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Testimony on Market Stability / Waiver Interim Charge

House Insurance Committee

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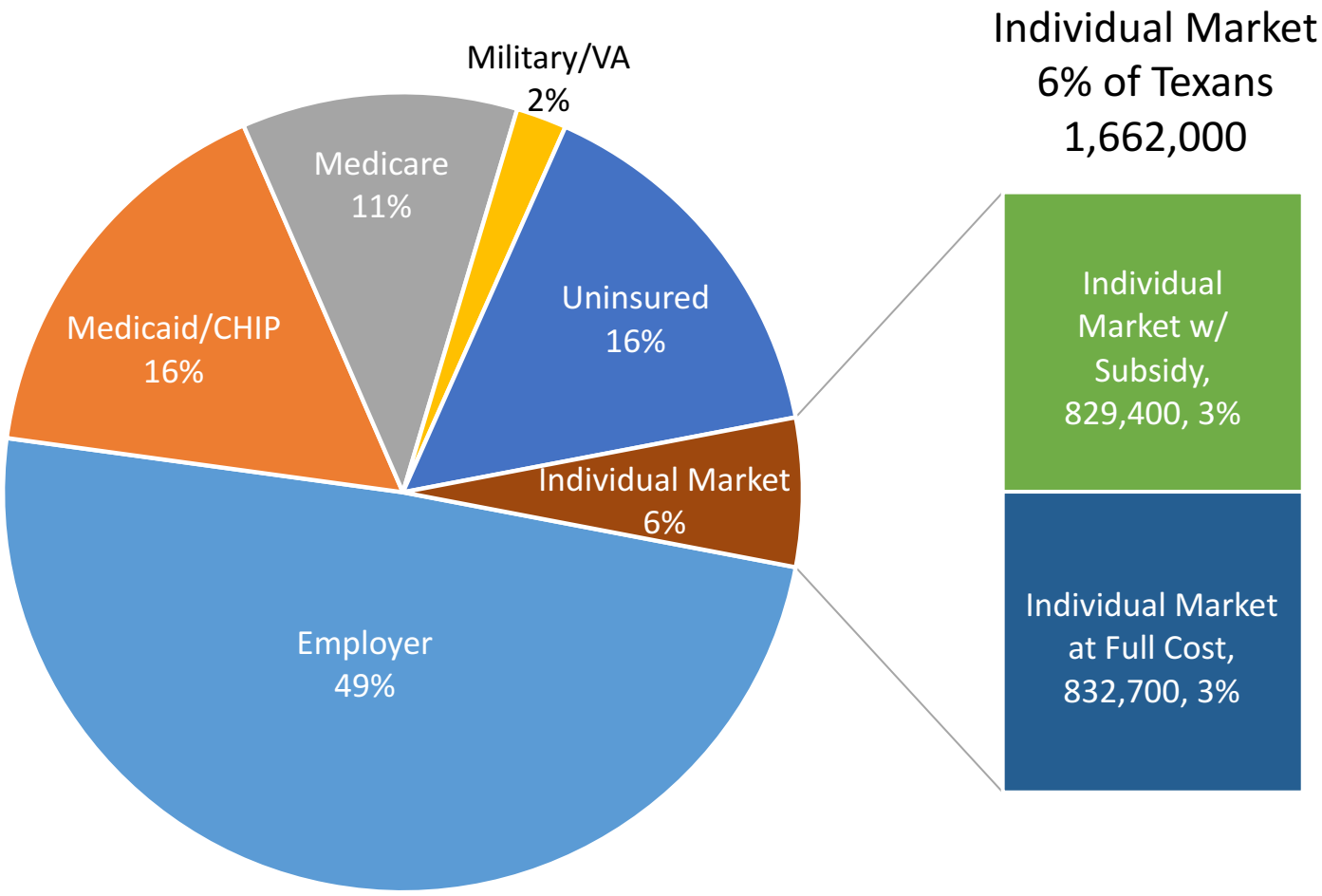
DECEMBER 6, 2017

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:
  - Self-employed individuals, small business owners/employees, part-time workers and their families
  - People with modest incomes who do not get Medicaid or job-based insurance (and get Marketplace subsidies)
- Texas should commit to working to maintain market stability in a manner that protects consumer's access to comprehensive and affordable coverage
- Individual market was stabilizing through mid-2017, but recent actions in Congress/Administration have introduced significant new uncertainty

