American Bridge

Trump Policy Brief: The Affordable Care Act Is Not "Exploding"

3.27.17

TRUMP'S FALSE CLAIM THAT THE AFFORDABLE CARE ACT IS "EXPLODING"

After Republican leaders were forced to abandon their bill to repeal and replace the Affordable Care Act, President Trump downplayed the defeat by insisting the ACA was "exploding" on its own. Trump Tweeted that the ACA would "explode," called reporters at the Washington Post and New York Times to say it would "explode," and held a press conference shortly after the bill was pulled during which he repeatedly claimed the ACA was "exploding."

The problem with Trump's claim is that it is not true. The ACA is not "exploding."

- ✓ Nearly 8 in 10 consumers in the ACA marketplace could pay less than $100 per month for health insurance.
- ✓ While premiums may fluctuate from year to year, ACA subsidies are capped at a percentage of income for people earning less than 400 percent of the federal poverty line – meaning many consumers will not pay more for their health insurance than they did last year, and GOP claims of a "death spiral" in which higher premiums are driving healthy people out of the market are unfounded.
- ✓ Enrollment in the ACA marketplaces is down 4% this year, but that could be due to the Trump administration's own decision to pause ACA advertisements during the final week of open enrollment. Last year, over 8 percent of new enrollees enrolled during the final two weeks.
- ✓ In 2015, the CBO found that the ACA would save the federal budget deficit $137 billion between 2016 and 2025.
- ✓ The CBO predicted that the individual market would remain stable under the ACA, and the Department of Health and Human Services reported that premiums in some states are showing signs of reaching stable price points.

Trump is actively trying to undermine American healthcare

Although not "exploding" on its own, actions by the Trump administration could severely undermine the American healthcare system.

- ✓ Trump recently signed an executive order allowing federal agencies to disregard enforcement of the ACA's individual mandate. Without the individual mandate, insurance markets could collapse and premiums could become unaffordable.

The Trump administration also proposed a rule that would lower the percentage of healthcare costs covered by insurance plans in the individual market and result in reduced tax credits for individuals to buy coverage.

- ✓ Under the ACA, silver plans are required to cover 70 percent of costs, with a 2 percentage point buffer – so silver plans could cover as little as 68 percent and as much as 72 percent of costs. Trump's rule would widen the buffer to 4 percentage points. This would lower premiums, but also lower tax credits paid out to individuals, as tax credits are tied to the second-cheapest silver plan in a consumer's local marketplace.

Reeling From The GOP's Failure To Repeal And Replace The ACA, Trump Repeatedly Insisted The ACA Would "Explode" On Its Own

TRUMP TWEETED, CALLED REPORTERS, AND GAVE REMARKS ABOUT HOW THE ACA WOULD INEVITABLY "EXPLODE"

In His Remarks Following The Decision Not To Hold A Vote On The GOP Bill To Repeal And Replace The Affordable Care Act, Trump Repeatedly Claimed The ACA Was "Exploding." According to the White House Office of the Press Secretary, "I've been saying for the last year and a half that the best thing we can do politically speaking is let Obamacare explode. It is exploding right now. […] So Obamacare is exploding. […] But we're very, very close. And again, I think what will happen is Obamacare, unfortunately, will explode. It's going to have a very bad year. […] So what would be really good, with no Democrat support, is if the Democrats, when it explodes -- which it will soon -- if they got together with us and got a real healthcare bill. […] And this is not a Republican healthcare, this is not anything but a Democrat healthcare. And they have Obamacare for a little while longer, until it ceases to exist, which it will at some point in the near future. […] I worked as a team player and would have loved to have seen it passed. But again, I think you know I was very clear, I think there wasn't a speech I made, or very few where I didn't mention that perhaps the best thing that can happen is exactly what happened today, because we'll end up with a truly great healthcare bill in the future, after this mess known as Obamacare explodes. […] It's imploding, and soon will explode, and it's not going to be pretty." [White House Office of the Press Secretary, "Remarks by President Trump on the Health Care Bill," 3/24/17]

Trump Tweet: "ObamaCare Will Explode And We Will All Get Together And Piece Together A Great Healthcare Plan For THE PEOPLE. Do Not Worry!" Donald J. Trump Tweeted: "ObamaCare will explode and we will all get together and piece together a great healthcare plan for THE PEOPLE. Do not worry!" [Twitter, @realDonaldTrump, 3/25/17]

