



United States Senate Committee on Health,
Education, Labor, and Pensions Hearing

September 6, 2017

***Stabilizing Premiums and Helping Individuals in the
Individual Insurance Market***

Testimony by Mike Kreidler, Washington State Insurance Commissioner

Chairman Alexander, Ranking Member Murray and Committee members, thank you for the opportunity to testify today regarding the challenges facing our individual health insurance market and possible solutions to address those challenges. I welcome the commitment of the Health, Education, Labor and Pension Committee to work on a bipartisan basis to address this critical issue.

In Washington state, approximately 330,000 people (or about 5 percent of our population) purchase their own individual health insurance coverage. Most work for employers who don't offer health insurance, are self-employed or are early retirees. People who buy individual insurance often have no other option for coverage; the individual market is their safety net.

As Washington state's insurance commissioner, it is my responsibility to do everything in my power to ensure that these Washingtonians have access to a stable insurance market. But I cannot do it alone – my success depends upon a strong partnership with the federal government. Now, this month, critical federal actions are needed to stabilize the individual health insurance market in Washington state, and in the country. This burden rests on you.

It is with the well-being of my state's residents clearly in mind that I offer my testimony today.

Following enactment of the federal Affordable Care Act (ACA), Washington state launched a bipartisan effort that fully embraced all aspects of the new law. We acted quickly to establish our own state-based marketplace, the Washington Health Benefit Exchange (Exchange), and to implement Medicaid expansion. I strongly believe that these early decisions are why we have

cut our uninsured rate by 60 percent. Today, the percentage of people in our state without health insurance is at a record low of about 6 percent.

There are several additional reasons for our success. We are fortunate to have “home grown” local insurers who have made a strong commitment to our state. We have the benefit of being a lower health care cost state – our use of hospital services is among the lowest in the nation. And in 2014, I, along with 22 other states and the District of Columbia, made the difficult decision to not allow legacy or non-ACA-compliant plans to continue to be offered in the individual market so that our individual market risk pool could be as large and as healthy as possible.

As a result, since 2014, Washington state has enjoyed a stable and competitive individual health insurance market. Before this year, we have experienced an average annual premium increase of near or below 10 percent. For 2017, we had 13 health insurers offering 154 plans in our individual health insurance market.

Let me be clear, the Affordable Care Act is not perfect even in Washington state. I am concerned about bringing as many healthy, young people into coverage as possible. And, like other states, we have seen a recent trend to narrower health plan networks. Deductibles and cost-sharing are growing, presenting real affordability challenges for some consumers. We share the national challenge of rising pharmaceutical costs. Yet, despite all this, the ACA has had a major positive impact on our overall market, providing life-saving benefits to many of our most vulnerable citizens.

This year, our progress forward is threatened by uncertainty around the fate of the ACA, including continued payment of cost-sharing reductions, weakened enforcement of the individual mandate, and federal investment in outreach and marketing to promote enrollment in health coverage.

For Plan Year 2018, this uncertainty has caused a serious disruption to our individual health insurance market in these ways:

- Insurers have proposed rate increases averaging 23 percent.
- After evaluating proposed filings in June, we discovered two “bare” counties without *any* individual plans offered for sale. Working closely with our health insurers to see who was willing to step up to this challenge, we ultimately achieved statewide coverage.
- We anticipate having nine rural counties with only one insurer offering coverage on the Exchange.
- One major insurer left all counties in Western Washington, the most populous part of our state.
- Eleven insurers filed 74 plans for the 2018 individual health insurance market.

- The number of proposed health plans offered through our Exchange dropped substantially. Two insurers will no longer offer bronze plans on the Exchange.

These 2018 filings cause me grave concern for the fundamental stability of our individual insurance market.

The next two weeks will be telling, as insurers decide whether to follow up on their proposed filings for 2018 and commit to actual participation in the Exchange and in all of the counties they have proposed to serve. Congress must act quickly to address the uncertainty in the individual health insurance market. Clear opportunities are readily available to substantially strengthen it.

Cost-sharing reductions

First, and foremost, Congress should bring certainty to cost-sharing reduction payments by making a permanent appropriation for them. Cost-sharing reductions are not insurance company bail-outs; they benefit lower-income people and families by directly reducing their health care costs. For those who struggle to meet basic needs such as food and housing, cost-sharing reduction payments will make a difference in whether they decide to purchase insurance. These payments also make a difference in whether they can afford to see a doctor, even when they do have insurance. The reduced cost burden will literally make the difference between their seeking care or not.

