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Testimony on Health Insurance Market Stability Interim Charge

Senate Business and Commerce Committee

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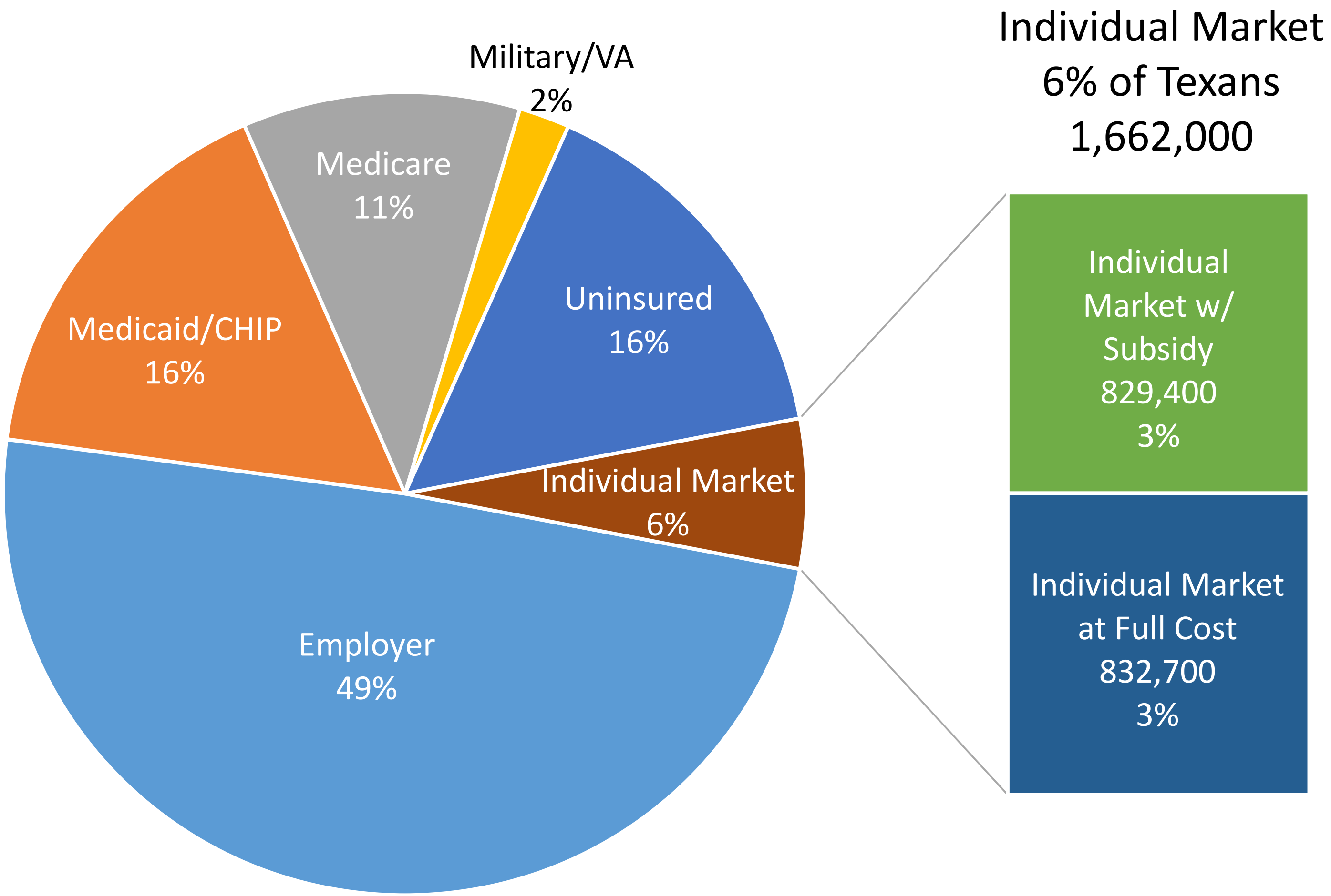
Key Takeaways

- Individual market in Texas roughly doubled post-ACA. 1.7 Million people; 6% of Texans.
- Individual market is a critical source of coverage for people who don’t have job-based coverage, Medicaid or Medicare: self-employed individuals, small business owners/employees, part-time workers, low-wage workers, early retirees and their families.
- Individual market was stabilizing through mid-2017. Recent federal actions in have introduced significant new uncertainty for 2019.
- Texas should commit to working to maintain market stability in a manner that protects consumer’s access to comprehensive and affordable coverage.
  - State-level policies can mitigate instability
  - 1332 “State Innovation Waivers” are another tool states can use