Trump Called Washington Post Reporter Robert Costa To Say The Affordable Care Act Would "Explode" On Its Own, At Which Point A Deal With Democrats Could Be Reached. According to Robert Costa in The Washington Post, "President Trump called me on my cellphone Friday afternoon at 3:31 p.m. At first I thought it was a reader with a complaint since it was a blocked number. Instead, it was the president calling from the Oval Office. His voice was even, his tone muted. He did not bury the lead. 'Hello, Bob,' Trump began. 'So, we just pulled it.' Trump was speaking, of course, of the Republican plan to overhaul the Affordable Care Act, a plan that had been languishing for days amid unrest throughout the party as the president and his allies courted members and pushed for a vote. […] 'As you know, I've been saying for years that the best thing is to let Obamacare explode and then go make a deal with the Democrats and have one unified deal. And they will come to us; we won't have to come to them,' he said. 'After Obamacare explodes.' 'The beauty,' Trump continued, 'is that they own Obamacare. So when it explodes, they come to us, and we make one beautiful deal for the people.'" [Robert Costa – Washington Post, 3/24/17]

Trump Called The New York Times To Say The Affordable Care Act Would "Explode" On Its Own, And Allowing That To Happen Would Be "The Best Thing." According to The New York Times, "Just moments after the Republican plan to repeal and replace the Affordable Care Act was declared dead, President Trump sought to paint the defeat of his first legislative effort as an early-term blip. The House speaker, Paul D. Ryan, was preparing to tell the public that the health care bill was being withdrawn — a byproduct, Mr. Trump said, of Democratic partisanship. The president predicted that Democrats would return to him to make a deal in roughly a year. 'Look, we got no Democratic votes. We got none, zero,' Mr. Trump said in a telephone interview he initiated with The New York Times. 'The good news is they now own health care. They now own Obamacare.' Mr. Trump insisted that the Affordable Care Act would collapse in the next year, which would then force Democrats to come to the bargaining table for a new bill. 'The best thing that can happen is that we let the Democrats, that we let Obamacare continue, they'll have increases from 50 to 100 percent,' he said. 'And when it explodes, they'll come to me to make a deal. And I'm open to that.'" [New York Times, 3/24/17]

The Affordable Care Act Is Not "Exploding"

NEARLY 8 IN 10 CONSUMERS IN THE ACA MARKETPLACE COULD PAY LESS THAN $100 PER MONTH FOR HEALTH INSURANCE

Nearly 8 In 10 ACA Marketplace Customers Could Pay Less Than $100 Per Month For Their Health Insurance Plans. According to the Department of Health and Human Services, "Marketplace consumers will have affordable options. More than 7 in 10 (72 percent) current Marketplace enrollees can find a plan for $75 or less in premiums per month, after applicable tax credits in 2017. Nearly 8 in 10 (77 percent) current Marketplace enrollees can find a plan for $100 or less in premiums per month, after applicable tax credits in 2017." [Department of Health and Human Services, "Health Plan Choice and Premiums in the 2017 Health Insurance Marketplace, 10/24/16]

TABLE 1. Percent of Current Marketplace Enrollees Who Could Obtain Coverage for $100 or Less after Applicable Advance Premium Tax Credits in 2017, Regardless of Metal Level Chosen, in HealthCare.gov States

Monthly Premium After Advance Premium Tax Credits	Any Plan Types	Bronze	Silver	Gold	Platinum
$100 or less	77%	76%	63%	13%	0%
$75 or Less	72%	71%	55%	5%	0%
$50 or Less	65%	64%	44%	1%	0%

Source: Plan information is from the plan landscape files and active plan selections in the CMS Multidimensional Insurance Data Analytics System (MIDAS) for 38 states using the HealthCare.gov platform in 2016 and 2017. Kentucky is new to the HealthCare.gov platform in 2017 and is not included in this analysis.

[Department of Health and Human Services, "Health Plan Choice and Premiums in the 2017 Health Insurance Marketplace, 10/24/16]

INCOME-BASED SUBSIDIES HAVE KEPT PREMIUMS STEADY FOR CONSUMERS – AND INVALIDATED GOP CLAIMS OF A "DEATH SPIRAL"

A "Death Spiral" Occurs When Healthy People Leave The Insurance Market, Causing Prices To Go Up For The Sick Left Behind, Causing Even More Healthy People To Leave

A "Death Spiral" Is Categorized By Healthy People Leaving The Insurance Market, Causing Premiums To Go Up For The Sick Left Behind, Causing Even More Health People To Leave And Prices To Go Up Even Further. According to Politifact, "'Death spiral' is a health industry term built around three components: Shrinking enrollment; Healthy people leaving the system; Rising premiums. Specifically, a death spiral occurs when shrinking enrollment leads to a deteriorating risk pool (or when healthy people leave the plan due to the cost). That leads to higher premiums for the people remaining in the insurance pools, which causes enrollment to shrink even further, continuing the cycle until the entire system fails." [Politifact, 3/26/17]

Although Premiums Have Increased This Year, Subsidies Have Kept Most Consumers From Paying More For Their Coverage And Leaving The Marketplace

CBO: Most Marketplace Customers Receiving Subsidies Are "Largely Insulated From Increases In Premiums." According to the Congressional Budget Office, "Under current law, most subsidized enrollees purchasing health insurance coverage in the nongroup market are largely insulated from increases in premiums because their out-of-pocket payments for premiums are based on a percentage of their income; the government pays the difference. The subsidies to purchase coverage combined with the penalties paid by uninsured people stemming from the individual mandate are anticipated to cause sufficient demand for insurance by people with low health care expenditures for the market to be stable." [Congressional Budget Office, American Health Care Act Cost Estimate, 3/13/17]

