

THE CRUZ AMENDMENT: DEATH SPIRAL IN DISGUISE

Senator Cruz Suggested An Amendment To The BCRA That Would Send The Health Insurance Market Into A Death Spiral

CRUZ SUGGESTED ALLOWING INSURERS TO OFFER NON-ACA COMPLIANT PLANS AS LONG AS THEY ALSO OFFERED AT LEAST ONE ACA-COMPLIANT PLAN

Cruz Said He Would Consider Supporting A Health Care Bill That Included A So-Called “Consumer Freedom Option.” According to a Tweet by Lauren Fox, Senator Cruz handed out paper printouts of his “Path to ‘Yes’” on a health care bill. The first item read: “Consumer Freedom Option. Obamacare’s insurance mandates caused premiums to skyrocket. To fix that problem, the bill should add a provision that says that any insurance company that offers at least one plan that meets the mandates can also sell any other plans that consumers desire.” [Lauren Fox Twitter, [6/22/17](#)]

Cruz’s Plan: Allow Insurers To Offer Non-ACA Compliant Plans As Long As They Offer One ACA-Compliant Plan And Give Subsidies To ACA Marketplace Customers Earning Up To \$42,000 Per Year. According to Margot Sanger-Katz in The New York Times, “There is no public legislative language yet, but here’s how Mr. Cruz’s plan appears to work, based on his handout and statements: Any company that wanted to sell health insurance would be required to offer one plan that adhered to all the Obamacare rules, including its requirement that every customer be charged the same price. People would be eligible for government subsidies to help buy such plans, up to a certain level of income. But the companies would also be free to offer any other type of insurance they wanted, freed from Obamacare’s rules. People who bought the Obamacare-compliant plans would be eligible for subsidies that limit their cost, as long as their income was less than about \$42,000 per year for a single person. And those who earn more — or wish to buy skimpier, cheaper plans without all the rules — may also get a discount on those premiums, in the form of pretax health savings accounts, which the legislation would let them use to buy insurance.” [Margot Sanger-Katz, New York Times, [7/5/17](#)]

THE PLAN WOULD CREATE A DE FACTO HIGH RISK POOL & SEND THE ACA MARKETPLACE INTO A DEATH SPIRAL

Healthy Individuals Would Opt For Bare-Bones, Non-ACA Plans, While Sick Individuals Would Purchase ACA Plans Providing Fuller Coverage

NYT’s Margot Sanger-Katz: Cruz’s Proposal “Would Create A Sort Of De Facto High Risk Pool.” According to Margot Sanger-Katz in The New York Times, “The health care bill that passed the House a few months ago called for Americans with a history of serious illnesses to be covered in their own, special high-risk insurance pool. When the Senate unveiled its health legislation in June, it notably omitted the unpopular provision, instead requiring that all Americans be covered by the same kind of insurance, and be charged the same price as other customers of the same age. Now Senator Ted Cruz of Texas has an idea that could bring back the high-risk pool. His proposal, which he’s circulating to his colleagues on typed handouts, wouldn’t explicitly create and fund the special insurance markets, as the House bill did. Instead, insurance experts said, it would create a sort of de facto high risk pool, by encouraging customers with health problems to buy insurance in one market and those without illnesses to buy it in another.” [Margot Sanger-Katz, New York Times, [7/5/17](#)]

Vox: “The Fundamental Problem Is Sicker People Would Be Drawn To The More Robust Obamacare Plans, While Healthier People Would Gravitate Toward The Skimpier Non-Obamacare Coverage.” According to Vox, “The fundamental problem is sicker people would be drawn to the more robust Obamacare plans, while healthier people would gravitate toward the skimpier non-Obamacare coverage. That’s a reality that even Cruz acknowledges.” [Vox, [6/29/17](#)]

Washington Post: The Non-Obamacare Plans “Would Appeal To The Healthiest Americans, Who Would Gladly Exchange Fewer Benefits For Lower Monthly Premiums.” According to The Washington Post, “The Cruz amendment, which is being scored by the Congressional Budget Office as one of several potential changes to the Senate health-care bill, would result in segmenting the individual insurance market into two groups, experts say. Under it, insurers could sell cheaper, stripped-down plans free of Obamacare coverage requirements like essential health benefits or even a guarantee of coverage. These sparser plans would appeal to the healthiest Americans, who would gladly exchange fewer benefits for lower monthly premiums.” [Washington Post, [7/10/17](#)]

With Only Sick, Expensive-To-Cover Individuals In The ACA Market, Premiums Would Rise Higher And Higher Until The Market Collapsed

CNN HEADLINE: “Ted Cruz’s Obamacare Repeal Plan Would Cripple The Market Say Experts” [CNN, [7/6/17](#)]

Vox: The Sick Would Buy ACA Plans, ACA Premiums Would Go Up, And The ACA Market Would Turn Into A Death Spiral. According to Vox, “Then inside the Obamacare market, as more and more sick people buy coverage there, costs for health insurers go up and so they increase premiums. It has the makings of a classic death spiral. Because only sick people remain, premiums eventually increase to astronomic levels. It turns the Obamacare exchanges into a high-risk pool.” [Vox, [6/29/17](#)]