1.7M People in the Texas Individual Market

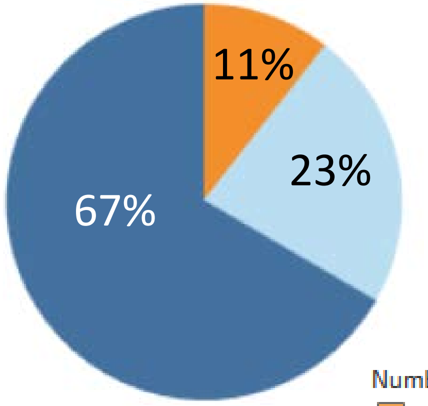


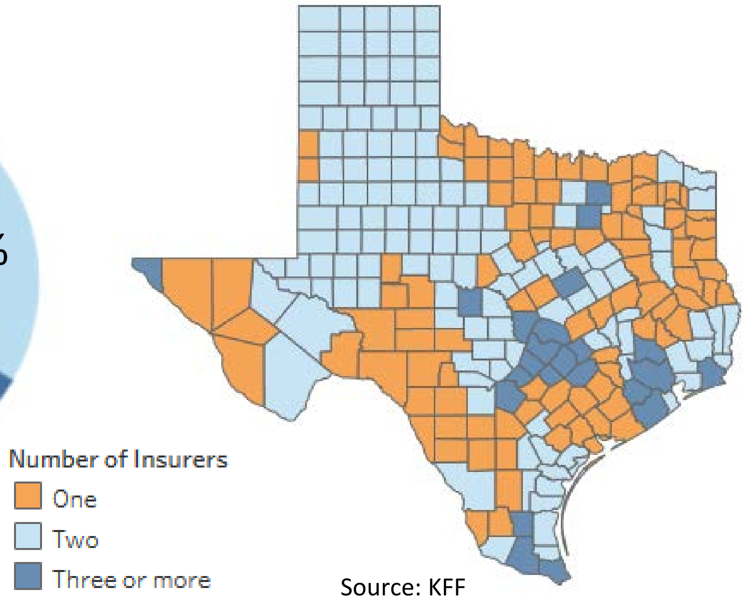
- About 1.7 million Texans rely on the individual market for coverage
- Half get subsidies to lower premiums in the Marketplace – 3%
- Half buy at full cost within or outside of the Marketplace – 3%

Kaiser Family Foundation estimates for 2016 coverage using Census Bureau's Current Population Survey, March Annual Social and Economic Supplement and CMS February 2017 Effectuated Enrollment Snapshot

2018 Texas Marketplace

OPTIONS





Source: KFF

- 67% of Texans are in counties where 3 or more insurers offer Marketplace plans
- 11% of Texans in counties with only 1 Marketplace insurer
- 8 insurers in 2018 Texas Marketplace

ENROLLMENT

	Plan Selections during Open Enrollment:		% change
	2017	2018	
Texas	1,227,290	1,126,838	-8%
States Using HealthCare.gov	9.2 million	8.7 million	-5%

Source: CMS

Dip in enrollment for 2018 likely driven by:

- Enrollment period cut in half
- Ad budget cut by 90%
- Enrollment assistance funds cut by 40%
- Premium increases for middle/upper income
- Confusion about penalty/status of ACA

Repeal of Individual Mandate Causes Higher Premiums and More Uninsured

Congressional Budget Office: Individual market premiums up 10% over current law. 4 million more uninsured in 2018 and 13 million more by 2025. Passing Alexander/Murray with mandate repeal does not mitigate these outcomes.

American Academy of Actuaries: Eliminating mandate will increase premiums; may weaken solvency and cause insurer market withdrawals. Possible "severe market disruption and loss of coverage."   11/21/17 letter to Senate

Health care/coverage providers: "Eliminating the individual mandate by itself likely will result in a significant increase in premiums, which would in turn substantially increase the number of uninsured Americans…There will be serious consequences if Congress simply repeals the mandate while leaving the insurance reforms in place: millions more will be uninsured or face higher premiums, challenging their ability to access the care they need."   11/14/17 join letter to Congress

Patient Groups: "Repealing the individual mandate without other wise increasing access to adequate, affordable health insurance is a step backwards for individuals an d families. We are deeply concerned that premium increases will fall disproportionately on patients with pre-exiting conditions who have little choice by t to remain in a much smaller market, provided they can even afford to do so."   11/28/17 joint letter to Senate

Other Threats to Market Stability

Individual market: death by a thousand cuts?

