

STATEMENT OF TENNESSEE GOVERNOR BILL HASLAM

BEFORE THE
U.S. SENATE COMMITTEE ON
HEALTH, EDUCATION, LABOR & PENSIONS

***STABILIZING PREMIUMS AND HELPING INDIVIDUALS IN THE INDIVIDUAL
INSURANCE MARKET FOR 2018: GOVERNORS***

THURSDAY, SEPTEMBER 7, 2017

INTRODUCTION

Good morning Members of the Committee, Ranking Member Murray, and to one of Tennessee's all-time favorite sons, Chairman Alexander.

It is an honor to be here with this group of governors who I consider friends and who I know to be problem solvers. My request to the committee this morning is that you do two things: first, that you move quickly to stabilize the individual insurance marketplace. Then, second, that you would undertake a serious effort to work together to address the cost of health care.

These are good times in Tennessee. Our unemployment rate is the lowest in history. Our K-12 public schools are improving at a faster rate than any state in the country, and we became the first state in the nation to offer two years free of community college or technical school to all of our citizens. Our tax as a percentage of income and our debt per capita are among the very lowest in the country. But the crisis of health care and the uncertainty of its future threaten our state's citizens and the state's budget. The primary difference between governing Tennessee and when then Governor Lamar Alexander led the state more than 30 years ago, is the impact that the cost of health care has on everything else we do.

STABILITY

Today, Tennessee finds itself with only three insurance carriers offering ACA-compliant coverage. In more than 80 percent of our counties, citizens have only one insurance option. These limited options are provided to Tennesseans at substantial cost increases - possibly as much 40 percent for

2018, after increases totaling as much as 139 percent for some from 2014 to 2017. Tennessee's experience of fewer choices at higher costs is not sustainable. We are on a path where citizens simply won't have an option to purchase from the insurance marketplace or can't pay for the limited options available to them. Either way, the system fails.

Congress should take steps now to prevent the total collapse of the health insurance market by: 1) Funding cost-share reduction payments; 2) Creating a short-term reinsurance program; and 3) Providing flexibility to states.

In Tennessee, about 60 percent of our Federally Facilitated Marketplace participants are enrolled in CSR plans, meaning they receive assistance resulting in premium reductions. Failure to fund CSR payments will increase premiums significantly for our citizens, create even more uncertainty around the future of participating carriers and, according to the Congressional Budget Office, actually increase the federal deficit due to higher premium tax credits. Clearly, this is not a recipe for success. But it's also very important to understand that our marketplace was facing collapse before this discussion of CSR payments, and other actions and reforms will be needed to address the crisis.

Second, Congress can take additional action to stabilize markets by funding a short-term reinsurance program that would limit losses to carriers that provide coverage in the marketplace. This should produce lower premiums, which, in turn, should attract new, healthier individuals to the marketplace.

A third critical way to provide more stability is to offer flexibility to states to address their unique challenges and circumstances. The waiver approval process should be expedited, and the strict guardrails currently placed upon waiver requests should be loosened in a manner that will attract younger, healthier individuals to the marketplace. Examples of guardrail relief include more flexibility around rate bands and plan design. Simply put, without more flexibility, carriers will be left with two choices - leave the individual market or raise rates.

I realize some of things I just outlined around stabilization cost more money and I'm asking for this at a time when many governors, including myself, are emphasizing the skyrocketing costs of health care. In fact, I'm going to address health care costs in a moment. But the reality is failure to address the immediate stabilization needs while Congress works on the bigger issue of cost will almost certainly result in collapse of the market. Some may say the only way to ensure legislative action on cost and realize real reform is total collapse. I don't subscribe to that line of thinking. I think every governor here and those back at home believe we can move to stabilize the market now while we work to take on the issue of health care costs.

HEALTH CARE COSTS

Having helped to stabilize the market, it is my strong hope that this committee will then turn its sights to the cost of health care, which is crippling businesses and families and overwhelming all of the other needs that should be addressed in state and federal budgets. We must all recognize what has been missing in the argument over the Affordable Care Act. The law was supposed to

solve two critical issues around health care in America. The first was the large number of people who didn't have health insurance or couldn't afford coverage. Secondly, the Affordable Care Act was supposed to make health care, well, affordable. Unfortunately, it has provided coverage or government subsidies for millions of people to have coverage at the same exorbitant costs.

It is past time for all of us in elected office to focus our conversation on controlling the out of control cost of health care. In the last 20 years, health care has gone from 21 percent of the federal budget to 31 percent. At the state level, spiraling health care costs in recent decades have forced states to cut back on other services. Ever wonder why college tuition has increased so drastically? The primary factor is that as states spend more money on Medicaid, there are fewer dollars for higher education. Surely all lawmakers can agree this country has a fundamental problem as long as medical inflation is increasing at almost twice the rate of inflation of everything else. If not, as someone once quipped, "the United States government is about to become a large health insurance company with a small army attached to it."

One of the criticisms of the Affordable Care Act is that it took the easy part – saying that we would provide free or subsidized insurance to more people - without simultaneously accomplishing the hard thing - addressing costs. We shouldn't kid ourselves - addressing costs is difficult politically and otherwise. One of the drivers of health care costs is the misalignment of incentives that is created when we compensate providers based on the volume of care they provide rather than on outcomes or efficiency.

In Tennessee, we are working to change the way we pay for and deliver health care so that providers are compensated based on value. Early results from our payment reform initiative show that we are saving millions of dollars while maintaining quality of care. Congress should make a clear commitment to this type of payment innovation by encouraging coordination of Medicare, Medicaid, state employee and private value-based care initiatives and by leveraging the federal employee plan to spur payments based on quality as opposed to quantity.

All of us - Republicans, Democrats and Independents - should agree that our current path is not a sustainable one. We are a country with \$20 trillion in debt with even more staggering debt projections. During all of the debate about the Affordable Care Act, there has been a lot written and said about how immoral it would be to have millions of people lose health insurance coverage. I understand the argument. I am a Republican Governor who proposed a conservative plan to increase Medicaid coverage in our state. However, can't we all acknowledge that it is just as morally questionable to cover everyone with health insurance and put the bill on a credit card to be paid by our grandchildren and not do everything we can to make health care affordable?

CONCLUSION

Thank you again to the entire committee. As governors, we stand ready to partner with you to secure and strengthen the individual market and our entire health care system.