1.7M People in the Texas Individual Market

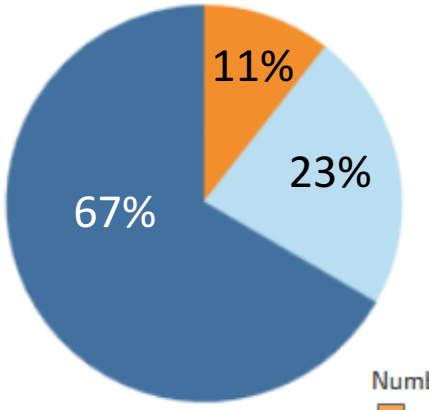


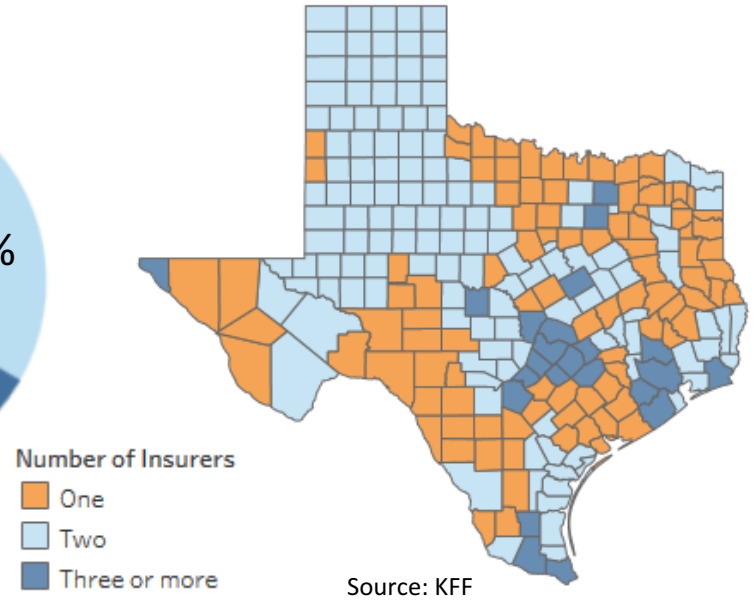
- About 1.7 million Texans rely on the individual market for coverage
- Half get subsidies to lower premiums in the Marketplace – 3%
- Half buy at full cost within or outside of the Marketplace – 3%

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

At Week 4 of Open Enrollment, plan selections for 2018 coverage well ahead of previous year

	Plan Selections through Week 4:		% change
	Thru 11/26/16	Thru 11/25/17	
Texas	220,379	334,328	52%
HealthCare.gov Total	2,137,717	2,781,260	30%

Source: CMS

BUT… experts predict a dip in enrollment vs 2017 due to:

- 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

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) have generated instability for 2018

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 can 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

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

Other 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
- Regulate short-term plans: limit duration and/or apply individual market consumer protections
- 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.

Background Slides

2018 Premium and Subsidy Increases

2018 Premium Increases Higher Following Recent Actions

Most/All insurers loaded additional cost of Trump Administration 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

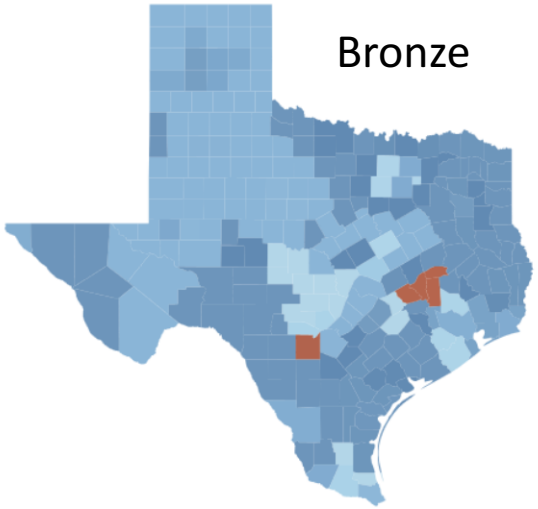
	Texas	U.S. (HealthCare.gov states)
% Change 2017-18 (one year)	36%	37%
% Change 2014-18 (four years)	75%	88%