- **ACA Subsidies Cap Premiums At A Certain Percentage Of Income For Customers Below 400 Percent Of The Federal Poverty Level.** According to Politifact, "As we have reported, premiums are increasing. But that isn't affecting the cost for most consumers, due to built-in subsidies under the Affordable Care Act. The subsidies cap premium prices at a certain percentage of income for anyone below 400 percent of the federal poverty level (in 2016 that would be $47,520 for a single person)." [Politifact, 3/26/17]

- **84 Percent Of Marketplace Customers Receive Tax Credits To Help Pay For Coverage.** According to the Department of Health and Human Services, "Most Marketplace enrollees will receive financial assistance to help with the cost of their monthly premiums. Not only do 84 percent of Marketplace enrollees who selected a plan during the third Open Enrollment period receive tax credits to help pay for coverage12, but we also estimate that 84 percent of the uninsured who are eligible for coverage through the Marketplaces have incomes between 100 percent and 400 percent of the Federal Poverty Level (FPL) and may be eligible to receive tax credits for plan year 2017." [Department of Health and Human Services, "Health Plan Choice and Premiums in the 2017 Health Insurance Marketplace, 10/24/16]

Vox: "The Subsidies Offered To Lower-Income People Under The ACA Are Scaled Both To Income And To The Local Price Of Insurance," So "For Heavily Subsidized Customers, The Higher Premiums Don't Drive People Out Of The Marketplace." According to Matthew Yglesias in Vox, "Translating from wonk-ese, the subsidies offered to lower-income people under ACA are scaled both to income and to the local price of health insurance. Which means that for heavily subsidized customers, the higher premiums *don't* drive people out of the marketplace. And there are enough young and healthy people who qualify for generous subsidies to ensure a stable long-term risk pool." [Matthew Yglesias – Vox, 3/14/17]

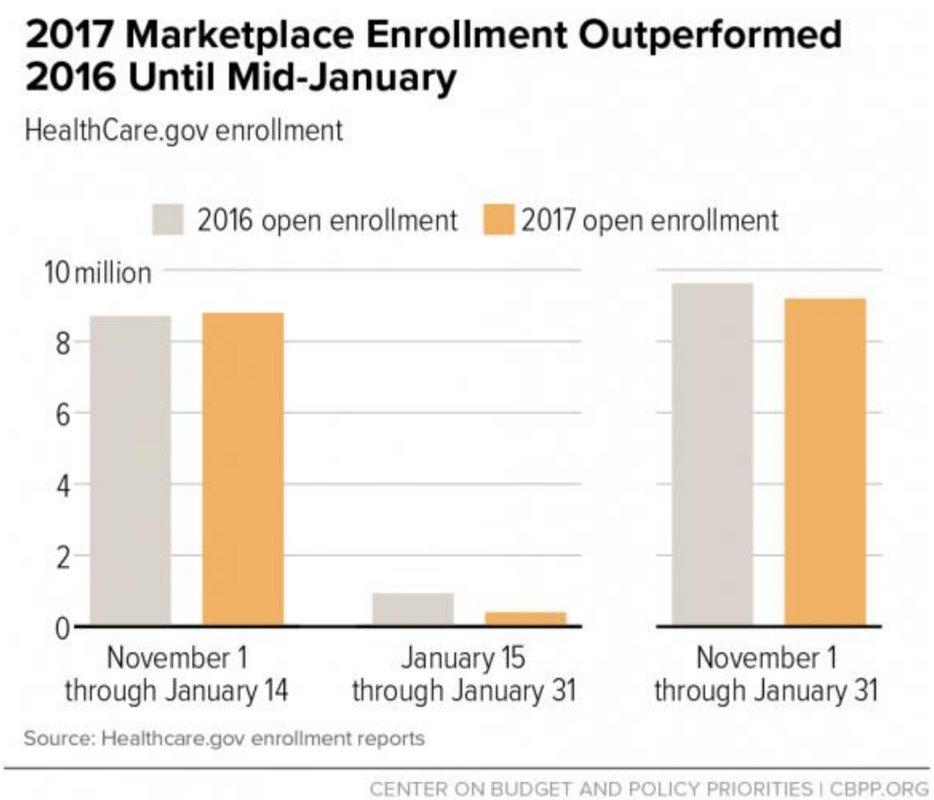
New York Times: Premiums Went Up 22 Percent In 2016, But "Because Of How Subsidies Work, People Were Generally Shielded From This Year's Higher Prices, And Enrollment Is Steady." According to The New York Times, "Mr. Ryan is right that the Obamacare market has endured hardships. It isn't as competitive as many of its advocates had hoped, and shoppers in many parts of the country have only one insurer to choose from. Prices, which were lower than expected in the first few years of the program, spiked this year by an average of 22 percent across the country. There have also been some high-profile exits from insurers like Aetna, UnitedHealth Group and most recently Humana. Rural counties have been particularly hard hit. But those recent woes are not the same as a death spiral, a term used to describe a complete market failure in which premiums spiral upward so only the sickest customers buy coverage. Growing evidence suggests that the markets are far from collapse. Because of how the subsidies work, people were generally shielded from this year's higher prices, and enrollment is steady. Several recent analyses argue that this year's increase was a market correction, and that a smoother market would follow in the years ahead." [New York Times, 3/15/17]

