

## **A Modern, High-Performing, Simpler Health Care System** **A Path Forward...**

Of the 324 million people in the United States, employer-sponsored insurance covers 174 million, Medicaid and related State-based health programs cover 75 million, Medicare serves 56 million, Exchanges cover approximately 10 million, and 28 million people remain uninsured.

There are many components of the Affordable Care Act (ACA) that should be immediately replaced with proven, more sustainable State-based public and private market solutions, improving consumer choice and access to higher quality, lower cost health care. Additionally, there are several elements of the ACA which should be retained as effective solutions, limiting disruption and ensuring necessary market reforms and funding are retained. These and other health reforms should protect and preserve the stability, choice, and success of existing market segments such as employer-sponsored insurance, Medicare Advantage, and Medicaid.

Exchanges have failed to achieve enrollment expectations of 26 million people in 2017 due to flawed product designs which limit choice, higher than expected per capita costs which discourage healthy individuals from enrolling and staying enrolled, and unsustainable economics driving reductions in competition and choice among health plans. Exchanges remain compromised by loopholes that permit enrollment or expansion of coverage as health needs develop.

Many of the ACA's insurance market reforms – while increasing costs – have generally been positive. Importantly, however, the ACA's Health Insurance Tax and other taxes, which have aggravated already untenable health care costs, need to be immediately repealed. The Health Insurance Tax is currently being priced into policies carrying into 2018 and will increase 27% from 2016 levels.

Medicaid expansion is succeeding in cost-effectively expanding access to care. More than 16 million additional people have enrolled in Medicaid since 2013. A State-based, structured mechanism for coverage – with more value, flexibility, and superior performance than Exchanges – Medicaid has proven to be over 20% more cost-effective than Exchange coverage at delivering affordable and stable health care to millions of individuals.

Exchange beneficiaries, as well as the remaining uninsured in the United States, would gain the most from being in suitably managed State-based public and private market structures which are more stable, efficient, and effective.

Establishing the State as the benefits/coverage owner will require the flexibility to provide a coherent portfolio of State-based market approaches that recognize health care as a local reality with considerable variation from market to market.

The following solutions are offered to achieve meaningful advances in access to coverage for millions of individuals, along with greater stability, affordability, and choice in health care and fit within the State-based markets approach described above.

## State-based Health Care Market Solutions

The Affordable Care Act's Exchanges should be transitioned to a simpler, flexible, and more affordable State-based coverage system shaped to fit the circumstances of the respective State communities. Access to coverage could increase – but would not decline – under this approach and would be sustainably funded.

### State-based Health Care Markets are...

A coherently organized portfolio of State-based public and private benefit coverage platforms dedicated to appropriately achieving targeted coverage, quality, and fiscal goals, including:



### State-based Health Care Markets are better because they:

- ▶ Form a flexible and coherent market-based coverage system that is simpler and provides more choice;
- ▶ Are able to respond to the specific circumstances and needs of the State's communities;
- ▶ Are lower cost, using proven market-based solutions; and
- ▶ Achieve savings from discontinuing the cost to administer and support Federal Exchanges.

### State-based Health Care Markets are established by:

**Returning oversight of private insurance markets to States**, and allowing insurers to offer innovative, cost-effective products that harmonize with States' other benefit coverage platforms.

Granting States the flexibility needed to **design, implement, and offer cost-effective, State-based Medicaid coverage solutions** in an effective and sustainable manner, by allowing States to:

- ▶ Passively enroll qualified individuals who cannot otherwise access creditable coverage;
- ▶ Design more localized, flexible health benefit designs to encourage appropriate use and place of services;
- ▶ Develop unique provider network structures that address geographic and population-specific needs;
- ▶ Establish provider payment rates based on the achievement of quality outcomes and affordability;
- ▶ Design and implement innovative consumer incentives and engagement tools;
- ▶ Establish appropriate consumer cost-sharing requirements, including income-specific copayments, deductibles, and premiums;
- ▶ Utilize financial tools – such as HSAs – in benefit structures; and
- ▶ Implement enrollment strategies that simplify eligibility determinations.

Ensure that Medicaid funding is fully dedicated to health care and adequately resourced to provide sustainable access for eligible individuals.

## Immediate Actions to Stabilize Coverage and Improve Affordability

Taking the following actions – legislatively or administratively – would minimize disruption in the wake of a repeal effort by stabilizing access to coverage and improving affordability:

- ▶ Revitalize the Private Individual Market and restore consumer access and choice, by:
  - Eliminating federally-mandated essential health benefit requirements and metallic levels;
  - Restoring Age Rating Bands of 5:1;
  - Restoring short-term and limited coverage policies; and
  - Retaining the vast majority of ACA underwriting reforms and risk adjustment.
- ▶ Adequately fund Medicaid, retain the ACA's Medicaid expansion, and passively enroll eligible Medicaid beneficiaries.
- ▶ Transition the remaining insured under Exchanges and Exchange funding to State-based Market Solutions.
- ▶ Establish and fund structured and managed high risk pools – funded by the Federal government – to be administered by the States and private sector.
- ▶ Repeal ACA Taxes, including the Health Insurance Tax, immediately.
- ▶ Strengthen and grow Employer-Sponsored Insurance (ESI), by:
  - Supporting the current tax treatment of ESI;
  - Expanding access to, and incentives for, Health Savings Accounts; and
  - Allowing ERISA-like flexibility for all employers to tailor employee incentives and wellness programs.

Note: Coverage estimates are neither exhaustive nor mutually exclusive and, therefore, do not sum to the population total. According to the U.S. Census Bureau, over 20% of insured individuals report coverage from multiple sources.