

# HEALTH INSURANCE REFORM AFTER ACA REPEALED

CAS Ratemaking Seminar | March 2016

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### REPEAL AND REPLACE ACA

- Affordable Care Act (ACA) too flawed, can't fix
  - Massive overpricing to subsidize others
  - Insurers pulling out
  - 2,000+ inscrutable pages, not even designed to succeed
  - Goal? Single Payer after failure in five to seven years
- Yet its goals can be achieved via alternative
  - Guarantee coverage to many uninsured today
  - Cover pre-existing conditions
  - Control high costs
- New system needed based on workable principles
  - Previously used in auto, homeowners, catastrophe insurance
  - Free market, no price controls, state by state, not federal
- Goal of this session
  - Explore ideas of Candidates
  - What else do states need to do?

## MOST CANDIDATES HAVE ACA REPLACEMENT ADVICE

#### Cruz

Barasso, Crapo, Rubio *Healthcare Choice Act* 

Walker
Day One Patient Freedom Plan

## Price

Empowering Patients First

### Jindal

Freedom & Empowerment Plan:
Prescription for Conservative
Consumer-Focused Health Reform

#### Bush

Conservative Plan for 21st Century

### Roe-Scott

American Health Care Reform Act (AHCRA)

### Carson

A Prescription for We the People

## COMMON THEMES OF CANDIDATE CRITICS OF ACA

- Replace it too flawed and complex to try to fix
- Did not allow tax savings for individual policies
- Basic policies should grant guaranteed access to all
- States should implement, not a federal mandate
- Ideas on paying for pre-existing conditions (PEC)
- Expand health savings accounts with higher deductibles
- State regulation OK more flexibility on out-of-state policies
- Medical tort reform to help reduce costs
- Improve Medicare/Medicaid: costs bankrupting our future.

