The Academy and the New 3Rs of Health Care – Repeal, Replace, Repair

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American Academy of Actuaries
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About the Academy

Mission is to serve the public and the U.S. actuarial profession

- Washington-based 19,000 member professional association
- Work includes both professionalism and public policy

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- Public voice for the U.S. actuarial profession
- Independent and objective actuarial information, analysis, and education
- Trusted to provide reliable and credible expertise on policy issues

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Decision Criteria for a Public Statement

- Is it actuarial and consistent with the Academy vision and mission?
- Do we have information that can contribute to the issue?
- Will it educate/inform the public and help improve public policy?
- Do we have the resources needed?
- What are the risks/benefits of making a public statement?

Health Practice Council (HPC) Role

- Provide information to Congress and regulators
- Support the NAIC and state officials
- Communicate and coordinate activities related to health and professionalism
- Develop and maintain practice notes
- Keep membership informed

Activities Both Proactive and Reactive

Meetings/Calls	• With Senate, House, Agency/Departments • Outside health policy organizations
Briefings	• Congressional staff • NAIC
HPC Hill Visits	• Committees, personal offices, agencies
Media Outreach	• Proactive and promoting our materials • Respond to inquires
Publications	• Issue briefs, comment letters • Other public statements

HPC Messaging: Individual Market

Requirements for a stable and sustainable individual health insurance market:

- Enrollment at sufficient levels for a balanced risk pool
- Stable regulatory environment that facilitates fair competition
- Sufficient insurer participation and plan offerings to provide competition and choice
- Slow spending growth and high quality of care

HPC Messaging: Individual Market (cont.)

Actions needed to improve stability:

- Continued funding of cost-sharing reduction (CSR) reimbursements
- Enforcement of the individual responsibility penalty
- Increased external funding
- Avoid legislative/regulatory actions that could increase uncertainty or threaten stability

HPC Messaging: Medicaid

Moving to block grants or per capita caps:

- Shifts funding risk to states, which need flexibility to stay within their budgets
- Makes sustainability dependent on initial allocation of funds to states and growth rates

Three Phase Plan to 'Health Reform'

- Phase 1: American Health Care Act (AHCA)
  - Simple majority votes in House and Senate via budget reconciliation process
- Phase 2: Market deregulation
  - Changes to market rules, etc. that can be taken by HHS Secretary
- Phase 3: Additional legislation that wouldn't meet the requirements for budget reconciliation; would require 60 Senate votes for passage
  - Allow insurance sales across state lines
  - Expand availability of Association Health Plans
  - Medical liability reform

AHCA: Legislative Process

- AHCA passed the House on May 4 by vote of 217-213
  - CBO score released on May 24
- Senate working on drafting different language
  - Driven by various working groups with different goals
- Going through reconciliation process requires following Senate rules/budgetary requirements
  - Legislation can't include provisions extraneous to the budget
  - Time constraints also require Senate vote prior to end of September
- If passed, conference committee formed between House and Senate
  - If agreement on common language reached, sets up second vote in each chamber
- If both chambers pass, goes to President for his signature

House-passed AHCA: Individual Market

- Eliminates the individual mandate penalty and imposes a continuous coverage requirement; levies temporary 30% premium surcharge for those uninsured for 63+ days in last year
- Changes the premium tax credit structure, eliminates cost-sharing reductions, and widens allowable age rating to 5:1
- Creates a $100b patient and state stability fund to provide grants to states; separate $15b funding for invisible risk sharing program; $15b to states to use for maternity coverage, substance abuse services, newborn care
- Eliminates actuarial value requirements
- Allows states to waive essential health benefit requirements
- Allows states to waive requirement for community rating for individuals without continuous coverage; coupled with $8b to waiver states to use toward those who would face higher premiums

House-passed AHCA: Medicaid

- Fundamentally changes funding approach from one based on a percentage of total program expenditures to one that caps or limits federal funding to states (per capita caps); or provides for block grants.
  - Would set per-enrollee caps based on states' Medicaid expenditures in 2016.
  - Discontinues enhanced funding starting in 2020, essentially ending expansion.

House-passed AHCA: CBO Score

- Net deficit reduction of $119b over 2017-2026
- Increase in uninsured compared with current law (CL)
  - 14 million more uninsured in 2018
  - 23 million more uninsured in 2026
- In states not requesting waivers average premiums about 4% lower in 2026 than CL due to younger and healthier enrollee population
- In states making moderate changes to market rules, average premiums about 20% lower than CL due to less generous benefit coverage
- In states making substantial changes to EHBs and community rating, average premiums would be lower for healthy enrollees, but community rated market would become unstable

Senate: Different Possible Approaches

- Senate composition: 52 Republicans; 48 Democrats
- Areas of disagreement among Senate Republicans
  - Protect Medicaid expansion states vs. full and immediate repeal of Medicaid expansion
  - Retain pre-existing condition protections vs. full deregulation of markets
  - Focus on immediate action to stabilize the market vs. longer-term changes
  - Retain funding for family planning services vs. eliminate funding
  - Level and structure of tax subsidies
- Senate Majority Leader McConnell facilitating behind-the-scenes working groups

Senate: Possible Approaches (cont.)