ACA Enrollment Is Down 4% From Last Year… But That's Not A Death Spiral, And Could Be Due To The Trump Administration's Own Decision To Pause ACA Advertisements

Politifact: ACA Enrollment Is Down 4% This Year, But This Is Not The Same As A "Death Spiral" And Could Be A Result Of The Trump Administration's Decision To Pause ACA Advertisements. According to Politifact, "The latest government figures show enrollment in the Affordable Care Act is slightly down from last year. Through Jan. 31, 2017, some 12.2 million people were signed up for coverage through a federal or state marketplace, which is a decrease of 500,000, or 4 percent, from the same point last year. Experts noted that marketplace sign-ups were running in line with their 2016 pace as of the middle of January, which experts said might suggest the decline in sign-ups was somehow related to the Trump administration, not an impending death spiral. For example, the Trump administration decided to at least partially halt marketing and outreach encouraging people to sign up for health coverage. But experts say the enrollment decline isn't an indication the health care law is in a death spiral. There is no direct connection, they said, showing that the declining enrollment is causing premiums to increase." [Politifact, 3/26/17]

- **CBPP: The Trump Administration Ended ACA Advertisements For The Final Week Of Open Marketplace Enrollment.** According to Shelby Gonzales, Senior Policy Analyst at the Center on Budget and Policy Priorities, "The Administration announced last week that it would stop planned ads for the final week of open enrollment for marketplace health coverage, which ends today. And it had planned also to stop sending reminder emails to consumers, retreating from that plan only after an outcry from health experts, advocates, and insurers. Successful outreach, particularly in the final days of open enrollment, is key to maintaining a stable marketplace. Experience from the first three open enrollment periods shows that many consumers wait until the last minute to enroll and respond well to last-minute reminders." [Shelby Gonzales – Center on Budget and Policy Priorities, 1/31/17]

- **CBPP: Over 8 Percent Of Enrollees Who Signed Up Last Year Did So In The Final Two Weeks Of Open Enrollment, Including Young People Who Are Critical To Maintaining Stable Markets.** According to Shelby Gonzales, Senior Policy Analyst at the Center on Budget and Policy Priorities, "Last year, 790,000 people, more than 8 percent of total signups, enrolled in coverage in the last two weeks of open enrollment— 687,000 of them in the last week. Young consumers are particularly responsive to deadline pressure, and young people are critical to the success of the marketplaces because they tend to be healthier and thus less costly to cover. Encouraging them to enroll doesn't simply ensure that more Americans have health coverage; it also contributes to the overall health and stability of health insurance markets and thereby reduces the likelihood of premium increases and insurer pullouts. Placing such efforts in jeopardy only weakens the marketplaces." [Shelby Gonzales – Center on Budget and Policy Priorities, 1/31/17]



[Center on Budget and Policy Priorities, 1/31/17]

The Trump Administration Proposed A Rule Shortening The ACA Open Enrollment Period From 90 Days To 45 Days

The Trump Administration Proposed A Rule Shortening The ACA Open Enrollment Period By 45 Days, A Change Avalere Health's Caroline Peterson Speculated Could Make The Market Smaller And Less Healthy. According to Sarah Kliff in Vox, "The Obama administration has historically run open enrollment from November 1 through January 31. The Trump administration will shorten that to November 1 through December 15. How this will change Obamacare is, at this point, really unpredictable. One of the things we've seen, historically, is that younger and healthier people tend to wait until the end of open enrollment to buy coverage. […] Tightening up special enrollment periods seems like it really could make the risk pool healthier. But shortening the open enrollment period seems like it could have the opposite effect: It might only give the people who know they really need coverage enough time to sign up. So which way should we expect it to go? To better understand how this would go, I asked Caroline Pearson at Avalere Health — she is one of the smartest observers of the ACA marketplaces out there. She thinks this change will likely reduce the number of people in the marketplaces. 'Shortening the open enrollment period could dramatically shrink the market,' she says. It might make the market less healthy, too. But she thinks insurers are okay with that — and enthusiastic about this regulation — because, coupled with the tighter special enrollment periods, insurers feel like they'll have a better grasp on who is signing up." [Sarah Kliff – Vox, 2/15/17]

