Council for Affordable Health Coverage: Solutions for Stabilization

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eHealth®

Intro & Bio

John Desser, Senior Vice President of Government Affairs and Public Policy at eHealth.

- Manages day-to-day operations of eHealth's health policy and government relations
- Former Deputy Assistant Secretary for Health Policy at the U.S. Department of Health and Human Services (HHS)
- Health policy advisor and aide for former U.S. Representative Jon Kyl (R-AZ) and Senator John McCain (R-AZ).

eHealth, Inc.

Founded in 1997

Responsible for the first-ever online sale of a health insurance policy in 1998

Licensed in 50 states plus DC, representing 180+ insurers

Insured more than 5 million Americans

Offering individual & family, Medicare, small business, and supplemental products

2018 Enrollment Overview

Enrollment:

- Healthcare.gov had fairly steady enrollment season (8.8M) but it focuses on subsidy-eligibles
- Cost-sensitivity more visible at private exchanges like eHealth (submitted apps down 23% in Q4 2017)

Costs:

- Subsidy-eligibles shielded from cost increases - average individual subsidy value is $371 (KFF) & effective premium is <$100/month
- Unsubsidized individuals pay $440/month on average, 16% increase since last year
- Unsubsidized families pay $1,168/month on average, 17% increase

Plan Availability:

- 700 issuers in the market today, down from 2,400 (CMS)
- 1,500 counties had just one insurer during 2018 OEP (CMS)

Behind the numbers

- ACA brought:
  - Valuable reforms that helped millions who might have gone uninsured gain coverage
  - Structural flaws to the market with unintended consequences that are unfairly burdening many consumers
- ACA has created two classes of health insurance consumers today: Obamacare winners and Obamacare losers
- People who live next door to each other and appear demographically very similar to one another can have radically different experiences of the market Obamacare has created

Obamacare: Whom Did It Help?

- ACA provided subsidies to help qualifying people afford coverage, mostly lower income individuals and families
  - 138%-400% of the federal poverty level (2017 figures):
    - $16,640 - $48,240 for individuals
    - $28,180 - $81,680 for families of three
  - Coverage among poor and near-poor adults under age 65 and minorities dropped substantially between 2013 and 2016

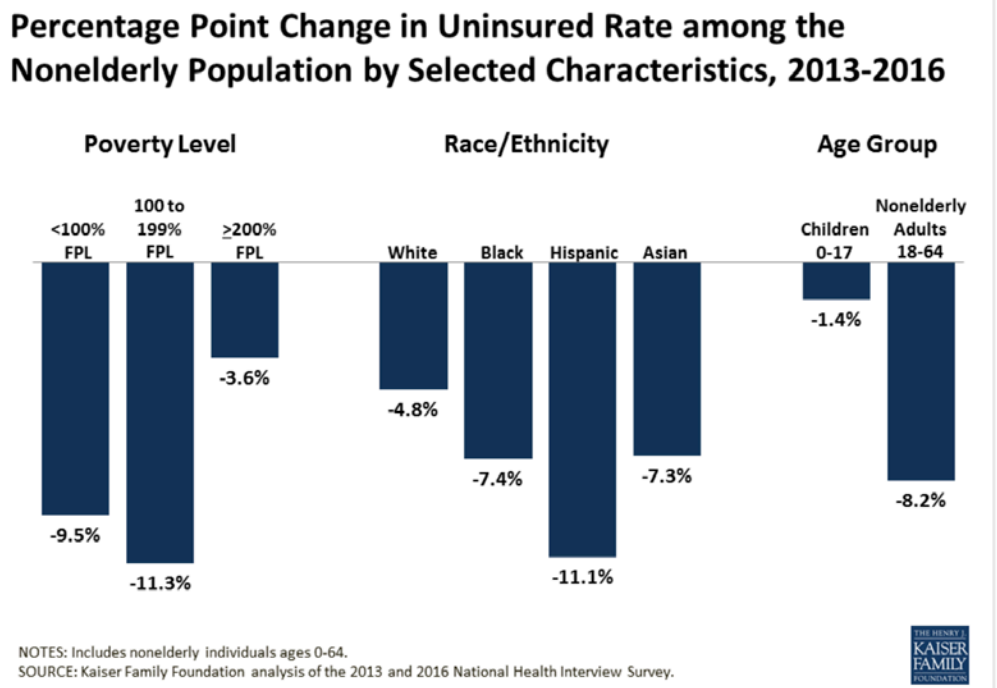


Figure 2: Percentage Point Change in Uninsured Rate among the Nonelderly Population by Selected Characteristics, 2013-2016

Obamacare: The Good News

Access to rich health insurance plans unattainable before ACA was available

Guaranteed coverage for pre-existing medical conditions -- people no longer denied based on the fact that they needed medical care

The mandate (requirement) to have coverage may have brought more people into the market, though it's debatable for how many this played a big factor