- Cassidy-Collins Patient Freedom Act would give states 95% of funding they received for ACA premium and cost-sharing subsidies; states could opt to:
  - Keep ACA approach
  - Switch to approach that would include auto enrollment of eligible individuals into plans with premiums equal to the tax credit
  - Offer no coverage expansion (and receive no federal funds)

Academy Involvement in Legislative Process

Formal comments to Congress

- Letter on the Adverse Consequences of Weakening the ACA's Individual Mandate (Sept 2016)
  - In response to proposals that would waive the mandate in certain circumstances
- Letter on the Consequences of Repealing ACA Provisions or Ending CSR Reimbursements (Dec 2016)
  - Warns about market disruption if ACA repealed without a replacement
- Testimony on Effectiveness of ACA's Individual Mandate (Jan 2017)
  - Offers insights on alternatives to the mandate
- Comments on AHPs in Small Business Health Fairness Act (March 2017)
  - Highlights potential adverse consequences of expanding AHPs
- Comments on American Health Care Act (AHCA) (March 2017)
  - Provides detailed comments on bill's Medicaid and individual market provisions
- Comments on Individual Market and Medicaid (May 2017)
  - Response to Senate Finance Committee request for comments on approaches to improve the individual market and Medicaid

Academy Involvement in Legislative Process (cont.)

Issue briefs and papers relevant to proposals being considered

- An Evaluation of the Individual Health Insurance Market and Implications of Potential Changes (Jan 2017)
  - In depth paper outlining the conditions necessary for a sustainable market, an evaluation of current market, and assessment of options to improve sustainability
- Selling Insurance Across State Lines (Feb 2017)
- Association Health Plans (Feb 2017)
- Using High-Risk Pools to Cover High-Risk Enrollees (Feb 2017)
  - Outlines three potential approaches to HRPs (traditional, condition-based reimbursement, reinsurance) and examines implications of specific design features
- Proposed Approaches to Medicaid Funding (March 2017)
  - Examines implications of moving to block grants or per capita caps
- Steps Toward a More Sustainable Individual Health Insurance Market (April 2017)
- Issue brief on auto enrollment (in progress)

Academy Involvement in Legislative Process (cont.)

Meetings/calls/briefings

- Ongoing calls and meetings with congressional staff, including:
  - House Energy and Commerce Committee staff
  - House Ways and Means Committee staff
  - Senate Finance Committee staff
  - Senate HELP Committee staff
  - Staff of key senators
- Off-the-record briefings of Senate committee staff during HPC hill visits
- On- and off-the-record briefings of members of Congress and congressional staff in conjunction with the Alliance for Health Reform
- Meetings and presentations with other organizations, such as the NAIC and National Governors Association

Recent Regulatory Actions: Market Stabilization

New 2018 market stabilization rules finalized 4/13/2017

- Open enrollment period shortened one year earlier than scheduled, to Nov 1-Dec 15
- Pre-enrollment verification required for special enrollment period (SEP) enrollees
- Insurers allowed to collect past-due premiums prior to enrolling individuals in coverage with the same insurer
- De minimis actuarial value range loosened from +/-2 percent to -4 to +2 percent
  - Except for bronze plans: -4 to +5 percent
  - CSR plan ranges remain at +/-1 percent
- Federal role in network adequacy oversight reduced

Recent Regulatory Actions: Market Stabilization (cont.)

Related Academy activities

- Issue paper evaluating the individual health insurance market (Jan 2017) raised some of the issues covered in the market stabilization rule (e.g., grace periods, SEP verification)
- Comment letter on market stabilization proposed rule (March 2017)
- Ongoing meetings and calls with CCIIO staff

Recent Regulatory Actions: Risk Adjustment

Risk adjustment program changes included in final notice of benefit and payment parameters, issued 12/16/2016 (revised 12/21/2016)

- Adjustments for partial-year enrollees (beg 2017)
- Prescription drug information incorporated into the model (beg 2018)
- High-cost risk pooling incorporated into risk adjustment program (beg 2018)
  - budget neutral; no external funding
- Average premium in the transfer formula reduced to remove non-claims-related portion of administrative costs (beg 2018)

Recent Regulatory Actions: Risk Adjustment (cont.)

Related Academy activities:

- Issue paper providing insights on the risk adjustment program (April 2016)
  - Detailed analysis of the 2014 risk adjustment results with a focus on potential factors influencing risk adjustment experience and implications for changing the risk adjustment program methodology
- Comment letter to CMS regarding risk adjustment methodology discussion paper (April 2016)
- Comment letter to CMS regarding proposed benefit and payment parameters for 2018 (October 2016)
- Issue brief on how changes to health insurance market rules would affect the need for and operation of risk adjustment (May 2017)
- Ongoing meetings and calls with CCIIO staff

Recent Regulatory Actions: Premium Rate Filing

- CMS released 2018 unified rate review instructions on 4/6/2017
- CMS released revised rate filing timeline guidance on 4/13/2017
  - Delayed rate submission deadlines
- Academy activities:
  - Comment letter on URRT final instructions (April 2017)
  - Issue brief on factors driving 2018 premium changes (in progress)
    - Similar briefs issued annually for 2014, 2015, 2016, and 2017.

Cost-sharing Reduction Payments

- Continued uncertainty regarding future payments
- *House v. Price lawsuit* is on hold until August as parties have asked for more time for a resolution, including possible fixes
- CSR reimbursements have been paid for May, but Administration has not indicated whether payments will continue
- Related Academy activities include numerous issue briefs, comment letters, meetings, etc. highlighting the need for CSRs to be paid

Get Involved

- Read Actuarial Update, Health Check, and This Week, and visit the Academy Newsroom at www.actuary.org
- Become a member. Visit http://actuary.org/content/academy-membership-0
- Volunteer with the Academy's committees
- Participate in submission of comments
- Your input is vital during information-gathering processes and strengthens the final product
- Allows the Academy to speak with one voice
- Let us know what public interest issues are important to you

QUESTIONS?

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