Young People Have Not Been Leaving The ACA Marketplace

Enrollment Among People Ages 18-34 Has Not Significantly Changed Since Last Year. According to Politifact, "Data also shows no uptick in healthy people leaving the health insurance market. The U.S. Centers for Medicare and Medicaid Services reports the share of people signing up for health care in the low-risk demographic — ages 18-34 — remains about the same in 2017 as it was in 2016, at 26 percent of enrollees. 'There is no data to indicate a drop in the number of younger enrolled, although the announced policy not to enforce the IRS penalty, if not reversed, could result in a decline over time,' said John Rother, president and CEO of the National Coalition on Health Care." [Politifact, 3/26/17]

The White House Council Of Economic Advisers Found No Evidence That Premium Increases Were Resulting In Healthy People Leaving The Market. According to the Center on Budget and Policy Priorities, "Dramatic premium increases could also signal a death spiral, but only if they cause people — specifically, healthier people — not to enroll. That doesn't appear to be happening in the marketplaces. States with larger premium increases in 2015 had similar enrollment growth as states with smaller increases, a new report by the White House Council of Economic Advisers (CEA) finds.[3] Nor is there evidence that premium increases caused healthier people to leave the individual market during this period. The report found that states with larger premium increases had slower growth in the insurer-reported costs of covering ACA plan enrollees, which suggests that the pool of people with coverage in these states is getting healthier, not sicker." [Center on Budget and Policy Priorities, 1/17/17]

IN 2015, THE CBO FOUND THAT THE ACA WOULD SAVE THE FEDERAL BUDGET DEFICIT $137 BILLION OVER TEN YEARS

CBO: Repealing The ACA Would Result In An Increase Of $137 In The Federal Budget Deficit Between 2016 And 2025. According to the Congressional Budget Office, "CBO and JCT estimate that repealing the ACA would have several major effects, relative to the projections under current law: ν Including the budgetary effects of macroeconomic feedback, repealing the ACA would increase federal budget deficits by $137 billion over the 2016–2025 period (see Table 1). That estimate takes into account the proposal's impact on federal revenues and direct (or mandatory) spending, incorporating the net effects of two components: • Excluding the effects of macroeconomic feedback—as has been done for previous estimates related to the ACA (and most other CBO cost estimates)—CBO and JCT estimate that federal deficits would increase by $353 billion over the 2016–2025 period if the ACA was repealed. • Repeal of the ACA would raise economic output, mainly by boosting the supply of labor; the resulting increase in GDP is projected to average about 0.7 percent over the 2021–2025 period. Alone, those effects would reduce federal deficits by $216 billion over the 2016–2025 period, CBO and JCT estimate, mostly because of increased federal revenues." [Congressional Budget Office, "Budgetary and Economic Effects of Repealing the Affordable Care Act," 6/2015]

PREMIUM PRICES ARE EXPECTED TO STABILIZE AFTER 2017

Standard & Poor's Believed The 2017 Premium Hike Was A "One-Time Pricing Correction" To Make Up For Insurers Pricing Their Products Too Low – Some Intentionally, Some Unintentionally – In The First Few Years Of The ACA. According to the Center on Budget and Policy Priorities, "Premium increases are concerning, particularly because they make coverage less affordable for people who don't get subsidies, which can affect the risk pool over time. But there's growing evidence that premium increases in 2017 were a 'one-time pricing correction,' as a report from Standard & Poor's Global Ratings recently put it[4] — not the sign of a doomed market. Many insurers in the individual market simply priced too low in the initial years after the ACA took effect. Some did so inadvertently, because they couldn't be sure who would sign up for their plans and how much they would cost to cover. Other insurers set prices low deliberately, to attract new customers. Since then, many insurers have needed to raise premiums significantly to cover their costs and also to address the phase-out of the ACA's temporary reinsurance program.[5] Standard & Poor's predicts the individual insurance market will be closer to break-even results overall this year, with more insurers making a profit." [Center on Budget and Policy Priorities, 1/17/17]

HHS: "Moderate Rate Increases Or Rate Decreases" In Some States "Suggest That Marketplaces In States Around The Country Are Maturing And Approaching Stable Price Points." According to the Department of Health and Human Services, "Across states using the HealthCare.gov platform, the median increase in the second-lowest cost silver plan premium is 16 percent, while the average increase is 25 percent. See Table 2 (See Table 13 in Appendix A for information by select cities and counties). The gap between the average and the median rate increase in HealthCare.gov states reflects that most consumers are experiencing below average increases. Moderate rate increases or rate decreases in states like Arkansas, Indiana, Nevada, New Hampshire, New Jersey, North Dakota, Michigan, and Ohio suggest that Marketplaces in states around the country are maturing and approaching stable price points. Meanwhile, several of the states experiencing larger increases had 2016 premiums that were well below the national average and especially far below the cost of comparable employer plans in that state (for example, Arizona, Hawaii, Illinois, Kansas, and Pennsylvania)." [Department of Health and Human Services, "Health Plan Choice and Premiums in the 2017 Health Insurance Marketplace, 10/24/16]

