Wolf, Bipartisan Group of Governors Release Plan to Strengthen Health Insurance Markets

Harrisburg, PA – Today, Pennsylvania Governor Tom Wolf joined a bipartisan group of governors to release concrete recommendations that will strengthen and improve the country's health insurance system.

In a letter to Congressional leadership, Wolf and Govs. John Kasich (OH), John Hickenlooper (CO), Brian Sandoval (NV), Bill Walker (AK), Terry McAuliffe (VA), John Bel Edwards (LA), and Steve Bullock (MT) outlined recommendations to improve the health insurance market. The recommendations include immediate federal action to stabilize the markets, responsible reforms that preserve recent coverage gains and control costs, and an active federal/state partnership based on innovation and a shared commitment to improve overall health system performance.

"I am proud to again join bipartisan governors from across the country to help improve the health insurance system," said Wolf. "We must protect the gains we have made in Pennsylvania and many other states, but we all recognize that there are commonsense changes that can make the cost of care less expensive and more accessible. Instead of working to destabilize the health insurance system, Congress should work with governors to improve the system for all Americans."

Next week, on behalf of Governor Wolf, Acting Secretary of Human Services Teresa Miller will testify at the Senate HELP committee hearing to amplify the need for these changes to stabilize markets in Pennsylvania and across the country.

For the past several months, a group of bipartisan governors has worked together to protect access to health care as Washington has debated changes to the Affordable Care Act. On July 18, 10 bipartisan governors released a statement calling on Washington to fix the insurance markets. On July 26, the same group of governors sent a letter to Senate Majority Leader Mitch McConnell and Minority Leader Chuck Schumer imploring them to set aside the flawed Republican American Health Care Act and work with governors – Republicans and Democrats – to find a health care solution that will make care more available and affordable for every American.

In their letter today, the governors outlined detailed recommendations for Congress to consider to improve the health insurance markets, asking them to take immediate steps to make coverage more stable and affordable.

1. Immediate federal action to stabilize markets.

Congress should continue its work to identify reforms that strengthen insurance markets in the long term, but we need immediate action to ensure consumers have affordable options in the short term. Insurers have until the end of September to make final decisions about participating in the marketplaces. Congress and the Administration need to send a strong signal now that the individual market will remain viable this year, next year, and into the future.

Fund cost sharing reduction payments. The Trump Administration should commit to making cost sharing reduction (CSR) payments. The National Association of Insurance Commissioners (NAIC), National Governors Association, and United States Chamber of Commerce have identified this as an urgent necessity. The Congressional Budget Office (CBO) estimates not making these payments would

drive up premiums 20-25 percent and increase the federal deficit $194 billion over ten years.

Also, Congress should put to rest any uncertainty about the future of CSR payments by explicitly appropriating federal funding for these payments at least through 2019. This guarantee would protect the assistance working Americans need to afford their insurance, give carriers the confidence they need to stay in the market, increase competition, and create more options for consumers. Because the cost of this initiative is already included in the budget baseline, the appropriation would not have budget consequences.

Create a temporary stability fund. Congress should create a fund that states can use to create reinsurance programs or similar efforts that reduce premiums and limit losses for providing coverage. The House and Senate each recently proposed $15 billion annually for states to address coverage and access disruption in the marketplace with a goal of lowering premiums and saving money on premium subsidies. We recommend funding the program for at least two years and fully offsetting the cost so it does not add to the deficit.

Offer choices in underserved counties. Congress should foster competition and choice in counties where consumers lack options because there is only one carrier on the exchange. We ask Congress to encourage insurance companies to enter underserved counties by exempting these insurers from the federal health insurance tax on their exchange plans in those counties. We also ask Congress to allow residents in underserved counties to buy into the Federal Employee Benefit Program, giving residents in rural counties access to the same health care as federal workers. While these proposals may be temporary solutions, they will help provide Americans with additional choices until other policies have improved the market dynamics.

Keep the individual mandate for now. Finally, to prevent a rapid exit of additional carriers from the marketplace, Congress should leave the individual mandate in place until it can devise a credible replacement. The current mandate is unpopular, but for the time being it is perhaps the most important incentive for healthy people to enroll in coverage. Until Congress comes up with a better solution – or states request waivers to implement a workable alternative – the individual mandate is necessary to keep markets stable in the short term.

2. Responsible reforms that preserve coverage gains and control costs.

Federal action to stabilize markets is only the first step. Governors have been eager to pursue reforms that strengthen health insurance markets in our states, but uncertainty about the ACA and the status of federal subsidies to support the individual market have made it difficult to proceed. Working alongside states, the federal government must make reforms that will preserve and expand gains in coverage, while controlling costs for consumers.

In efforts to augment the potential federal actions we recommend in this letter, we attach a menu of options that individual states may consider or pursue. The options can be considered alone or assembled into a comprehensive strategy to achieve the interrelated goals of maximizing market participation, promoting appropriate enrollment, stabilizing risk pools, and reducing cost through coverage redesign. Different states will take different approaches. We all agree on and support the

proposals contained in this letter, but each state will choose the state-based approaches that best fits their individual situation.