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)

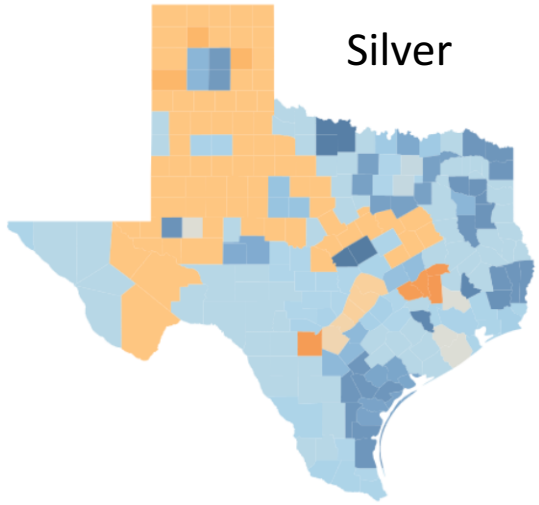
Bronze



% Change in Lowest-Cost Monthly Premium, 2017-2018

-100% 121%

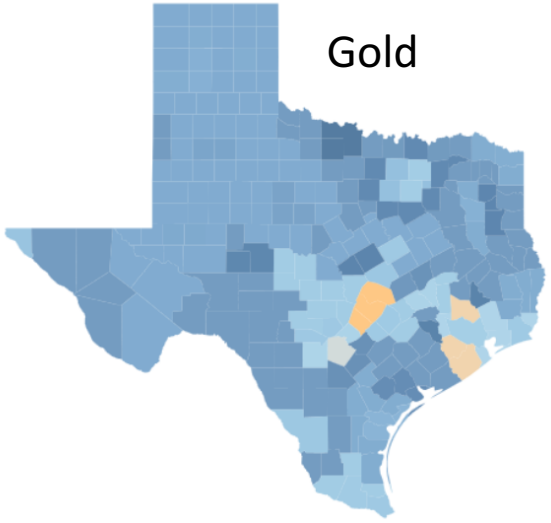
Silver



% Change in Lowest-Cost Monthly Premium, 2017-2018

-35% 14%

Gold

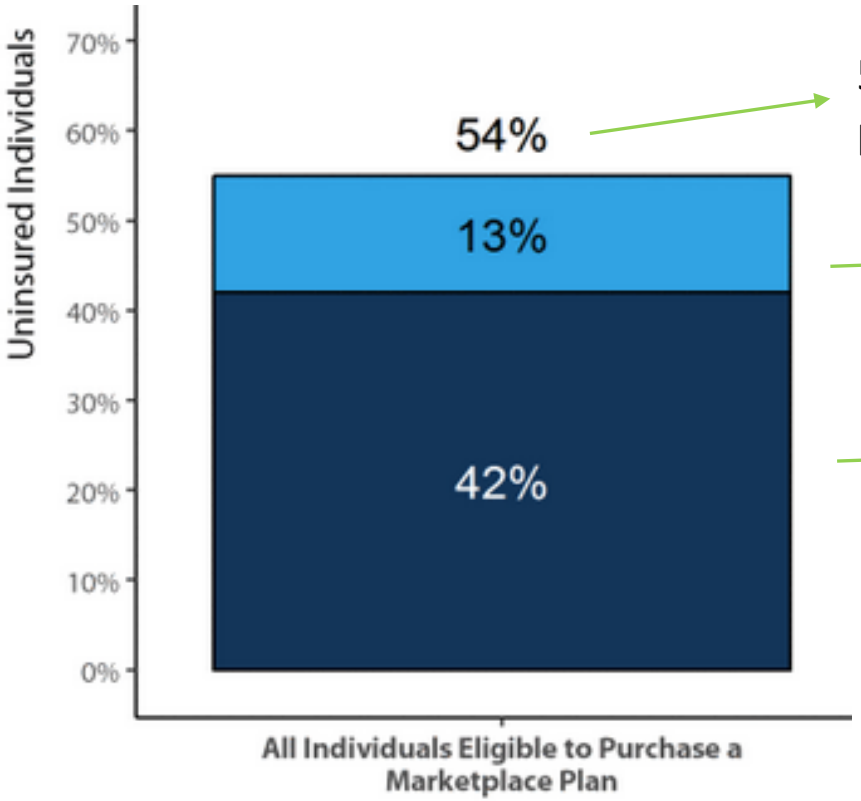


% Change in Lowest-Cost Monthly Premium, 2017-2018

-69% 8%

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)

