

Repair & Debate: How to Stabilize Obamacare Right Now



David Kendall

Senior Fellow for Health
and Fiscal Policy

[@DavidBKendall](https://twitter.com/DavidBKendall)

Often lost amid the massive siege on Obamacare is a specific and time-sensitive problem for the many Americans who depend on Obamacare. The Administration will know this month if certain areas of the country will face large premium spikes. They will also know if certain areas don't have health plan options on the insurance exchanges. And with the Republican long-term repeal efforts stalled, serious questions remain about how to help Americans in the near-term.

Fortunately, there is a commonsense approach that both parties could support *right now* to stabilize the health insurance markets for 2018. A **stability fund**, an approach which had been effective in stabilizing the exchanges before it expired last year, could help subsidize much of the care for high-risk individuals. Congress should quickly pass this fix in a totally separate bill from the ongoing, terrible repeal effort in order to protect Americans in any areas facing unstable coverage in 2018.

Congress needs to take responsibility for problems with Americans' coverage because no one's health care should be tossed aside while Congress conducts its debate. It should

stabilize Obamacare and provide security to the millions of people who are facing massive uncertainty now. This brief describes the potential problems in the exchanges, a solution, and why Congress should step up.

What's Happening in the Exchanges?

Contrary to claims that Obamacare is on the verge of collapse, the health insurance exchanges in most areas of the country are stable. Four out of five consumers using the health insurance exchanges had a choice of two or more plans in 2017. Although premiums rose on average 22% last year,¹ the average increase for a typical plan since the exchanges first provided coverage in 2014 has been 11%.² Those increases are still too high, but they are not unique to the exchanges. These were less than increases for a typical employer-provided plan, which increased by 16% over the same four-year period.³ Health care costs for Americans under 65 are increasing because of rising prices for health care services and, to a lesser extent, because of a higher volume of services for each person.⁴

It is also important to note that people earning less than four times the poverty rate who purchase health insurance through the exchanges (totaling 84% of exchange participants) are protected from big increases because of subsidies for their coverage.⁵ Overall, the cost of health insurance is line with the Congressional Budget Office projections from 2009, which is another indication that Obamacare is not out of control.

Nonetheless, the exchanges face specific challenges, just like any major program in its early years. Next year, people in some areas of the country may not have a choice of any health plan, including several counties in Ohio.⁶ And premium spikes will continue to be a problem for millions of people who buy coverage on their own without exchange-based subsidies and for taxpayers who foot the bill for subsidies. Because of the way insurance markets work, we'll know this summer about the outlook for next year.

According to Brian Webb, manager of health policy for the national Association of Insurance Commissioners, “The biggest problem we have [for 2018] is uncertainty. Insurers hate uncertainty.”⁷ The combination of market and political uncertainty has combined to make the exchanges—and the people who rely on them—vulnerable. Health plans will naturally increase their premiums as a hedge against the uncertainty.

In a few states where insurance premiums for 2018 came out early, what should have been moderate increases were jacked up by market uncertainty created by the Trump Administration.⁸ BlueCross BlueShield of North Carolina announced its increase would be only 8.8% if the Trump Administration would agree to follow the Obama Administration’s policy of paying for the subsidies for the out-of-pocket costs of exchange participants with incomes between 100% and 250% of the federal poverty rate. Without such assurance, health plans will be legally liable for the cost of that subsidy, which is why the North Carolina health plan has filed for a 22.9% premium increase.⁹ Similarly, Pennsylvania has received an average increase notice of 8.8% from its five health plans, which would jump to 20.3% if the Trump Administration ends the cost-sharing reduction subsidies.¹⁰

Preventing Potential Problems in the Exchanges

While the full story about the 2018 enrollment year is yet to come out, the reasons for past problems are clear. One of the key reasons why the exchanges were less stable in 2017 compared to 2016 is that several provisions aimed at stabilizing the insurance markets expired. For example, a program called *reinsurance*, which covers a portion of a health plan’s costs for patients who receive high-cost care, ended. The support provided by reinsurance helps prevent health plans from having to charge higher premiums to everyone due to those high-cost patients. That support lowered premiums by 4-7% in 2016, according to the American

Academy of Actuaries.¹¹ To help recapture savings for consumers, Minnesota has created its own reinsurance program for 2018.¹²

Reinsurance is similar to the idea of *invisible high-risk pools*. Under this approach, health plans assess the risk characteristics of their enrollees (in other words, how expensive their care will be). Public funding flows to the plans to subsidize much of the care for these high-risk individuals.

Invisible high-risk pools have the advantage of keeping enrollees with high-cost conditions in exchange-based health plans along with healthier enrollees. In the past, traditional high-risk pools segregated high-risk patients into separate health plans that were typically underfunded and often provided inadequate coverage.