- Executive order: write rules to promote short-term and association heath plans that may deny/charge more for pre-existing conditions and exclude key benefits.
- American Academy of Actuaries: “could present significant risks and have unintended consequences.” Increases adverse selection and premiums. Weaker benefits and solvency standards.
- Costs/risk to consumers who both maintain ACA-compliance plans (if available) and to those who buy non-compliant plans
- Resulting premium increases as early as 2019

Policy Options to Increase Stability

- State individual mandate or alternative policies to encourage enrollment before people get sick
- Increase affordability: boost subsidies for middle class or young adults
- Increase marketing, outreach, and boost enrollment assistance
- Align regulation of short-term and association plans with the rest of the market to limit adverse selection
- Pursue 1332 State Innovation Waiver for reinsurance funding
- Fund Cost Sharing Reductions (Congress)
- Fix “family glitch” (Congress) – locks spouses/kids out of Marketplace subsidies if worker has job-based insurance, even if adding dependents is unaffordable.

1332 Waivers

Purpose: Allow states to undertake different approaches to achieving ACA core goals

Statutory Guardrails

Waiver must:

- Cover comparable number of people
- Maintain affordability of health coverage (premiums and cost-sharing)
- Provide benefits as comprehensive as "essential health benefits," and
- Not increase the federal deficit

Other Provisions

- 5 year term. Renewable
- Public input process
- Allows federal "pass-through" funding. If waiver reduces federal costs for premium subsidies, cost-sharing reductions, or small business tax credits, states can receive those fund to implement the waiver plan

Select State 1332 Waiver Activity

State	Status	Key provisions
Hawaii	Approved	Forego SHOP exchange, maintain existing employer premium assistance program
Alaska	Approved	Federal pass-through funding for condition-specific reinsurance. Premiums down 20% in state’s only insurer. Trump administration has encouraged other states to view as a model
Oregon	Approved	Reinsurance with pass-through funding
Minnesota	Partial approval	Reinsurance with pass-through funding
Oklahoma	Withdrawn	Reinsurance with pass-through funding. Withdrawn when it was not approved in time for 2018 coverage
Iowa	Withdrawn	Create one standardized plan; eliminate cost-sharing assistance for low-income; replace sliding-scale subsidies with flat tax credit; reinsurance. Waiver unlikely to have complied with guardrails
Massachusetts	Denied	Create state-administered cost-sharing reductions payments. Deemed too close to 2018 open enrollment to be workable
Idaho	Under development	Make “Coverage Gap” population eligible for Marketplace subsidies.

Selling Insurance Across State Lines

- Six states have already enacted laws to encourage the sales of insurance across state lines, but not a single insurer has taken up this option.
- The ACA also allows insurers to sell across state lines if there is an agreement between two states, but no states or insurers have indicated interest in the option.
- National Association of Insurance Commissioners position: interstate sales would "make insurance less available, make insurers less accountable, and prevent regulators from assisting consumers in their states…Interstate sales will start a race to the bottom…individuals in pristine health may be able to find cheaper policies, everyone else would face steep premium hikes if they can find coverage at all."
- The Congressional Budget Office's analysis of a bill to let insurers sell across state lines predicted little impact on coverage, but predicted premiums would rise for those with pre-existing conditions and fall for those who are healthy.
- Avoiding state regulation doesn't make insurance instantly affordable. Most health coverage is in "self-funded" plans from larger employers and is actually already is exempt from state regulation. These large employers nevertheless bear significant costs for coverage, due to the high and rising costs of *health care*, not state oversight or mandated benefits.
- Regardless of where an insurer is based, all health care is delivered locally. An out-of-state insurer would have to set up a local network of doctors and hospitals anywhere they want to sell coverage, a task that has proven enormously difficult.
- The Texas Senate Committee on State Affairs studied the idea of letting out-of-state insurers sell to Texans in 2012, but due in part to concerns about consumer protection, did not recommend legislation to enact it. Bills have been filed in the Texas legislature to allow sales across state lines, but they have not passed.

Background Slides

1332 State Innovation Waivers

1332 Waiver: What Can Be Waived

Waivable

- Individual and large employer mandates
- Requirements for state exchanges
- Essential health benefits
- Metal levels
- Single risk pool requirement
- Premium and cost-sharing subsidies

Not Waivable

- Ban on denying coverage or charging more based on pre-exiting conditions
- Ban on annual and lifetime limits
- Preventive care coverage requirements
- Age-rating limits
- Anti-discrimination protections
- Medicaid and CHIP provisions

2018 Premium and Subsidy Increases

2018 Premium Increases Higher Following Recent Actions

Most/All insurers loaded additional cost of Trump Administration decision to stop Cost Sharing Reduction payments onto Silver Tier plans

Average 2018 Marketplace Premium Increase

	Texas	U.S. (HealthCare.gov states)
Bronze	13%	18%
Silver (Benchmark)	36%	37%
Gold	7%	16%