John Graves, Health Policy Professor At Vanderbilt University: “There Have Been Nobel Prizes In Economics Awarded For The Finding That When You Allow An Insurance Market To Segment Like That, You End Up With Basically An Unstable Market.” According to Margot Sanger-Katz in The New York Times, “There have been Nobel Prizes in economics awarded for the finding that when you allow an insurance market to segment like that, you end up with basically an unstable market,” said John Graves, an assistant professor of health policy at Vanderbilt University. Mr. Graves said that the government subsidies would blunt the financial impact for people below the income threshold, but the government would get stuck paying for most of the extremely high premiums.” [Margot Sanger-Katz, New York Times, [7/5/17](#)]

UNDER CRUZ’S PROPOSAL, COVERAGE FOR PRE-EXISTING CONDITIONS WOULD BE EFFECTIVELY ELIMINATED

Mother Jones: People With Pre-Existing Conditions Would Be Disproportionately Drawn To ACA Plans, Raising Costs For ACA Plans To The Point Where Pre-Existing Conditions Were Effectively Not Covered. According to Kevin Drum in Mother Jones, “The latest health care hotness from Republicans is the Cruz Amendment. Official text hasn’t been released yet, but the basic idea is simple: it would allow states to reduce the essential benefits guaranteed by Obamacare as long as every insurer offered at least one plan that covered everything. It’s worth making clear exactly what this would accomplish. Let’s use an extreme example to make it easy to see. Suppose an insurer offers two policies: Policy A doesn’t cover cancer or pregnancy or heart attacks or diabetes or prescription drugs that cost more than \$100 per month. Policy B covers everything. What happens? Nearly everyone who’s pretty healthy buys Policy A, because it’s much cheaper. Everyone who’s pregnant or over 50 or already sick has to buy Policy B, which would be astronomically expensive. And that’s the end of our example. Pretty simple, isn’t it? If you have a pool of

people who are all, almost by definition, either old or sick with expensive illnesses, premiums for that group are going to be enormous. Maybe \$10,000. Maybe \$20,000. In theory, the poor could still afford this since the Senate bill includes subsidies similar to Obamacare's, but in reality these policies would have very high deductibles, making them expensive even for low-income workers. In other words, without actually *saying* that pre-existing conditions aren't covered, the Cruz Amendment effectively means that pre-existing conditions aren't covered." [Kevin Drum –Mother Jones, [7/10/17](#)]

AS PREMIUMS WOULD RISE UNDER CRUZ'S PROPOSAL, THE FEDERAL GOVERNMENT WOULD ALSO BE ON THE HOOK FOR MORE IN SUBSIDY PAYMENTS TO ACA MARKETPLACE CUSTOMERS

Such A Plan Would Also Cost The Federal Government More, As Subsidies To Help ACA Marketplace Customers Pay For Their Coverage Increase With Premiums. According to Vox, "Then inside the Obamacare market, as more and more sick people buy coverage there, costs for health insurers go up and so they increase premiums. It has the makings of a classic death spiral. Because only sick people remain, premiums eventually increase to astronomic levels. It turns the Obamacare exchanges into a high-risk pool. Cruz's counter, when I asked him about this, was the Obamacare subsidies that the Senate bill is largely keeping, though it scales them down. Under Obamacare, people who receive the subsidies are partially inoculated from premium increases because they pay only a certain percentage of their income for health insurance. The Senate's bill also includes upward of \$100 billion to further subsidize people with high medical costs. 'You would likely see some market segmentation' Cruz told me. 'But the exchanges have very significant federal subsidies, whether under the tax credits or under the stabilization funds.' That is true. But outside experts argued that the costs to the federal government could be unsustainable. As the Obamacare markets turned into high-risk pools, premiums would increase, driving the cost of the tax subsidies higher and higher." [Vox, [6/29/17](#)]

Larry Levitt Of The Kaiser Family Foundation: "Keeping The ACA Tax Credits Would, In Theory, Protect Subsidized Consumers [...] But The Cost Of Those Tax Credits Would Quickly Skyrocket." According to Vox, "Keeping the ACA tax credits would, in theory, protect subsidized consumers,' Larry Levitt, senior vice president at the Kaiser Family Foundation, told me. 'But the cost of those tax credits would quickly skyrocket, because healthy people would flock to non-complaint plans, which could cherry pick them with inexpensive premiums.'" [Vox, [6/29/17](#)]

Levitt: "How Long Would Congress Allow The ACA Tax Credits To Stand As The Costs Increase Rapidly?" According to Vox, "So it becomes a question of the federal government's willingness to pay that bill, indefinitely into the future. Otherwise, people with high medical costs could be stuck with a market that doesn't function and isn't adequately subsidized. The whole idea is dependent on an effectively unlimited federal commitment to pay the bills. The marketplaces would turn into de facto high-risk pools,' Levitt said. 'How long would Congress allow the ACA tax credits to stand as the costs increase rapidly?'" [Vox, [6/29/17](#)]