To illustrate this impact, I offer the following chart showing cost-sharing reductions by income level for various services. Consider a 40-year-old man living in Pierce County, Washington earning wages at 150 percent of the federal poverty level, around \$23,000 per year. Suppose he chooses to buy a silver plan with the lowest premium. With cost-sharing reduction payments, his annual deductible is \$2,000. Without them, it increases to \$7,050. With cost-sharing reduction payments, he can visit his primary care provider without having to make a copayment.

*40-year-old non-smoker in Pierce County selecting the lowest cost silver plan**

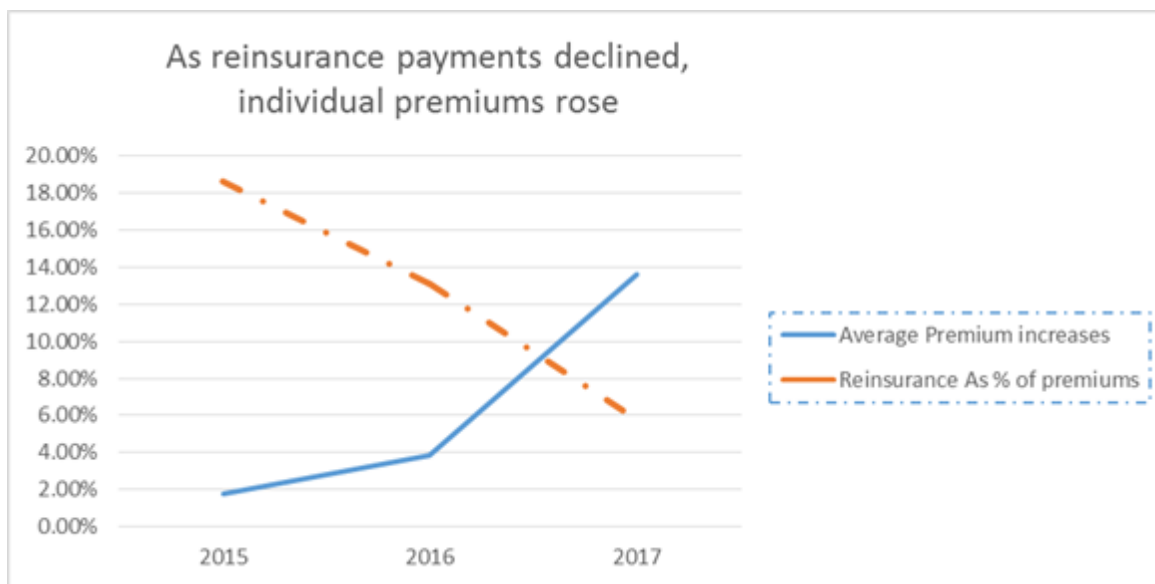
Income	Deductible	Primary Care Visit to Treat an Illness or Injury copay	Specialist Visit copay	Urgent care centers or Facilities copay
150% FPL	\$600	No charge	\$5	\$50
200% FPL	\$2,000	No charge	\$5	\$50
250% FPL	\$5,250	\$15	\$40	\$75
400% FPL	\$7,050	\$30	\$60	\$100

*Ambetter Balanced Care 4 (2017)

Here and around the nation, states have been spending countless hours during the last several months trying to find an approach to rate setting in 2018 that does the least harm to consumers if cost-sharing reduction payments are suddenly curtailed. I can assure you there is no solution that doesn't hurt consumers, especially those who do not receive advance premium tax credits.

Federal Reinsurance Program

Congress should enact a federal reinsurance program with a minimum duration of three years. This level of clear and sustained commitment by the federal government is necessary, and will significantly help stabilize the individual health insurance market. In Washington state between 2014-2016, we experienced the benefit of a federal reinsurance program. We have concrete evidence of the impact that a reinsurance program can have on premiums and insurers' willingness to participate in this market.



Some have asked whether enactment of a federal reinsurance program in late 2017 can impact rates in 2018. Health insurance rates for plans that will be sold in late fall open enrollment are filed in the spring and approved by late summer. At this time in the year, 2018 rates have been filed and approved, and a federal reinsurance program enacted now would not change them. However, it would have a strong effect on insurer participation in the 2018 market. As I stated earlier, insurers have filed proposed rates but have not yet committed to participate in the Exchange and the counties they have identified. If insurers know that a federal reinsurance program will be in place for Calendar Year 2019 and beyond, there will be greater confidence and certainty related to market participation in Calendar Year 2018. Insurers will be motivated

to participate in the market. And in Calendar Year 2019, a federal reinsurance program would positively affect both premium rates and participation. Insurer confidence means more insurers participate in the market, which means more competition among insurers on price and quality of care. Fostering healthy competition among insurers is good for consumers.