Obamacare: The Bad News

Many middle-income earning individuals and families don't qualify for subsidies

- Coverage among people earning more than 400% of the federal poverty level remained relatively flat

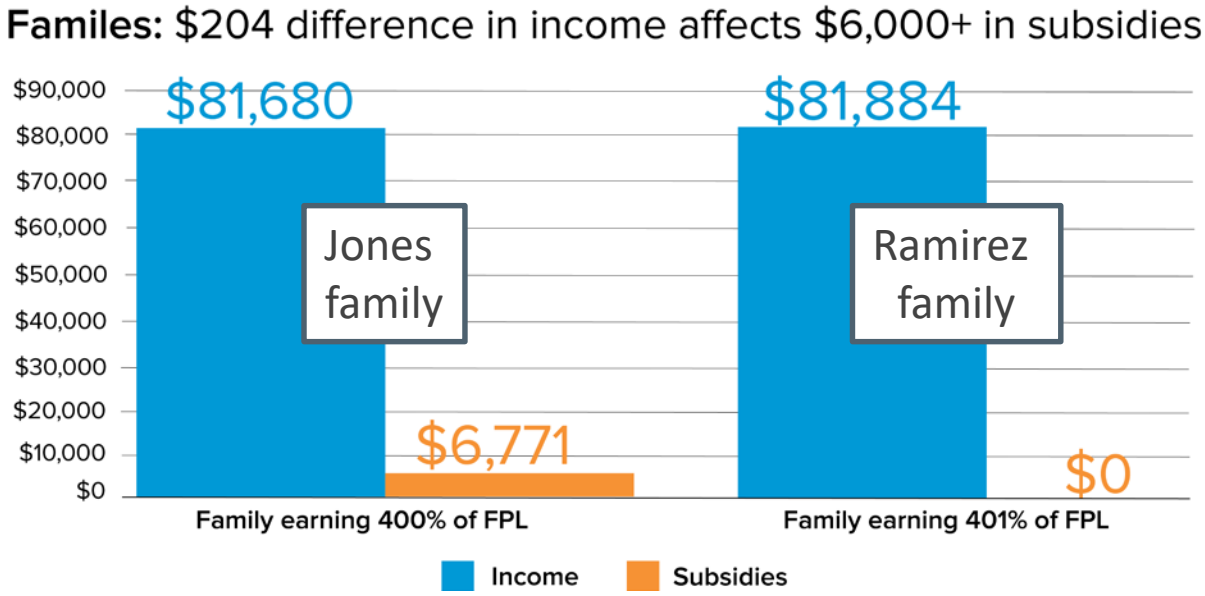
The cost of coverage went up dramatically

- Between 2013 and the 2018 OEP, the average monthly premium increased from $197 to $440 – a 123% increase
- Average family premium between 2013 and 2018 went from $426 per month to $1,168 per month – a 174% increase
- Subsidy recipients were shielded from these cost increases, since the dollar value of subsidies increases with the cost of coverage – but unsubsidized middle-class folks have borne the burden of these costs themselves

On top of this, Obamacare enrollment did not achieve its goals

- The CBO predicted 21 million enrollees by 2016 but that year came in at only about half that
- Young, healthy people didn't enroll at the rate anticipated either, which contributed to higher costs

Winners and Losers Living Next Door



- The Jones family has an annual income of $81,680: they qualify for subsidies when purchasing a 2018 health insurance plan
- According to eHealth's calculations, they would receive an annual subsidy amount of $6,771, making their coverage much more affordable
- However, the Ramirez family next door don't qualify for subsidies at all, even though they only earn just $204 more per year ($81,884) Here's where the inequity in the system really hurts: The Ramirez family is getting the same coverage and earning about the same amount of money per year, but they're paying $6,771 more over the year for their coverage.
- The current system is failing people like the Ramirez family and as more and more families like them decide they just can't afford to pay for Obamacare compliant health insurance anymore, the system will destabilize even more and begin to fail everyone.
- We need to help people like the Ramirezes – middle-income Americans who don't qualify for government subsidies

Solutions

- Adjust subsidies in some way to fix the cliff
  - Expand the income range for subsidy eligibility
  - Flat credit partly based on age
  - New tax deductibility for people paying for premiums on their own in the individual market
- A greater role for private exchanges – more tools and choices for consumers, less reliant on the government's e-commerce capabilities. Healthcare.gov as a fallback -- allow states to opt to rely on private exchanges.
- Putting the consumer back in the central position of marketplace:
  - Give states authority to regulate health insurance or increase flexibility of regulatory structure occurring at the federal level
  - Tight regulation is increasing premiums - plan design, actuarial value and rating restrictions
  - Need some relief in those three categories for some rate reduction
- The Ramirez family may be willing to go with less comprehensive coverage than their neighbors
- Additional financial help (new deductions, more subsidies of some sort) and flexibility to buy a copper plan may bring them into the market
- Federal funding for reinsurance (Nelson-Collins)
  - Find a way to subsidize the most catastrophic, high-cost cases


Questions?
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