Alaska has adopted the invisible risk pool approach using state funding in order to stabilize its insurance exchange. It provides payments to insurers for individuals with one or more of 33 high-risk, potentially costly conditions.¹³ The program has reduced premium increases from nearly 10% in 2016 to 7.3% in 2017.¹⁴ While there is an overwhelming number of reasons to reject the Republican American Health Care Act (AHCA), a provision of the bill would support the use of invisible high-risk pools through the Patient and State Stability Fund, which is intended to help stabilize the exchanges in 2018 and 2019. Such funding could also go toward extending the original reinsurance program under Obamacare to help in states that wouldn't be able to quickly set up a reinsurance program like Minnesota or Alaska's.¹⁵

While Congress should reject the AHCA in general, this one provision should be pulled out and passed separately to provide funding to stabilize the exchanges, especially in areas facing declining plan participation or big premium spikes. This action needs to occur very quickly if it is going to help at all for the 2018 enrollment year. Health plans must file their application to participate in the 2018 exchanges by June 21, 2017.¹⁶

Congress' Obligation to Act Quickly

Challenges facing Obamacare are now an indistinguishable blend of problems stemming from the premature expiration of stabilizing provisions in the original design of Obamacare and new problems created by Republicans. Democrats have repeatedly said they will help fix Obamacare, so it is critical that Republicans recognize their own role in threatening the coverage for millions of Americans and quickly act to prevent the problems from growing worse while they debate their own long-term solution.

There are five reasons why Republicans are on the hook to help fix the exchanges in the near-term. They have:

1. *Cut funds to stabilize programs for exchanges in Obamacare.*

In 2014, Republicans in Congress restricted funding to programs called risk corridors, which narrowed the range of insurer gains and losses in the first three years of the exchanges. Under this program, plans with lower-than-expected costs provided funding to offset the costs of plans that had higher-than-expected claims.¹⁷ But the Obama Administration underestimated the amount of funds it needed to make payments to plans with higher than expected costs. Taking advantage of that miscalculation, Republicans restricted the Administration's ability to make up the shortfall in any other year. That restriction forced health plans to either leave the exchanges or raise premiums the following year.

2. ***Opposed Medicaid expansion.*** It is well known that Republicans fought the expansion of Medicaid for low-income adults. What is less well known is the impact that fight has had on increasing premiums in the exchanges. In states without a Medicaid expansion, people with income from 100% to 138% of the poverty level ended up receiving coverage through the exchanges and federal subsidies. That shift in costs from Medicaid to federal subsidies for individuals on the exchange increased premiums for everyone in the exchanges, as people living close to the poverty level tend to have higher-than-average health care costs.
3. ***Failed to enact bipartisan fixes to Obamacare.*** From 2014 through this year, dozens of bills have been introduced to modify Obamacare without repealing it. For example, the Commonsense Reporting and Verification Act, sponsored by Sen. Mark Warner (D-VA) and Rep. Dianne Black (R-TN), would have reduced administrative burdens that discourage small employers from offering coverage, which in turn would reduce the federal costs for providing subsidies to those employees through the exchanges. Instead of enacting bipartisan fixes like this, Republicans have tried over 60 times to repeal Obamacare in full or piece by piece.

4. *Undermined the individual mandate and exchange enrollment.* Soon after taking office, the Trump Administration took aggressive measures to undermine Americans' coverage on the exchanges. First, they announced less enforcement of the individual mandate, which imposes a financial penalty on people who can afford coverage but do not purchase it. The penalty is \$695 or 2.5% of income up to the average cost of a basic plan sold on the exchanges, whichever amount is higher.¹⁸ Although the President's executive order on the individual mandate was merely a continuation of an Obama Administration policy, the executive order has created the public perception that the individual mandate is not being vigorously enforced. It is too early to determine the actual effect on rates for 2018, but further tampering with the mandate enforcement could mean fewer healthy people buying coverage, which increases the premiums for people with coverage. Second, the Administration halted enrollment education efforts right before the end of open enrollment, which also likely produced fewer younger, healthier enrollees. Overall, enrollment declined by half a million people in 2017 when compared to 2016.¹⁹

5. *Repeatedly threatened to end cost-sharing reduction subsidies.* House Republicans filed a lawsuit against the Obama Administration to end subsidies for the out-of-pocket costs of exchange participants with incomes between 100% and 250% of the federal poverty rate. This support makes health care accessible for people who cannot afford to pay an upfront deductible before their care is covered by their insurance policy. President Trump has repeatedly threatened to end these payments unilaterally despite having agreed to continue them during budget negotiations to keep the government open.²⁰ As noted above, this uncertainty is driving up premiums for 2018. A diverse and large group of health care stakeholders have urged the President and Congress not to stop following the current law and practice of providing these subsidies.²¹

Conclusion

Health plans—and the millions of people who rely on stable health care coverage—are facing unprecedented uncertainty from the repeal and replace debate as well as changing market conditions and policies. That uncertainty will cause health plans to increase premiums or drop out of the exchanges as some plans have already done. Congress needs to act quickly to calm jittery markets and protect Americans' coverage by enacting a stability fund.

Many Republicans may not feel an obligation to act in their zeal to see Obamacare fail. But in fact, they are as much to blame for the problems in the exchanges as anyone. Starting in 2014, Republicans shifted from simply opposing Obamacare on the campaign trail to actively destabilizing coverage for many Americans in multiple ways—particularly by restricting funding for programs that stabilize health plan premiums and participation in the exchanges. Those efforts have taken their toll and created a self-fulfilling prophecy about Obamacare's instability.

It's time for everyone to act and preserve stable and secure coverage for millions of Americans.

TOPICS

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END NOTES

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