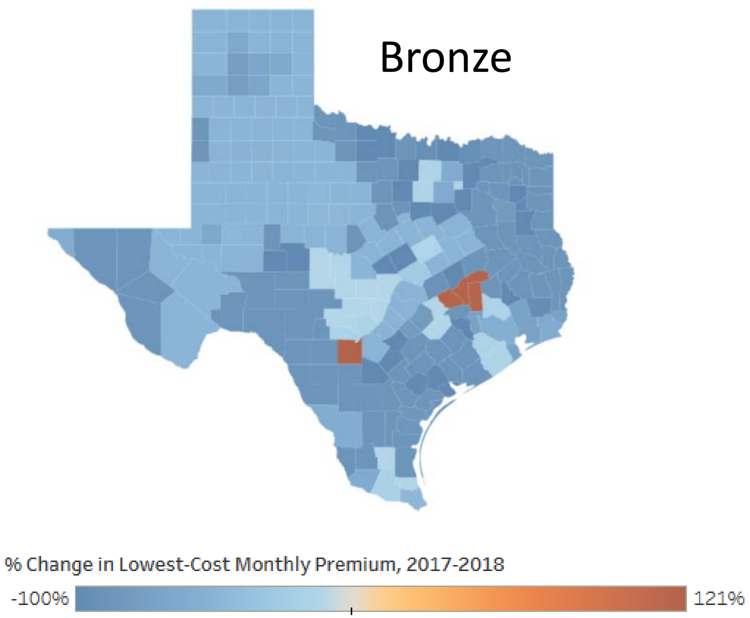
Average Marketplace Silver Benchmark Premium Increases in 2018 and Since 2014

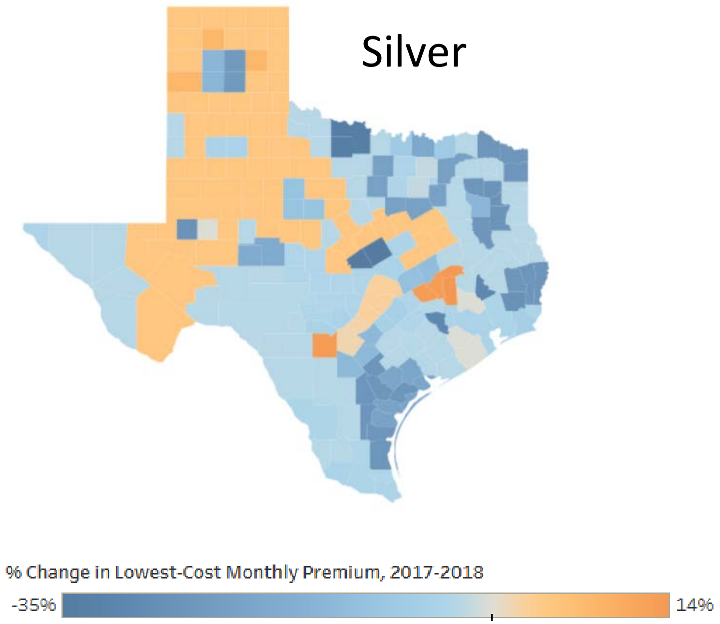
	Texas	U.S. (HealthCare.gov states)
% Change 2017-18 (one year)	36%	37%
% Change 2014-18 (four years)	75%	88%

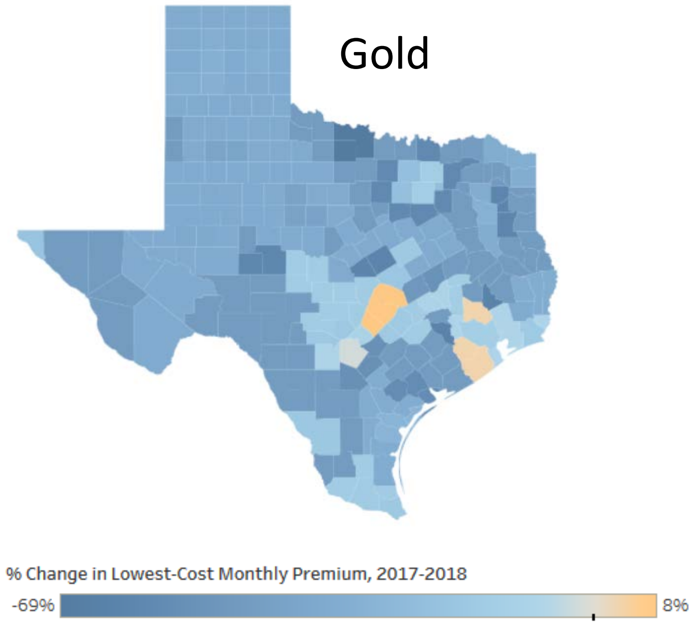
Sources: Department of Health and Human Services, Health Plan Choice and Premiums in the 2018 Federal Health Insurance Exchange, Oct 30, 2017, https://aspe.hhs.gov/system/files/pdf/258456/Landscape_Master2018_1.pdf; and Avalere, Silver Exchange Premiums Rise 34% on Average in 2018, http://avalere.com/expertise/managed-care/insights/silver-exchange-premiums-rise-34-on-average-in-2018

