

Repealing and Replacing the ACA: Stabilizing the Insurance Market

Issue: Concern about premium rates for health insurance coverage for individuals has grown during the past several years. Nationally, there has been a 16 percent decline in the average number of health insurers in the federally facilitated health insurance marketplaces. Stabilizing the individual insurance market is an important component of developing replacement legislation to the Affordable Care Act (ACA).

Background: Issues associated with stabilizing the individual insurance market include continued funding for the cost-sharing reductions and addressing the needs of individuals with pre-existing conditions.

Under the ACA, individuals with lower incomes are eligible for cost-sharing reductions to decrease their out-of-pocket expenses. These are in addition to the premium subsidies that are provided for individuals in households with incomes less than 400 percent of the federal poverty level. During 2017, seven million individuals in the marketplace, or 58 percent of enrollees, qualified for cost-sharing reductions. The federal government makes the payments directly to insurers to offset the cost-sharing reductions.

While the ACA requires these payments, a federal district court ruling found that a Congressional appropriation is required for these payments. Both parties to this litigation have allowed a continuance in the case to enable a legislative resolution. Unfortunately, this has resulted in month-to-month decision-making by the Trump Administration, which has caused uncertainty in the individual market.

Recently, the Congressional Budget Office released an analysis that showed that eliminating payments for cost-sharing reductions would increase the federal deficit by \$194 billion during the next decade. In addition, premiums for the “silver plan” would increase by an estimated 20 percent.

While individuals are mandated to obtain health insurance coverage, the penalty for not obtaining coverage is typically lower than the out-of-pocket costs to purchase coverage. This

HAP Recommendations

Addressing health insurance affordability and stabilizing the individual health insurance markets are important components of developing a replacement approach to the ACA:

- Congress should not repeal the ACA without passing a simultaneous replacement approach
- Any replacement approach should thoughtfully address the needs of individuals with pre-existing conditions who do not otherwise have access to health insurance coverage
- Appropriate and sustained financing needs to be provided to:
 - Meet the health care needs of individuals who have pre-existing chronic health care needs or who experience significant health events and need access to life-sustaining health care
 - Support lower-income individuals' access to affordable health coverage



- **adultBasic**—This program was established during 2002, for low-income adults who lacked access to other health coverage. It was originally funded through the state’s Tobacco Settlement and then by funds provided by the state’s Blue Cross and Blue Shield plans. The program only could enroll the number of adults for which it had funds to serve. During its existence, the program was generally fully subscribed (40,000 to 45,000 beneficiaries), reflecting the importance of subsidies for low-income individuals to secure health coverage. When funding ceased, the program ended.
- **High-Risk Pool**—Pennsylvania also established a high-risk pool, called PA Fair Care, during 2010, which was funded through the ACA. The goal was to provide individuals with pre-existing conditions health coverage until the establishment of the health insurance marketplace during 2014. To enroll, the individual had to have been uninsured for at least six months and could not have access to other insurance coverage. The program included consumer responsibility through payment of a monthly premium and an annual \$1,000 limit for out-of-pocket copayments and deductibles. Pennsylvania estimated that 5,000 individuals would seek coverage through PA Fair Care. In actuality, nearly 7,000 Pennsylvanians enrolled in PA Fair Care. Unfortunately, the need for coverage from high-risk pools under the ACA was greater than the funding provided. Pennsylvania transitioned PA Fair Care to federal management during 2013, because of changes in the terms that would have shifted costs to the state.

Observations: Pennsylvania’s experience in providing health coverage to uninsured adults reflects:

- Guaranteed issue of health insurance is meaningless if the coverage is not affordable for low-income individuals
- Funding for the high-risk pool under the ACA was insufficient to enable Pennsylvania to manage the program
- Pennsylvania’s experience with adultBasic shows that, when dedicated funds are not available, the state cannot sustain health coverage for low-income adults through the state’s General Fund
- Subsidies and/or financial support enable low-income individuals, particularly those with pre-existing conditions, to secure health insurance coverage
- Providing states and health insurers with sufficient support to stabilize coverage for adults with pre-existing conditions is essential since experience reflects that funding was insufficient in Pennsylvania to meet the demand for health care given the aging of the state’s population and the prevalence of chronic disease

Sources:

American Academy of Actuaries
American Hospital Association
Congressional Budget Office
Kaiser Family Foundation
Pennsylvania Insurance Department

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