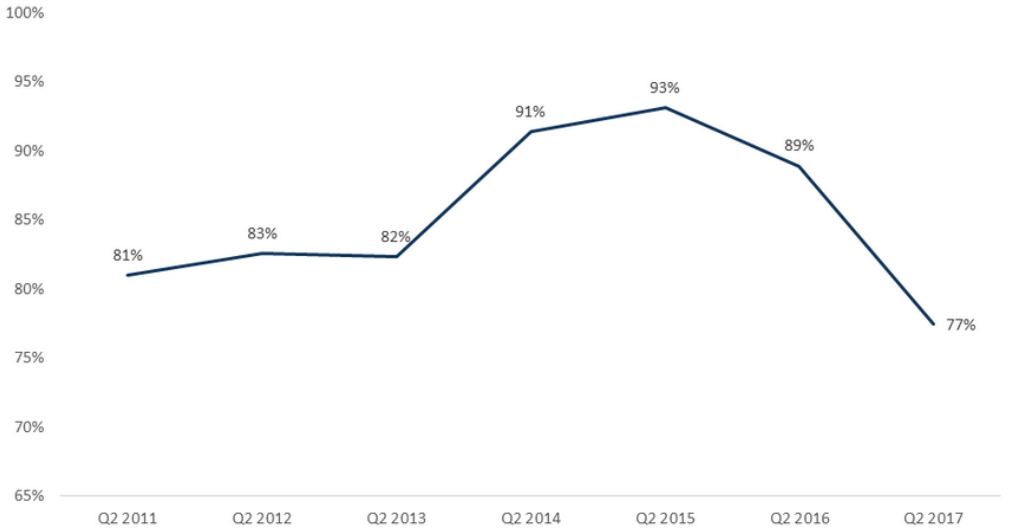
Source: Kaiser Family Foundation, https://www.kff.org/health-reform/issue-brief/how-many-of-the-uninsured-can-purchase-a-marketplace-plan-for-less-than-their-shared-responsibility-penalty/

Insurer Financial Data and Market Participation

Financial Data Show Individual Market Stabilizing through 2017 Q2

Loss Ratios Down

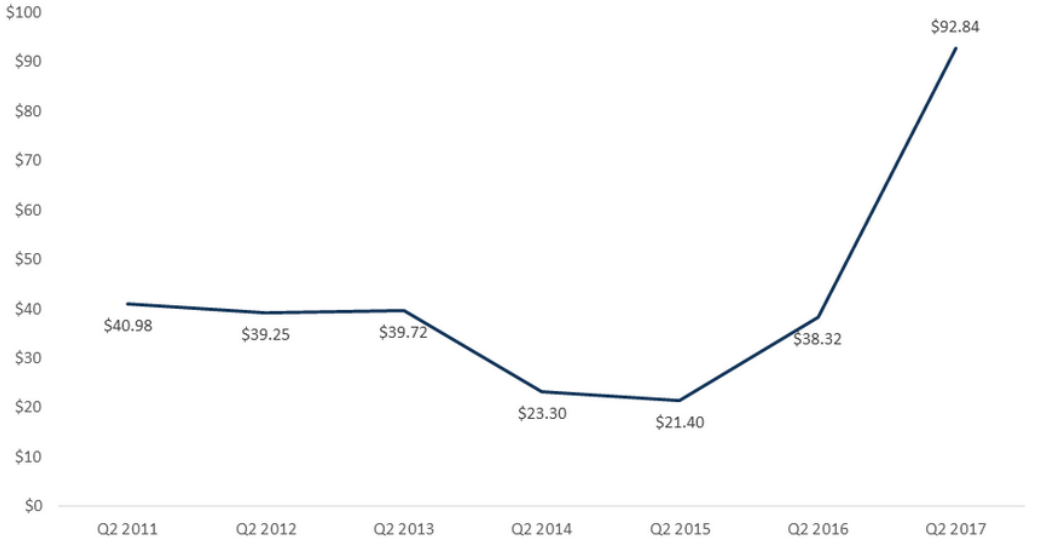
Average Second Quarter Individual Market Medical Loss Ratios, 2011 - 2017