Maximize market participation. Approximately 22 million people now purchase coverage through the individual market, but another 27 million remain uninsured. Increasing coverage uptake among the uninsured would improve the risk pool and set in place a virtuous cycle of lower premiums leading to higher enrollment.

First and foremost, encouraging younger, healthier people to enroll in insurance and educating Americans about the importance of coverage can help improve the risk pool. The federal government should continue to fund outreach and enrollment efforts that encourage Americans to sign up for insurance. Many states invest in similar efforts, and all states need the federal government's support to maximize participation from younger, healthier people.

Also, making insurance more affordable is a key part of increasing participation in the marketplace. For example, current law includes a glitch that makes some families who can't afford insurance through their employer ineligible for tax credits on the exchange. Congress should fix the “family glitch” and give more working families access to affordable coverage.

Promote appropriate enrollment. Some consumers choose to enroll in a plan only when they need health care, stop paying premiums at the end of the year, or purchase exchange plans even though they are eligible for Medicare and Medicaid – all of which drives up costs in the individual market. Congress and individual states can reverse this effect, for example by shortening grace periods for non-payment of premiums, verifying special enrollment period qualifications, and limiting exchange enrollment for those who are eligible for other programs.

Stabilize risk pools. The ACA created several risk sharing programs to help effectively manage the risk of the individual insurance market. However, the federal government has gone back on its commitment to these programs, in some cases refusing to fully fund risk sharing programs. Congress should modify and strengthen federal risk sharing mechanisms, including risk adjustments and reinsurance. This commitment to federal risk sharing will augment the state efforts that are supported by the stability fund.

Reduce cost through coverage redesign. States have an important but limited role in selecting essential health benefits (EHB). The Secretary of Health and Human Services (HHS) should allow states more flexibility in choosing reference plans for the ten EHB categories than are currently allowed by regulation. HHS should give states that develop alternatives to EHBs that meet the requirements of Section 1332 of the ACA the opportunity to pursue and implement innovative approaches.

3. An active federal/state partnership.

States can pursue many reforms without federal assistance. However, in some cases states are constrained by federal law and regulation from being truly innovative. We urge Congress and federal agencies to work with states to overcome these constraints, focusing first on improving the regulatory environment, supporting state innovation waivers, and controlling costs through payment innovation.

Improve the regulatory environment. The ACA created a greater role for the federal government in state health insurance markets, but retained states as the principle regulators of those markets. Recognizing the need for some common federal standards, the federal government should not duplicate efforts or preempt state authority to regulate consumer services, insurance products, market conduct, financial requirements for carriers, and carrier and broker licensing in states that already effectively perform these functions. Also, federal agencies should review the list of regulatory reforms identified by NAIC to stabilize markets.

Support state innovation waivers. Section 1332 of the ACA permits a state to request permission to waive specific provisions of the ACA, including the individual and employer mandates, as well as requirements for qualified health plans, essential health benefits, tax credits and subsidies, and exchanges. A state may not waive community rating requirements, prohibitions on preexisting condition exclusions, lifetime maximum coverage limits, preventive care mandates, or coverage for adults as dependents through age 26. To obtain a waiver, a state must demonstrate its plan would not increase the federal deficit, would not reduce the number of people with health coverage, and would not reduce the affordability or comprehensiveness of coverage.

Many states view Section 1332 as an opportunity to strengthen health insurance markets while retaining the basic protections of the ACA. We recommend HHS streamline and coordinate the waiver submission and approval process, including an option for states to easily build on approved waivers in other states, and an option to fast-track waiver extensions. We also recommend HHS rescind its 2015 guidance on Section 1332 and clarify that states may combine waivers into a comprehensive plan and measure deficit neutrality across the life of the waiver and across federal programs.

Control cost through payment innovation. Coverage is important, and coverage reforms can help contain costs, but eventually our nation needs to confront the underlying market dynamics that are driving unsustainable increases in the cost of care. With the support of the federal government, states are resetting the basic rules of health care competition to pay providers based on the quality, not the quantity of care they give patients. This is true in our states, where we are increasing access to comprehensive primary care and reducing the incentive to overuse unnecessary services within high cost episodes of care.

Congress and the Administration should make a clear commitment to value-based health care purchasing. For example, Medicare and other federal programs should be allowed to participate in multi-payer State Innovation Models. The Administration should align priorities for value-based purchasing across all federal agencies, including HHS, CMS, SAMHSA, CDC, VA, AHRQ, HUD, DOL, OMB and others. Payment innovation projects should be funded through the Centers for Medicare and Medicaid Innovation and expanded to more states.

Empowering consumers with information about the cost and quality of care can help to drive competition that will lower costs. New tools should be developed to provide consumers with better information about how much health services cost or which providers offer the best quality of care. For example, the federal government should work with states to promote consumer-facing websites and

apps that let consumers shop for health care based on quality and cost. Many states have developed all payer claims databases to provide greater transparency for consumers, and should be allowed to include claims information from federally regulated ERISA plans in these databases.

The full text of the letter can be viewed here.

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