THE CBO PREDICTED THE INDIVIDUAL MARKET WOULD REMAIN STABLE IF THE ACA WERE LEFT IN PLACE

CBO: "The Nongroup Market Would Probably Be Stable In Most Areas Under Either Current Law Or The Legislation." According to the Congressional Budget Office, "Decisions about offering and purchasing health insurance depend on the stability of the health insurance market—that is, on having insurers participating in most areas of the country and on the likelihood of premiums' not rising in an unsustainable spiral. The market for insurance purchased individually (that is, nongroup coverage) would be unstable, for example, if the people who wanted to buy coverage at any offered price would have average health care expenditures so high that offering the insurance would be unprofitable. In CBO and JCT's assessment, however, the nongroup market would probably be stable in most areas under either current law or the legislation." [Congressional Budget Office, American Health Care Act Cost Estimate, 3/13/17]

Although Not "Exploding" On Its Own, Actions By The Trump Administration To Weaken The ACA Could Prove Disastrous

TRUMP ISSUED AN EXECUTIVE ORDER ALLOWING FEDERAL AGENCIES TO DISREGARD ENFORCEMENT OF THE ACA'S INDIVIDUAL MANDATE

PBS: Donald Trump Signed An Executive Order Stating That "Federal Agencies Can Grant Waivers, Exemptions And Delays Of Obamacare Provisions That Would Impose Costs On States Or Individuals." According to PBS, "Trump's order states that federal agencies can grant waivers, exemptions and delays of 'Obamacare' provisions that would impose costs on states or individuals. That language appears to be aimed squarely at undoing the law's unpopular requirement that individuals carry health insurance or face fines — a key provision of the measure former President Barack Obama signed in 2010." [PBS, 1/21/17]

- **PBS: Trump's Executive Order Appears To Undo The Individual Mandate.** According to PBS, "Trump's order states that federal agencies can grant waivers, exemptions and delays of 'Obamacare' provisions that would impose costs on states or individuals. That language appears to be aimed squarely at undoing the law's unpopular requirement that individuals carry health insurance or face fines — a key provision of the measure former President Barack Obama signed in 2010." [PBS, 1/21/17]

- **Los Angeles Times: Trump's Order "Suggested His Administration Wouldn't Implement Rules Crucial To Sustaining Viable Markets."** According to the Los Angeles Times, "The move, which comes just days ahead of a critical enrollment deadline for Obamacare health plans, follows Trump's executive order last weekend in which he suggested his administration wouldn't implement rules crucial to sustaining viable markets." [Los Angeles Times, 1/27/17]

The IRS Announced It Was Loosening The ACA Insurance Mandate Directives By Accepting Tax Returns Without Proof Of Insurance, Making Enforcement Difficult. According to the Huffington Post, "On Jan. 20, hours after taking the oath of office, he signed an executive order instructing federal agencies to interpret the health care law's regulations in a way that would 'minimize the economic burdens' on individuals and businesses. The Internal Revenue Service has taken that advice to heart. Taxpayers indicate on their returns whether they have qualifying insurance, and those who say they don't must calculate how much penalty they owe or apply for an exemption. In the past, the IRS would accept 'silent' returns in which filers left the insurance information blank. The IRS had planned to end that practice in 2017 and start rejecting outright returns that don't indicate the filer's insurance status. On Feb. 3, the agency informed tax-preparation software companies that it was canceling that plan. In other words, the IRS will continue to accept silent returns." [Huffington Post, 2/15/17]

Trump's Executive Order Could Collapse Insurance Markets And Deprive Consumers Of Affordable Coverage

Loosening The Individual Insurance Mandate Would Raise Premiums And Cause The Health Insurance System To Collapse. According to the Los Angeles Times, "And that, in turn, keeps premiums in check. If the requirement is loosened, as the Trump administration appears to be contemplating, that system could begin to collapse. That would send premiums skyrocketing even more than they did last year for some people who bought insurance on Obamacare marketplaces. The enrollment period for 2017 coverage is almost over, so that may not happen right away." [Los Angeles Times, 1/21/17]

The Insurance Mandate Is "Critical To Maintaining Health Insurance Markets" Because Requiring Both The Healthy And Sick To Have Coverage Offsets The Cost Of The Sick. According to the Los Angeles Times, "The insurance requirement is considered critical to maintaining health insurance markets because it encourages healthier people to sign up for coverage. And healthier people offset the cost of sicker people." [Los Angeles Times, 1/21/17]

CBO: Ending The Insurance Mandate Would Cause Premiums To Initially Increase By 20 To 25 Percent And Double By 2026. According to NBC, "The CBO report predicts that ending the mandate penalty alone will cause the cost of insurance to skyrocket, as younger and healthier people opt out of insurance, and the composition and health status of the insured shifts. Premiums could initially increase by 20 to 25 percent and double by 2026, according to the findings." [NBC, 1/21/17]

