to ensure the individual market has a stable and balanced risk pool and that consumers have effective incentives and adequate resources to purchase and use insurance.

1. Federal funding for Medicaid and for individuals with subsidies/tax credits to buy private coverage is critical. Any changes in funding levels or type of funding should include multi-year planning horizons for private insurers, states, providers, employers and consumers.
2. States should have substantial autonomy to shape policies for their state's markets.
3. Tax credits should be funded and administered to address consumers' differing circumstances and to assure a balanced risk mix. Tax credits should be based on income, age, geography and made available to both support monthly premium payment and reduce costs at the point-of-care.
4. Coverage should empower consumers, safeguard access to necessary services and assure consumers have meaningful choice of products, plans and providers.

1. Federal Funding

Any changes in funding levels or type of funding must include multi-year planning horizons for private insurers, states, employers and consumers. Federal funding through states and directly to consumers in the form of tax credits and cost-sharing reductions serve as the foundation for the expansion of coverage by private health insurance. Reduction of that funding would cause significant disruptions not only to consumers but to private health insurance companies, healthcare providers, workers, state budgets and local economies more broadly. Rapid changes could lead to collapse of the individual markets in many states, impacting both on- and off-exchange unsubsidized consumers, with a disproportionate impact on rural communities.

2: State Authority and Flexibility

States should have substantial autonomy to shape policies for their markets within federal standards. With appropriate latitude and continued federal funding, states are well positioned to meet consumers' healthcare needs by tailoring coverage programs, benefits and market rules to each state's healthcare market, circumstance and approach to reform. At the same time, given the critical role of federal funding and the need for a federal floor in some areas, federal guidelines provide important structure to the market and basic consumer protections. Within the context of state flexibility, states that have successfully implemented the ACA should be allowed to keep those elements that work for those states and avoid costly and disruptive changes to their healthcare markets and consumers.

3: Fund Tax Credits to Meet Consumer Need and Assure a Balanced Risk Pool

Many consumers need financial help to be able to afford viable health coverage. But the amount and nature of the assistance needed varies by individual circumstances such as age, income and where they live.

- **Adjust Tax Credits for Consumers' Income:** While age-based tax credits are important for equity reasons, adjusting tax credits by income is vital as it provides the most cost-effective approach that adjusts the financial support based on patient/consumer need.
- **Adjust Tax Credits for Geography:** Healthcare costs and health insurance premiums vary significantly by region. Colorado's rural communities face significantly higher premiums for private coverage than those in the urban Front Range. Under the current ACA structure, tax credits are benchmarked to the second-lowest cost silver plan which makes tax credits locally adjusted. Qualifying households in Montrose County are receiving \$790/month in tax credit assistance, on average, while in Broomfield the average is \$275/month. Adjusting tax credits by geography is a critical element, without which many consumers/patients would likely find the financial support inadequate.
- **Tax Credits Must be Refundable and Advanceable:** Advanceable tax credits help defray the cost of health insurance at the point of enrollment and on a real-time basis to pay monthly premiums, promoting broad participation of eligible consumers. More than 108,000 Coloradans received a tax credit to purchase private health insurance (as of May 2017).
- **Administration of Tax Credits Should Allow for State-Based Solutions:** Federal financial support for tax credits is imperative, but federal administration should not preclude states' structuring or adjusting tax credits and how they are administered – including potentially improving coordination with states' Medicaid programs. Any state-based administration should assure that their policies are known by both contracted health plans and consumers in advance.

4: Define Coverage and Rating Standards.

Coverage should empower consumers, safeguard access to necessary services and give consumers meaningful choice of products, plans and providers.

Consumers in the individual market need to know what they are getting and need products that provide meaningful benefits. Without minimum coverage standards for basic services – such as inpatient and outpatient care, maternity, mental health and pharmacy – consumers with significant health issues may find themselves without coverage or financial protection when they need it and healthy consumers may exit the market altogether if they do not find products that offer them value.

Note: Adapted by Connect for Health Colorado from the National Health Reform Agenda: Critical Elements for Assuring Patient/Consumer Access to Care.