Subsidies offset premium increases, and even more in 2018

2018 change in lowest cost plan premium after subsidy, individual w/ $30K/year (249% poverty level)

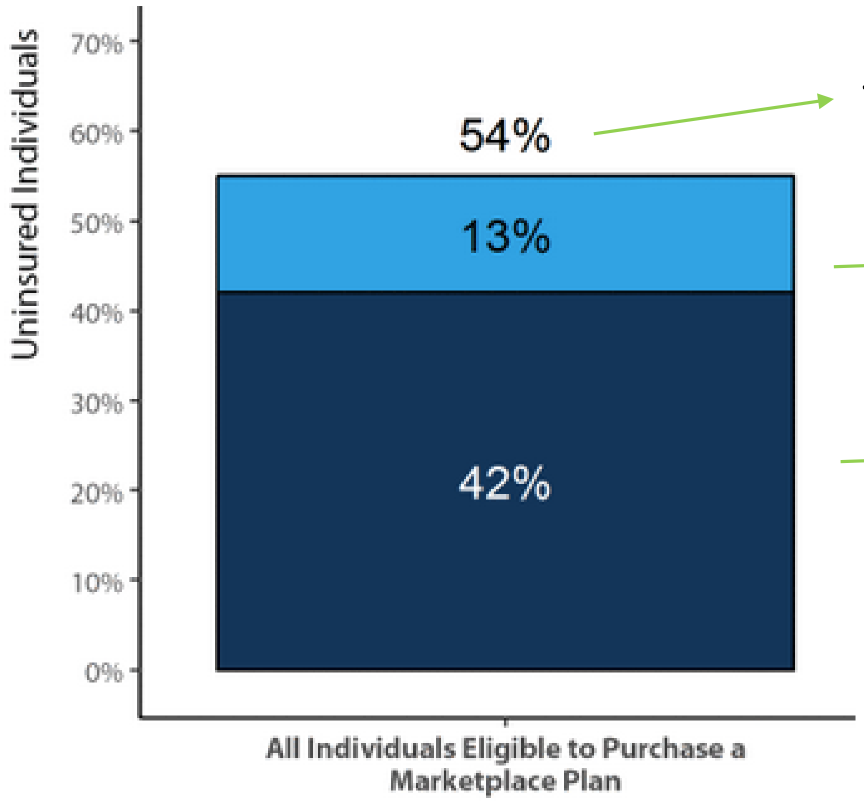






Half of Uninsured Can Get a Marketplace Plan That Costs Less Than Individual Mandate Penalty

Among 10.7 million uninsured people who are eligible for a Marketplace plan



5.9 million (54%) can get a 2018 Bronze plan for less than their penalty, including:

1.4 million can get a Bronze plan with a premium lower than the penalty

4.5 million can get a Bronze plan with a $0 premium

Penalty cost is greater of:

- 2.5% of adjusted gross income in excess of $11K for single person and $21K for family, OR
- $695 per adult and $348 per child up to max of $2,085 for family
- Penalty cannot exceed national average of bronze premium ($3,263 for individual in 2017)

Source: Kaiser Family Foundation, https://www.kff.org/health-reform/issue-brief/how-many-of-the-uninsured-can-purchase-a-marketplace-plan-for-less-than-their-shared-responsibility-penalty/

Insurer Financial Data and Market Participation

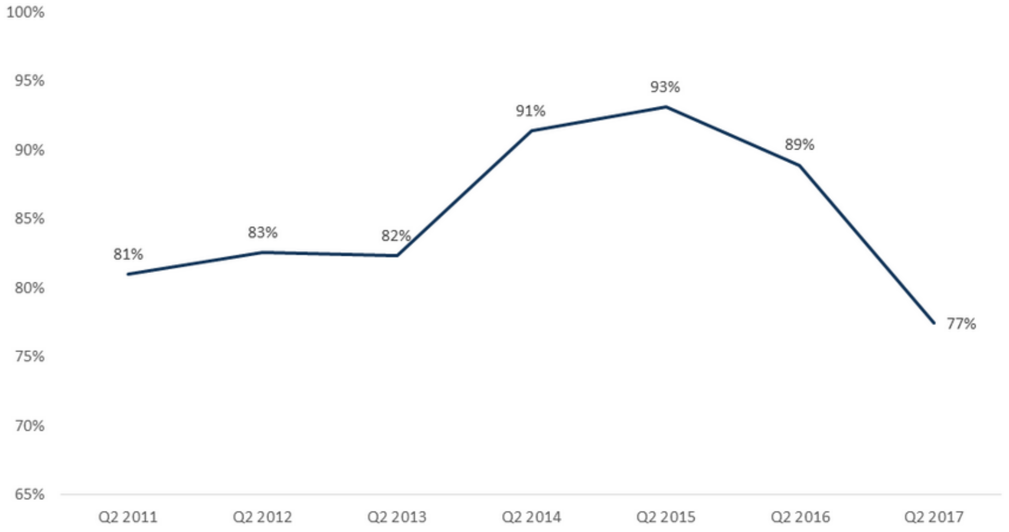
Individual Market Was Stabilizing through Mid-2017