CBO: Repealing The Individual Mandate Would Leave Just 2 Million People In The Individual Market By 2026, And 75% Of The Country Living In Areas With No Individual Market Insurers. According to the Center on Budget and Policy Priorities, "As the Urban Institute noted, repeal would begin to immediately unravel the individual market.[6] Eliminating the individual mandate would cause 4.3 million people to drop their coverage in 2017, and many of them would be healthier. That would cause significant financial losses for insurers which would lead them to either pull out of the market for the following year or raise premiums significantly. By 2019, when the subsidies would disappear under the two-year delay the analysis assumed, Urban projects the market would virtually collapse, with enrollment falling to a mere 1.6 million enrollees, a reduction of 92 percent. A new report from the Congressional Budget Office (CBO) paints a similarly dire picture, estimating that in the first full year after repeal's enactment, enrollment in the individual market would drop by 10 million people, premiums would jump 20 to 25 percent, and roughly 10 percent of the population would live in an area with *no* individual-market insurers. The situation would worsen over time, CBO estimates, with enrollment falling and premiums climbing. By 2026, premiums would double, 75 percent of the population would live in an area with no individual-market insurers, and fewer than 2 million enrollees would be left in the individual market." [Center on Budget and Policy Priorities, 1/17/17]

Due To The Growing Uncertainty On Health Care Policy, Insurers Have Begun To Withdraw From Exchanges

Several Insurers Announced That They Were Scaling Back Or Withdrawing Their Plans For 2018 Amid Growing Uncertainty. According to the Huffington Post, "Several insurers that lost money in past years have already said that, amid the growing uncertainty, they may scale back or withdraw their plans for 2018. On Tuesday, Humana announced it was doing just that, although its total enrollment for individual policies (sold both through ACA exchanges and to beneficiaries directly) had declined to about 200,000 people nationally as of this year's open enrollment." [Huffington Post, 2/15/17]

- **Confusion Over Republican Plans To Repeal The ACA Has "Roiled The Individual Insurance Marketplace" With Humana And Atena Leaving.** According to the Los Angeles Times, "Confusion over Republican plans for the repeal of the Affordable Care Act already has roiled the individual insurance marketplace. Humana, which covers 150,000 ACA customers in 11 states, announced Tuesday that it would pull out of that market entirely next year. Aetna, which already had reduced its individual customer base to about 240,000 this year from 965,000 at the end of 2016, also has signaled that it may be entirely out of the market starting in 2018. Aetna cited the uncertainty about the market's future coming from the Trump White House and the GOP-controlled Congress. Aetna and Humana had been planning to merge, but their deal was blocked by a federal judge in January." [Los Angeles Times, 2/15/17]

- **Los Angeles Times: "Atena Cited The Uncertainty About The Market's Future Coming From The Trump White House And The GOP-Controlled Congress" In Their Decision To Leave The Individual Marketplace.** According to the Los Angeles Times, "Aetna, which already had reduced its individual customer base to about 240,000 this year from 965,000 at the end of 2016, also has signaled that it may be entirely out of the market starting in 2018. Aetna cited the uncertainty about the market's future coming from the Trump White House and the GOP-controlled Congress. Aetna and Humana had been planning to merge, but their deal was blocked by a federal judge in January." [Los Angeles Times, 2/15/17]

THE TRUMP ADMINISTRATION PROPOSED A RULE THAT WOULD LOWER THE PERCENTAGE OF COSTS COVERED BY PLANS IN THE ACA MARKETPLACE

The Trump Administration Proposed A Rule Lowering The Required Actuarial Value – Or Percentage Of Healthcare Costs Covered By A Particular Insurance Plan – Of ACA Marketplace Plans, Including The Benchmark Silver Plan. According to the Center on Budget and Policy Priorities, "The Trump Administration's new proposed rule on health care would raise premiums, out-of-pocket costs, or both for millions of moderate-income families. […] That's because it allows plans with lower 'actuarial value.' Actuarial value is the share of a typical consumer's medical costs that the plan covers, as opposed to what the consumer pays directly through deductibles, copays, and coinsurance. For example, in a silver plan with an actuarial value of 70 percent, the plan picks up 70 percent of a typical consumer's costs for covered benefits, while the consumer would expect to pay 30 percent of costs out of pocket. To help consumers understand and compare plans, marketplace health plans are tiered by actuarial value: 60 percent (bronze), 70 percent (silver), 80 percent (gold), and 90 percent (platinum).[3] Current rules allow insurers to still meet their actuarial value standards if they deviate by a 'de minimis' 2 percentage points from these standard values.[4]

The proposed rule would allow plans with actuarial values as much as 4 percentage points below the standard values. That would allow bronze plans with higher deductibles than any current marketplace plans.[5] It also would allow silver plans with actuarial values as low as 66 percent. By allowing for such silver plans, the rule would reduce the size of premium tax credits for millions of families, as explained in the next section." [Center on Budget and Policy Priorities, 2/15/17]