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



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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/

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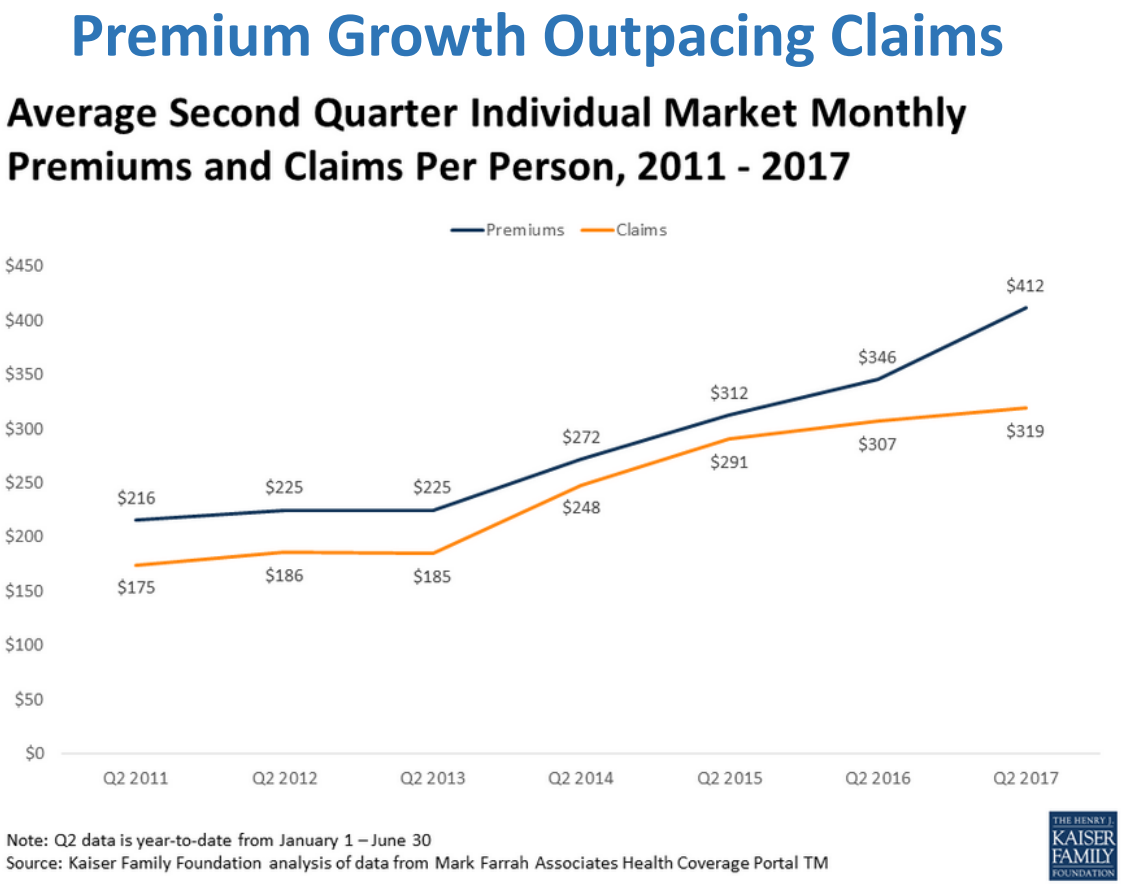
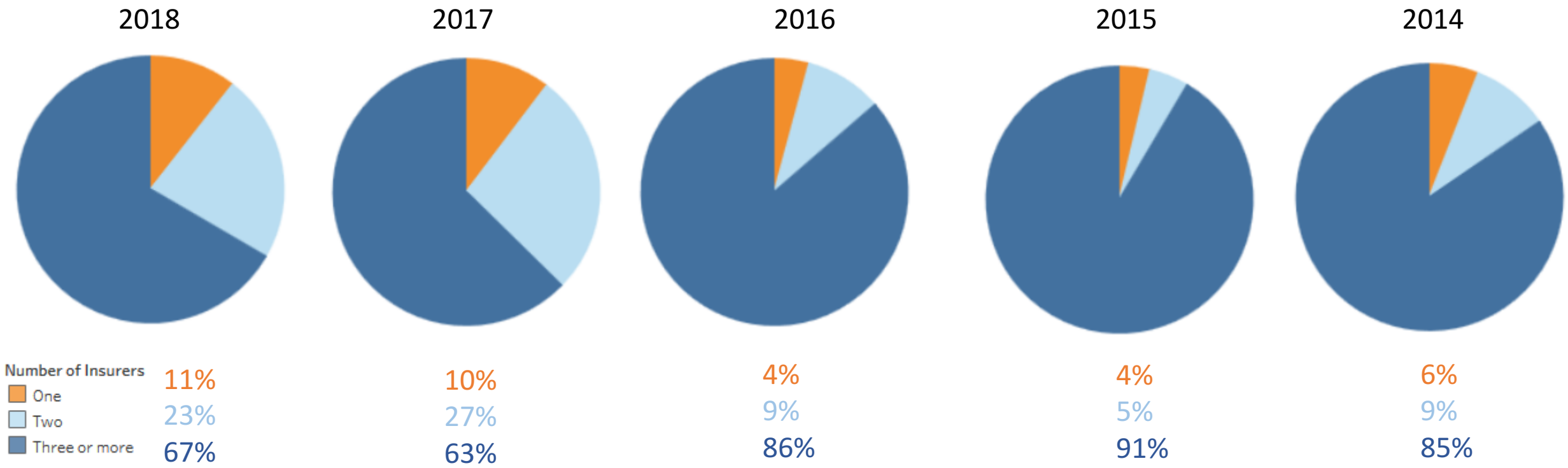