- 2017 Q2 financial data show individual market was stabilizing and insurers regaining profitability. “No sign of market collapse” [Kaiser Family Foundation, Oct 2017]
- Sharp improvement in 2017 financials. Insurers on track to break even or make modest profit in 2017, before CSR payments stopped [Brookings, Oct 2017]
- 2018 coverage in Texas: mix of insurer exits & insurers moving into new areas:
  - Exits: Prominence (Amarillo, McAllen, Sherman) and Humana (Corpus, San Antonio, Waco)
  - Expansions: Oscar (Austin, New Braunfels) and Ambetter (Bryan, Conroe, Houston)
- Policy uncertainty (enforcement of individual mandate) and policy actions (executive order; ending CSR payments) generated instability for 2018

Financial Data Show Individual Market Stabilizing through 2017 Q2

Loss Ratios Down

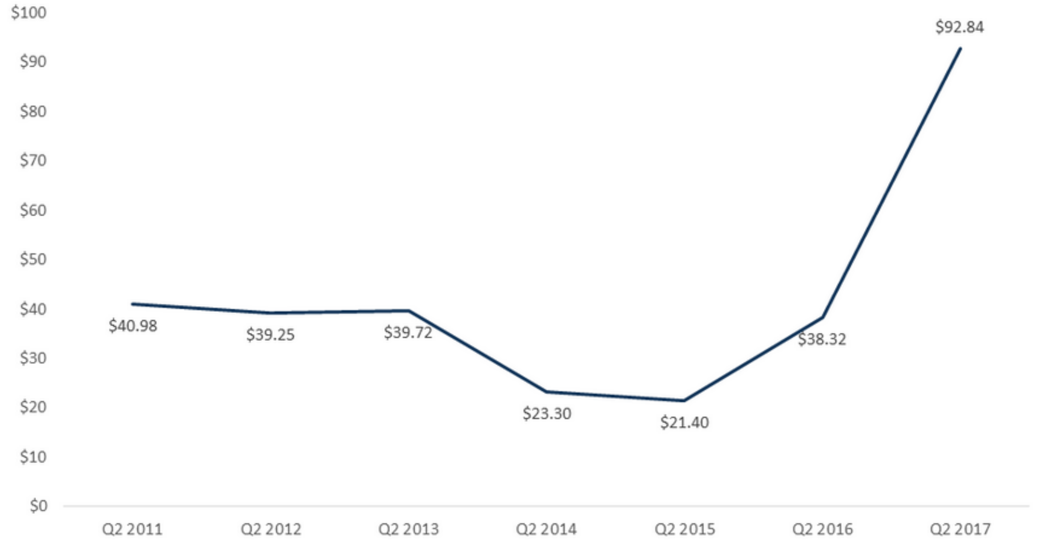
Average Second Quarter Individual Market Medical Loss Ratios, 2011 - 2017



Note: Q2 data is year-to-date from January 1 – June 30. Figures above represent simple loss ratios and differ from the definition of MLR in the Affordable Care Act
Source: Kaiser Family Foundation analysis of data from Mark Farrah Associates Health Coverage Portal TM.

Gross Margins Up

Average Second Quarter Individual Market Gross Margins Per Member Per Month, 2011 - 2017