The ACA Allowed Plans To Have A 2 Percentage Point Actuarial Value Buffer – Meaning A Silver Plan Required To Have An Actuarial Value Of 70 Could Have One As Low As 68 And As High As 72 – But Trump's Rule Would Increase The Buffer To 4 Percentage Points. According to Sarah Kliff in Vox, "Obamacare is essentially organized around these AV levels. The 'bronze' plans on the marketplace have an AV of 60 percent, the silver plans have an AV of 70 percent, gold plans are at 80 percent, and platinum plans are at 90 percent. Still, it can be hard to build a health insurance plan that covers exactly 60 or 70 percent of the average enrollee's costs. So Obamacare gave insurers a bit of wiggle room and said insurers could have a 'de minimis' difference between the mandated and actual AV. The Obama administration interpreted 'de minimis' to be 2 percentage points. In other words, your insurance plan counted as silver if had an actuarial value between 68 and 72 percent. What the Trump administration does in this regulation is redefine 'de minimis.' It says insurers can have a 4 percentage point difference from the AV standard. So now a silver plan can have an actuarial value as low as 66 percent and still be counted. A plan with a 66 percent actuarial value, all other things held equal, would usually have a lower premium than a 68 percent actuarial value plan. It's a plan that is shifting 2 percent more of the costs onto the enrollees, likely through higher deductibles and copayments." [Sarah Kliff – Vox, 2/15/17]

The Rule Would Result In Lower Tax Credits Paid To Consumers In The Individual Market

ACA Tax Credits Are Tied To The Local Price Of The Second-Cheapest Silver Plan, So Lowering The Actuarial Value Of Silver Plans Would Result In Lower Premiums And Therefore Lower Tax Credits Paid To Individuals. According to the Center on Budget and Policy Priorities, "Under the ACA, the premium tax credits that consumers receive to help pay for marketplace plans are calculated based on the local cost of a silver plan. By letting insurers offer less generous silver plans, the rule would reduce premium tax credits for many of the more than 9 million consumers who receive them — and that's true whether a consumer buys a silver plan or any other kind of plan. Specifically, premium tax credits adjust dollar-for-dollar based on the premium for the second-lowest-cost silver plan where a consumer lives, known as the 'benchmark' plan. All else being equal, a plan with a lower actuarial value will have lower premiums than one with a higher value. In particular, a plan that covers 66 percent of a typical consumer's medical costs will have a lower premium than an otherwise identical plan that covers 68 percent of costs. Allowing plans with lower actuarial values to qualify as silver plans can thus result in lower benchmark plan premiums and, in turn, lower premium tax credits. While low-income families would be largely protected by other provisions of the ACA, moderate-income families would be left with the choice of paying higher premiums or opting for worse coverage." [Center on Budget and Policy Priorities, 2/15/17]

The Rule Would Allow Plans With Higher Deductibles And Out-Of-Pocket Costs Than Currently Sold In The ACA Marketplace

CBPP: The Rule "Would Allow Individual-Market Insurers To Offer Plans With Higher Deductibles And Out-Of-Pocket Costs Than They Can Now Sell Through The Marketplaces." According to the Center on Budget and Policy Priorities, "The Trump Administration's new proposed rule on health care would raise premiums, out-of-pocket costs, or both for millions of moderate-income families. If finalized as proposed, the rule would reduce the amount of health care that marketplace plans have to cover. That would allow individual-market insurers to offer plans with higher deductibles and other out-of-pocket costs than they can now sell through the marketplaces.[1] It would also have the hidden impact of reducing the Affordable Care Act's (ACA) premium tax credits, which help moderate-income marketplace consumers afford health care. As a result, the rule would force millions of families to choose between higher premiums and worse coverage." [Center on Budget and Policy Priorities, 2/15/17]

The Rule Would Lead To Less Stability In The Individual Market

CBPP: Lower Premium Tax Credits, Combined With Other Provisions Within The Rule, "Will Almost Certainly Result In Lower Enrollment And A Weaker Risk Pool Which, In Turn, Will Weaken Market Stability." According to the Center on Budget and Policy Priorities, "The Administration argues that allowing less generous health plans, with higher deductibles and out-of-pocket costs but lower premiums, will give consumers more choices, draw more people into the marketplace, and, in this way, stabilize the market. But, in fact, this provision of the rule will do just the opposite. Due to the impact on premium tax credits, it will mainly serve to make marketplace coverage more expensive for marketplace consumers. Together with other provisions of the rule, that will almost certainly result in lower enrollment and a weaker risk pool which, in turn, will weaken market stability. Moreover, the rule does nothing to dispel the main source of uncertainty and instability currently affecting the marketplace: the looming threat that congressional Republicans will repeal the ACA, without enacting a comprehensive replacement." [Center on Budget and Policy Priorities, 2/15/17]