In the short term, a federal reinsurance program modeled on a federal transitional reinsurance program would provide the most stability. Insurers are familiar with the program and can adapt quickly to its implementation. They will have certainty regarding the level of federal funding available and the likely payment parameters, given their previous experience with the program. This experience will translate directly to lower premiums beyond Plan Year 2018.

If Congress has an interest in offering states more flexibility in the administration of market stability funding, I strongly urge you to choose a funding allocation approach that fairly distributes funds across states, without regard to the approach selected. States can be valuable laboratories of innovation, and even-handed funding will ensure the widest array of methods. I remind you that implementation of a flexible option will require considerable lead time; states will need time for stakeholder discussions to determine the appropriate use of funding, to enact state legislation authorizing policy and spending authority, and to implement program parameters. States will also have to take into account the long lead time necessary for insurers to incorporate new options into their planned filings.

Like several other states, Washington is currently exploring reinsurance as a policy option to help stabilize our individual insurance market for 2019. We will determine, given the number of insurers in our market and our lower premium costs, whether use of a 1332 waiver would be viable in our state. Any program that we develop – if viable and if the necessary state funding is available – would supplement and enhance a federal reinsurance program.

1332 waiver approval process

As an elected insurance commissioner, I believe that coverage and affordability guardrails in the current 1332 waiver statute set an appropriate national coverage benchmark. These guardrails ensure that a 1332 waiver will not result in reductions in the number of people covered, the scope of their benefits, or affordability. By creating a level playing field, they promote competition among insurers based upon quality and choice in a more stable market. They also promote improved population health.

I do agree that flexibility and efficiency could be improved in the 1332 waiver approval process. I believe that a 10-year economic analysis is not necessary. In addition, given that proposed insurance plans and rates are filed more than six months in advance of the plan year, the current nine-month period for the Centers for Medicare and Medicaid Services (CMS) to determine completeness and to review an application creates too much delay for the states. This is compounded for those states, like Washington, that have a part-time legislature.

It is my understanding that CMS is working to develop an expedited process for review of 1332 waiver applications, and I strongly support those efforts.

Federal investments in outreach and enrollment marketing

A key to a stable individual health insurance market is maximizing the number of people enrolled, especially those who are young and healthy. As noted earlier in my testimony, Washington state has its own Exchange. Yet the effectiveness of our own outreach and marketing is greatly magnified by the federal government's outreach and enrollment activities.

In the past, we have enjoyed an effective collaborative effort with the federal Exchange in the months leading up to the start of open enrollment. Yet this year, that activity among the administration, other states and major stakeholder groups is not occurring. These informative discussions included sharing of best practices, leveraging community infrastructure, developing consistent enrollment messaging, and sharing plans for marketing and advertising buys.

Pre-open enrollment emails and outreach support reports, newsletters and social media announcements suitable for sharing with our partners or socializing on our media channels are no longer being prepared. These resources support the larger message at a national level of the importance of having insurance, and for many of our most vulnerable – those who have English as a second language or live in harder-to-reach rural areas – they are a critical source of information.

Federal marketing and advertising of open enrollment on broadcast, print and social media channels is a critical element of outreach nationally. These ads provide essential open enrollment messages that keep the need for finding, selecting and enrolling in health insurance front and foremost during the busy holiday season. For many people, these ads may be the only time they may see information on open enrollment. Removing this key part of the strategic engagement strategy is damaging not only to the federal marketplaces but to all marketplaces nationwide and, ultimately, come at the highest price for our consumers.

Washington state's past individual market failure

In Washington state, we know firsthand the consequences of an unstable individual market. Following passage and partial repeal of health reform legislation in the 1990's, our individual health insurance market went into a death spiral. By 1998, we had no individual health insurance options in the state other than a costly high-risk pool.

The failure of our individual market was caused by three factors:

- Health insurance rules requiring guaranteed issue and prohibiting pre-existing condition exclusion periods of more than three months
- Repeal of an individual mandate
- Lack of premium and cost-sharing subsidies to make coverage affordable.

I make my recommendations to you today to ensure that other states do not experience the same market failure that we did in Washington. Millions of people – hard-working families and individuals – are relying upon us to ensure that the individual health insurance market will be there for them now and in the future. Yet uncertainty related to payment of cost-sharing reductions, high premiums, and weakened enforcement of the individual mandate have placed our individual health insurance markets at serious risk. There are three concrete steps that Congress must take to address this crisis:

1. Fund cost-sharing reductions for at least three years.
2. Establish a federal reinsurance program with a duration of at least three years.
3. Invest in enrollment outreach and education.

Thank you for this opportunity to share my recommendations with you.