Note: Q2 data is year-to-date from January 1 – June 30
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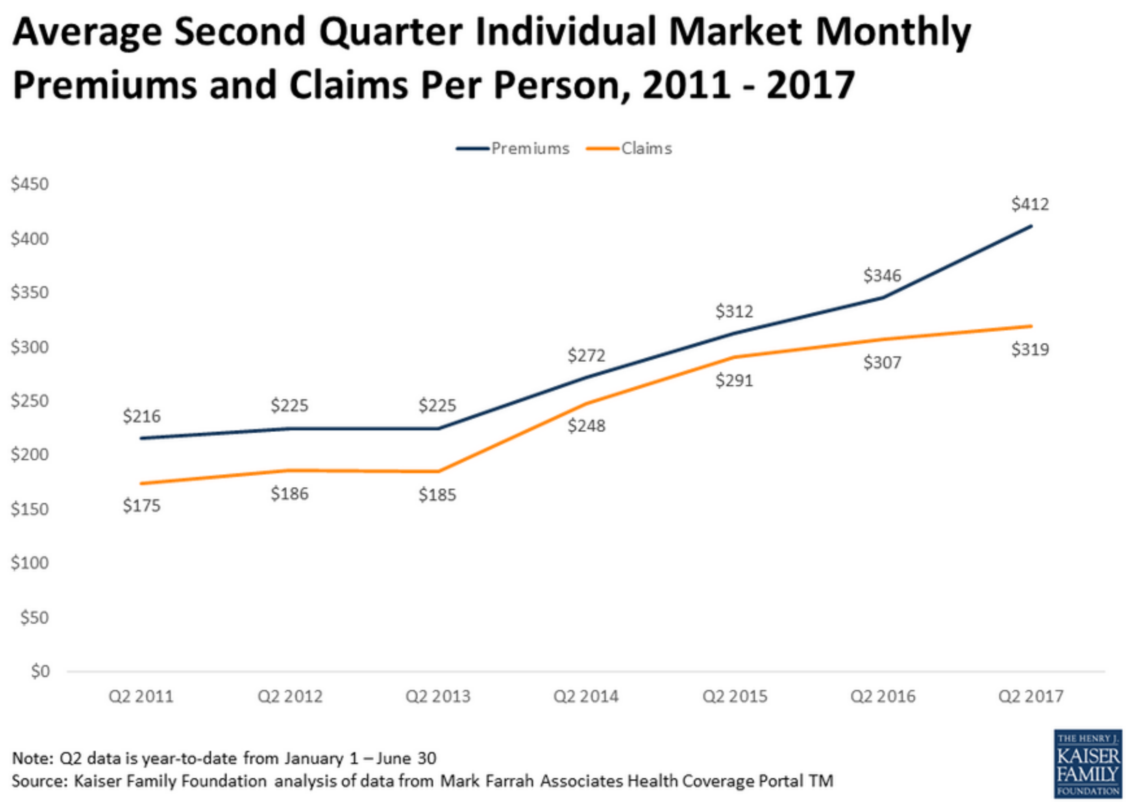
Kaiser Family Foundation, Individual Insurance Market Performance in Mid 2017, October 6, 2017, https://www.kff.org/health-reform/issue-brief/individual-insurance-market-performance-in-mid-2017/

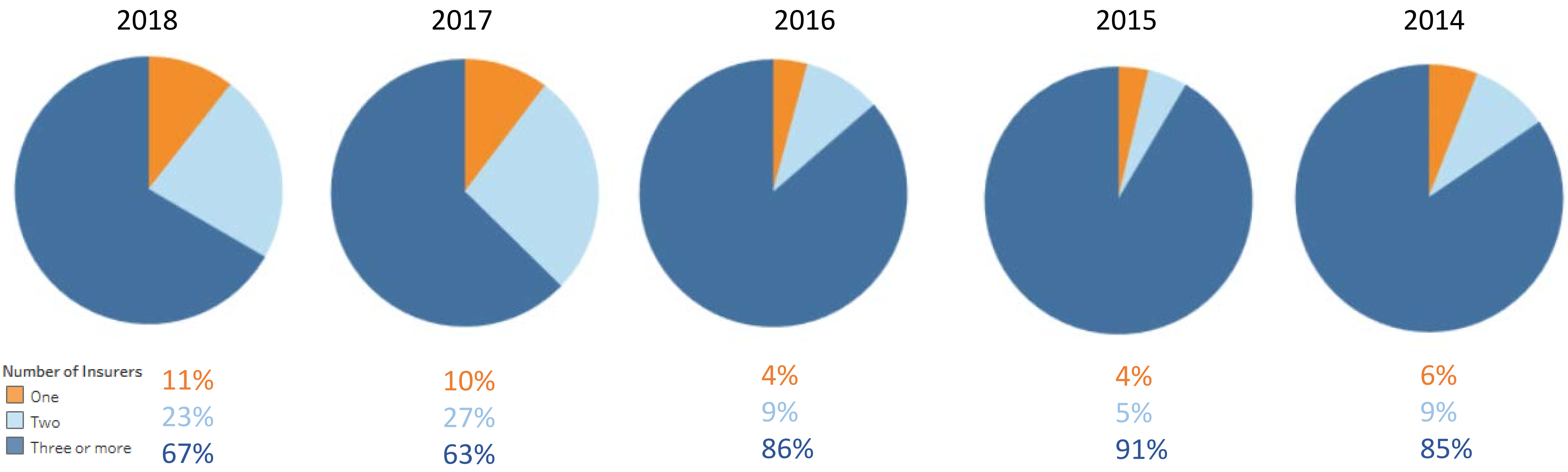
Financial Data Show Individual Market Stabilizing through 2017 Q2

