

# AFFORDABLE CARE ACT REPEAL AND REPLACE: PROPOSALS TO AID THE TRANSITION TO A MORE SUSTAINABLE, VALUE-DRIVEN SYSTEM

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## *Why Health Care Reforms Must Emphasize Market Stabilization And Cost Containment Solutions*

The Council for Affordable Health Coverage (CAHC) is a broad-based alliance with a primary focus: bringing down the cost of health care for all Americans. Our membership represents a broad range of interests – organizations representing small and large employers, biopharmaceutical manufacturers, insurers, brokers and agents, patient groups, and physician organizations.

The following proposals address the need for insurance market stabilization and longer-term health care reform and are intended to facilitate further discussion and policy development. These comments reflect the proposals and positions of CAHC, but may not necessarily reflect the individual views of our members.

### Executive Summary

The Patient Protection and Affordable Care Act (ACA) made massive changes to health markets – some positive and some negative. It created new consumer protections, corrected some market imbalances, and reduced the number of uninsured Americans to historic lows. The program has been rife with political controversy and programmatic challenges, however. While many Americans with significant health needs or lower incomes have greater access to coverage now, the reality is that for millions of others, health coverage is less affordable and more out of reach than when the ACA was enacted seven years ago. Overregulation, mandates, taxes and fees have contributed to high and growing health insurance premiums, marked by average double-digit price increases for exchange plans. Because of these problems, insurers are exiting marketplaces throughout the country, reducing competition and contributing to a seriously unbalanced and expensive risk pool where consumers have fewer choices. This is leading to a vicious cycle causing healthy consumers to abandon the exchange markets where they are desperately needed to hold coverage costs down over the long-term.

For the second time in less than a decade, Americans now face a major fight over health care reform. President Donald J. Trump and Republican congressional leaders have pledged to immediately work to repeal President Barack Obama's controversial health system overhaul and replace it with a more flexible, market-driven approach. This holds great promise to correct mistakes in the law that have led to market instability and higher costs. If replacement efforts are not coupled with immediate stabilization efforts, however, markets will continue to deteriorate and the loss of coverage for millions of enrollees will be severe.

CAHC supports efforts to create a more sustainable health system through reforms that will help increase competition, improve access, foster and expand informed consumer choice, promote value, and empower consumers. Congress and the Administration should work aggressively to stabilize and improve risk pools, expand and enhance competition and consumer choice, and reduce statutory and regulatory burdens. Perhaps most importantly, decision makers should heed the threat posed by rising health costs. We support long-term policies that will rein in the growth of health costs to meet that of general wage growth, so that working Americans can again afford their health coverage.

The following proposals will help meet these goals:

- ▶ **Stabilize markets.** The ACA risk pools are unbalanced and reflect the higher costs of care for people who were not able to purchase coverage prior to enactment of the law. While there are many policies that can help improve risk pools, there is a strong need in both the short- and long-term to provide funding to states that will help mitigate risk posed by the highest cost enrollees. Additionally, Congress must fund any mandates imposed on insurers, such as subsidizing cost sharing for lower income individuals (via Cost-Sharing Reduction (CSR) requirements) or there will be more market withdrawals and significantly greater premium increases in 2018 and beyond. These resources should be made available as soon as possible in 2017.

- ▶ **Cultivate healthy risk pools.** Younger, healthier consumers have lower enrollment rates than expected because they often find exchange plans to be too expensive compared to the benefits they provide. The resulting older, sicker risk pool has caused premiums to skyrocket, further dissuading younger, healthier consumers from enrolling in coverage. Congress and the Administration should enact policies to reverse this trend, including:
  - ◆ **Creating strong continuous coverage incentives.**
  - ◆ **Expanding age rating bands.**
  - ◆ **Expanding avenues for enrollment.**
  - ◆ **Allowing insurers on the individual market to provide incentives for healthy behavior.**
- ▶ **Empower consumers.** The ACA and many of the rules regarding it have both dramatically increased cost-sharing requirements and hampered the use of consumer-driven health products (CDHPs), including Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs), which consumers rely on to manage out-of-pocket costs. In addition, the ACA created a monopoly on where consumers can buy coverage with their subsidies. The ACA further mandates the types of products available for purchase that are laden with requirements, which drive up costs. Consumers should be free to use their subsidies off exchanges and for products they want and need, including account-based plans. Tools to enable transparent markets that foster informed decision-making should be widely available for the evaluation of plan and provider choices.
- ▶ **Reduce, reform, and eliminate regulatory burdens.** The overly restrictive requirements for qualified health plans limit the number of tools available to keep premiums low and cost sharing manageable. This is stifling innovation and prevents insurers from tailoring plans to meet diverse consumer needs. Special enrollment periods (SEPs), grace periods for premium payment, and allowing third parties to pay premiums have all destabilized the market. Additionally, numerous taxes, fees, and regulations are leading to higher costs for consumers – both individuals and employers. These policies can and should be reversed quickly.
- ▶ **Enable state decision-making and flexibility.** Congress and the Administration should allow for more state flexibility and innovation when it comes to designing their health care markets. This can be accomplished through expanding and reforming the use of waivers in regards to the ACA and other programs, as well as reverting insurance regulation back to state rather than federal control.
- ▶ **Support the employer market.** Employers serve as the largest purchasers of health care services and coverage in this country, and they are leading the way in innovation and the shift toward value in the private market. The ACA saddled employers with regulatory burdens and new taxes. Policy makers should, first and foremost, “do no harm” by protecting aspects of the market that are working well and leading to innovation in coverage and cost-containment, but they should rescind policies that undermine the system and hamper innovation.

At a much more fundamental level, Congress and the Administration should shift focus to addressing the growing long-term challenge of rising health costs. During President Obama’s eight years in office, the cost for coverage of a typical family of four is estimated to have ballooned by 54 percent, far outpacing increases in average wages.<sup>1 2</sup> The typical worker thus spends more and more of each paycheck on health care, taking home less and less. Failure to address this issue will lead to ever-increasing premiums and out-of-pocket costs for Americans and will likely result in continued upheaval and political discord around health policy.

While the policies presented here by no means represent a comprehensive set of solutions, they will help to stabilize and improve markets in the short- and medium-term while shifting the long-term focus of health reform appropriately toward cost-containment and a more sustainable future.