## **MUST ANALYZE 32 FEATURES OF 10 PLANS**

Features of	Burr-Hatch	Cruz Barasso, Crapo,Rubio	Price Empowering	Roe-Scott  American Health Care	Bobby Jindal 2015	Gov. Scott Walker	Dr. Ben Carson	Jeb Bush	Walters States innovate	ACA
ACA Replacement	Upton Patent CARE Act 2015	Healthcare Choice Act 2015	Patients First 2015	Reform Act (AHCRA) 2015	Prescription for Conservative	Clafford Frenchim Plan			2012-15	supporte
Plans Fell ACA Repeal	2015	Choice Act 2015	2015 90%	2015	Vers	2015	Yes	¥0.%		MO
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innge hix deductibility of employer policies to higher deductible	yen	7	7			esp. gold-plaked plan tax deductibility		deducibility capped to 312k; can to contribute to worker indis. Plan	yen, vio fed. Low limit to HSA type higher decducibles	но
Other Federal rules	nome tederal	7	?		garates to states with incentives		federal Electronic Medical Records EMRs at bids	allow states to transition 17m AGA to new system;	a. Federal black grants to states b. may need rotes for	Min sesiv te dera
Guarante ed a ocessa	yes	?	ye 16		yes vin	example of	(not provided to IRS)		yes, via	<b>y</b> e %
Subsidize Subsidize basic policies	lax credibs		tax credits by age re fundable		\$100 billion over ten years	BudgerGare in Weccosin	can believe from other HSAs e.g. relatives	via federal granta la states	state ARP plans yes via ARP pricing	
re-existing condition	new sinte poots	sinte poots (35)	ye a	\$25b fed subsidy	year	Birnil premium increase	e.g. reserves	for poorer people if continuous cowg	yes	yes
(PEC) coverage access	w fed subsidies	indiv. Mandate(10) or state mandate	,	to state PEC pools to be set up	pool or other	on new PEC		no price increase for rew PEC	separate policy	fed. poo
How to pay for PEC subsidies	sinte pools Inx credits <\$35k income	7	posts or other fed or state? grants to	shike pay for code beyond limit of 2s arg. premium	\$100 billion over len years	led subsidies to pools or other state plans		vio tecteral grando to olutino to: PEC subsidies	state post or pressure support Tourised by federal	hidden i overdhar plus full.
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condition (PEC)	?	rules	7					7	and treatment	?
Allow rating by beath condition	7	No	7					7	Yes	NO
Portable policies individual	yen ?	?	<b>ye</b> 9.		more flexibility on COBRA choices			?	yes.	yes
unreale ed renewable polities	7		7		(now to enforce?)			7	options available at slight cost	ye s
High deductible options	HSAs		bax credit	expand HSAs allow for VA etig.	HSAs with more flexibility e.g. wellness options	expand FCAs \$1050 indiv \$12,500 families rollower to relatives, survivors	HSAs at birth govt funds poor HSAs	expand .HSAs higher contributions \$6.6k vs \$3.4k broader was	yen HSAs	МО
Under the diameter or	require	?						7	но	YI S
Meline benefits State	federally yes			yes		y==		tederal menight	price higher options yes	to quire
re guilaile d								on PEC policy/seven		
Selling across solde lines	remove fed baniers ?	yes, amend PublishedilsServAul pay premiles, plan of operation, g timerals	years	yes	yes, using interstate commerce rules regulated by state where plumwas offered	arry state plan available		yes	yes, using surplus lines rates may need fed law allowing	
Tort reform encouraged	cap non-eco loss cap attorney tees exped panets	?	yes+ burden of proof changes	legal oak barben mandatury review paser higher proof burden	yes, unprior officiary from and non-economic loss by white and factors (in Madican)	insumifiem to states aperialized expert reviews so to herborn	constant similar to Australia states send to enoci	7	yes by state via higher block grants Model: Celf. MICRA	но
States can mandate	?	2	?	?	?				<b>y</b> 016	HA
ina scia i responsibility Coverage s mandaled	ven?	2	но		MO				some may not	YES
Allow de pen dents	fed few requires;	3	3			ratate is encouraged			ratanio is	YES
we to age 26	states can opt out		, r			to have			allow option	TES ON
Price controls to try to	5 to 1 age rating; states can change	?	?						MO	YES
Other state features encouraged	Makes Cart Charges				re visit certification of med re visit frames contrictions	more group familian welfress programs				
a. Employerm andale	?	?	?			deregulate long from one			a. HO	yes, defe
b. individual mandate Exchanges	repeal no federal:	3	2	group for armit tags.		+			b. state option no federat	yes, ta
state or tederal	states can enact	7	7	publisher rates					states can enact	and sta
Bailouts of insurers AC A Me dicaid	restructure	7	,		re form Me dismid:				Reviewall	yes ves
eligibility expansion Changes to Medicare/	was led lax credit	7	opt out via	affirm HSAs	reform Medicalid; more grants to states; incombines to avoid foud:	shake innormalizates		altre work	of Medicaid	yes.
Medicaid coverage	modify grants	,	tos credits	after Medicare etig.	to ble drawn to moved fount; to ble drawn treatments; allow numbers doctor choice	Sale moutors		mundakes for Medicald receivers	yes, but not in this repeal replace	-
Funds for Research Federal Rules on				\$150 Forei for Medical Breakforinghi				to iven write		
octodpailant retalionship				repealed						
Respect for Life				No requirements for abortion cover	fo discourage abortions			Hyde amendment		
Other to aim os				remove health ins exemption from	promote framiparency on price from					
Palacápic s	Choice Allordable Responsible Empowerment Add (CARE)		a No relable acce testible quality responsive man valive choice	artifications patient contered from market market more competition no new taxes expands a cooss	providens Remeding health couls protected most valvemable protected titly and choice	emichaliza consider coverage two of efficient, ethicitive, a concentration by employmenting states in consider quality and choice forming the environ than contains	Triblents or shall are species and state of stat	1. Parameter transfer 2. Commerciation 2. Commerciation 3. Commerciation (Commerciation and Commerciation)	man have maked  man paint remains in  market when the brills,  cannot be repulling allow  minimum to the brills.	
				PEC help		Mapayers				