Premium Growth Outpacing Claims



Kaiser Family Foundation, Individual Insurance Market Performance in Mid 2017, October 6, 2017, https://www.kff.org/health-reform/issue-brief/individual-insurance-market-performance-in-mid-2017/

Choice of Insurers in the Texas Marketplace



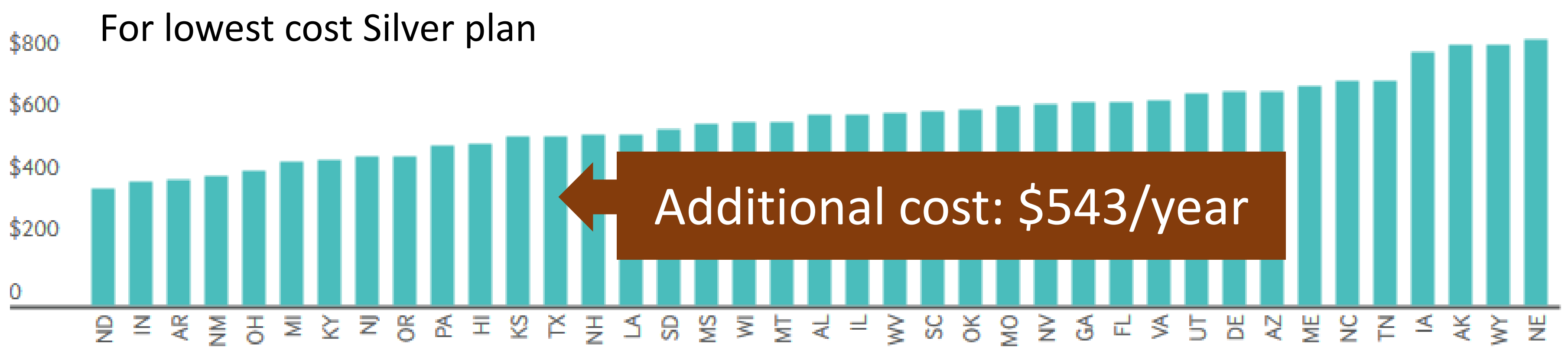
In 2018, 11% of Texans live in counties with just 1 Marketplace insurer, up from 6% in 2014
In 2018, 67% of Texans live in counties with 3 or more Marketplace insurers, down from 85% in 2014

Kaiser Family Foundation, Insurer Participation on ACA Marketplaces, 2014-2018, Nov 10, 2017, https://www.kff.org/health-reform/issue-brief/insurer-participation-on-aca-marketplaces/

Individual Mandate Repeal

Adverse Consequences

Additional Annual Premium for 40-Year Old in 2019 Due to Mandate Repeal



Notes: * We estimate the additional amount spent in annual premiums in 2019 and 2027 using 2018 premium data as the baseline. The 2018 state premiums are the average of the lowest-cost silver plan in each rating area, unless the lowest-cost gold plan in the rating area has a lower premium than the lowest-cost silver plan. This analysis is limited to the 39 states that use the federally facilitated marketplace. We assume premiums will increase by 5% annually under current law starting in 2020 as projected by CBO. We look at the difference between CBO's projection of what premiums would look like under current law and what premiums would look like if the Senate bill passes: if the individual mandate is repealed, CBO estimates that premiums would be 10% higher than the baseline estimates in most years of the decade. We assume premiums will be 10% above the baseline in each year 2019–2027.

Data: Data.Healthcare.gov Plan Year 2018 Individual Medical Coverage Landscape.

Source: S. R. Collins, M. Z. Gunja, and H. K. Bhupal, "Senate Tax Bill Results in Premium Increases for Many Who Buy Their Own Coverage; Wealthiest to Benefit Most from Any Offsets from Tax Cuts," *To the Point*, The Commonwealth Fund, Nov. 21, 2017.

Other Policies Do Not Reverse Instability from Mandate Repeal

Provision/bill	Status	Effect
Individual Mandate Repeal w/ no replacement	In Senate tax bill. Not in House bill. Conference expected	Individual premiums up 10%. Possible insurer market withdrawals. 13 million more uninsured by 2025
Alexander-Murray Funds CSRs and outreach for 2 years, expedites 1332 waivers	Introduced	Premium and Coverage: If passed with/after mandate repeal, no significant changes to premiums/stability/coverage (CBO)
Collins-Nelson $2.25B in reinsurance for two years to states with 1332 waivers	Introduced	Premium: premium reduction of 4% (Rand). Another $5B/yr in federal funding would be needed to fully offset mandate repeal (CBPP) Unlikely to affect stability much: Underfunded, temporary, and requires state action. Coverage: additional 1.2M people covered (Rand)

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that offers everyone the chance
to compete and succeed in life.

We envision a Texas

where everyone is healthy,
well-educated, and financially secure.

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