Kaiser Family Foundation, Individual Insurance Market Performance in Mid 2017, October 6, 2017, https://www.kff.org/health-reform/issue-brief/individual-insurance-market-performance-in-mid-2017/

Choice of Insurers in the Texas Marketplace



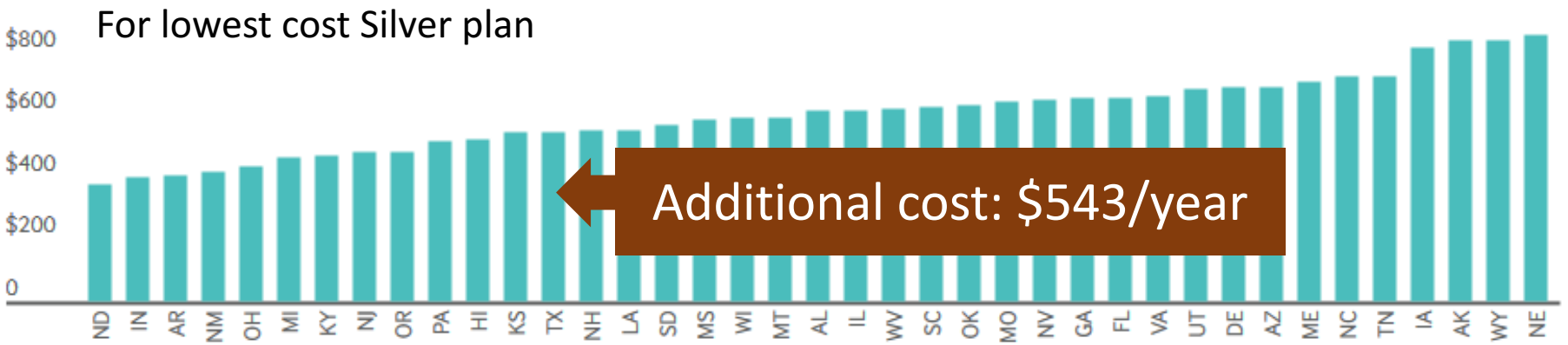
In 2018, 11% of Texans live in counties with just 1 Marketplace insurer, up from 6% in 2014
In 2018, 67% of Texans live in counties with 3 or more Marketplace insurers, down from 85% in 2014

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)

1332 State Innovation Waivers

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

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 closet to 2018 open enrollment to be workable

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We envision a Texas

where everyone is healthy,
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