### **32 FEATURES TO REVIEW**

Full ACA Repeal	Pre-existing condition (PEC) defined	Tort reform encouraged	Bailouts of insurers	
Tax - Individual policy now to be deductible	Allow rating by health condition	States can mandate financial responsibility	ACA Medicaid eligibility expansion	
Change tax deductibility of employer poliiies to higher deductible	Portable policies individual	Coverages mandated	Changes to Medicare/ Medicaid coverage	
Other Federal rules	Guarenteed renewable policies	Allow dependents up to age 26	Funds for Research	
Guaranteed access to basic coverage	High deductible options	Price controls to try to make more affordable	Federal Rules on doctor/paitent relationship	
Subsidize basic policies	Unlimited annual or lifetime benefits	Other state features encouraged	Respect for Life	
Pre-existing condition (PEC) coverage access	State regulated	Mandates? Individual or employer?	Other features	
How to pay for PEC subsidies	Selling across state lines	Exchanges state or federal	Principles	

## STATES NEED TO PASS THE LAWS AND IMPLEMENT

#### Federal Government Can't Do:

- Constitution limits Federal Gov. authority Article I, Section 8
- Article X grants remaining powers to states and the people
- Even if one good plan emerged, can't mandate states to adopt
- Can't even do federal tort reform

#### **Federal Government Can and Should Do:**

- Revise tax laws need level playing field indiv. vs group
- Deductions on income versus tax credits
- Expand Health Savings Accounts (HSAs):
  - much larger deductibles
  - more control over procedures by customer scrutiny of bills

## GUIDING PRINCIPLES AS STATES DESIGN AND ENACT

- Minimize use of federal laws
- Promote innovation; empower states to design
- Use competitive free market; no price controls
- Avoid overall mandates/free to choose
- Accessible coverage for all
- Affordable
- Portable
- Patient centered
- Respect religious beliefs.

# IDEAS TO CONSIDER ON SUBSIDIES

- Even basic polices can get modest subsidies
  - like assigned risk plans for auto insurance
  - don't disrupt competitive market
  - 10 % get 20% subsidy means only 2% surcharge on others
- Allocate residual market based on whole market
  - individual and group insurers included
- Insurers pass extra cost on to voluntary market
- PEC subsidies from states using Medicaid block grants
- Insurers do not swallow losses
- Can use pools but direct subsidy better
  - PECs can be priced accurately and solutions designed

### **IDEAS ON COVERAGES - PEC**

- Define PEC as:
  - diagnosed condition & treatment recommended
- If insured can afford, little or no subsidy for PEC
- Can arrange low interest loans, if not outright grant
- Especially if already sick or injured for one time fix

### OTHER IDEAS ON COVERAGES

- Adding for out of work grads to age 25??
  - Why mandate?
  - Easy to price make user pay for it
- Maternity or Contraceptives or Abortions
  - No mandates
  - Pay for it separately
- Unlimited lifetime or annual benefits
  - Very expensive
  - Subject to abuse
  - Price higher options

### **IDEAS ON PRICING**

- Don't restrict use of knowledge in free market (SRI)
- No take-all-comers laws
- Keep pricing variables robust smaller resid. market
- >50 insurers means profit margins low (e.g. 4%)
- Ability to switch individual policy insurers crucial keeps service high and prices low
- Statistical agency laws allow better info pooling
- Smaller companies can compete better initially
- Predictive modeling a natural for health insurance

### **OTHER IDEAS**

- Guaranteed renewals can price at outset for modest cost
- Making policies truly portable like auto insurance need other state complicity
- Motivating states to pass meaningful tort reform larger block grants from Medicaid
- Allowing out-of-state policies
  - versus in-state insolvency programs
  - like excess and surplus lines today
  - disclose to insured no local oversight
  - needs NAIC support (not there today)
  - better than revoking McCarran-Ferguson Act

### **WHAT NEXT?**

- Repeal and incent states to act
- Need a good off-ramp for current policies
- States need guidance from actuaries
- NAIC can support
- COIL a key once basic state goals set
- Start with a few enthusiastic states
- Make sure statistical agency used
- Brush up on predictive modeling