



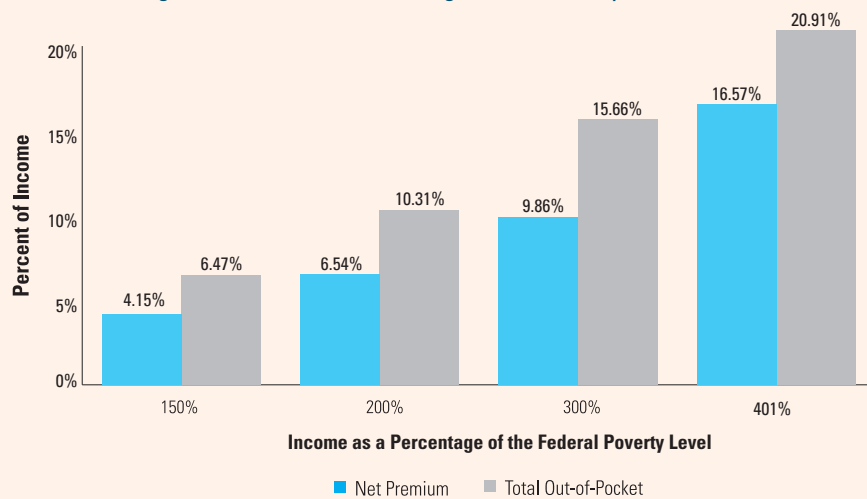
## Reducing Individual Market Premiums to Expand Access to Coverage and Care

### ISSUE

More than 14 million people purchase comprehensive coverage in the individual health insurance market. This is an important source of coverage for those without job-based insurance, including small business owners and self-employed individuals, workers in the gig economy, workers who are not eligible for employer-sponsored health plans and retirees who are not eligible for Medicare. Many individuals who have significant medical conditions and need extensive and often costly care depend on the individual market for coverage.

Unfortunately, individual market premiums are often unaffordable for people who do not qualify for financial assistance, and coverage options for these people remain limited. For many, the cost of coverage and care is out of reach, with many purchasers required to pay more than 15 percent of their income for health insurance so they can obtain the medical care they need.

**Figure 1: Premiums and Out-of-Pocket Costs as a Percentage of Income for a Single 50-Year-old Purchasing a Silver Policy in 2019**



### BCBSA RECOMMENDS

The individual market is a critical source of coverage for people from all walks of life, and it should be strengthened to make coverage more affordable while protecting those with pre-existing conditions. To achieve this, BCBSA recommends that policymakers take three critical steps:

1. **Revise federal assistance to help more people afford coverage**
2. **Enact policies to lower costs and remove financial barriers to accessing care**
3. **Improve outreach to encourage people to obtain and maintain insurance**

Taken together, the actuarial firm Oliver Wyman estimates these three actions would reduce the average individual market premium by 33 percent, while enabling an additional 4.2 million people to obtain ACA coverage.

## 1. REVISE FEDERAL ASSISTANCE TO HELP MORE PEOPLE AFFORD COVERAGE

**Congress should adjust tax credits to make coverage more affordable and boost enrollment among younger people.** The current tax credit provides substantial financial assistance for older consumers who are more likely to need medical care and thus more likely to purchase coverage, while providing more limited assistance for younger people. Enhancing tax credits for younger people would increase the number of individuals covered, especially among younger adults. Increasing the participation of younger and healthier people while also maintaining financial assistance for older consumers will help provide a better enrollment balance and help bring premiums down.

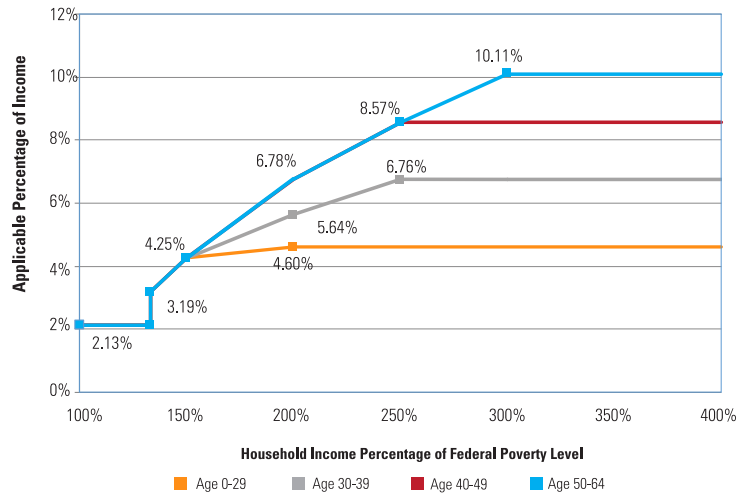
**Congress should adjust the current tax credit structure to help those who are ineligible for tax credits today.** While federal tax policy provides indirect assistance to those with employer-sponsored coverage regardless of income, those purchasing coverage on their own receive no financial assistance under the ACA tax credit structure if their income is over 400 percent of the federal poverty level. Today, the average premium for a silver plan for a family of four exceeds \$20,000 annually, and individuals who are ineligible for tax credits pay the full price. As a result, many forgo coverage because it is too expensive. The existing tax credit structure<sup>1</sup> should be adjusted so that no one purchasing coverage in the individual market would be required to pay more than 12 percent of income for health insurance.

**Congress should improve cost-sharing protections to help lower-income people access medical care.** The cost-sharing reduction (CSR) program provides significant assistance to help lower-income individuals by reducing or eliminating out-of-pocket costs such as deductibles and copayments when they access medical care. However, people with incomes between 200-300 percent of the federal poverty level are required to pay significant out-of-pocket costs that may serve as a barrier to accessing care. Expanding cost-sharing protections to cover 80 percent of total costs for those between 200-300 percent of the federal poverty level would assure that the program works better for people who are having trouble affording the care they need.

## 2. ENACT POLICIES TO LOWER COSTS AND REMOVE FINANCIAL BARRIERS TO ACCESSING CARE

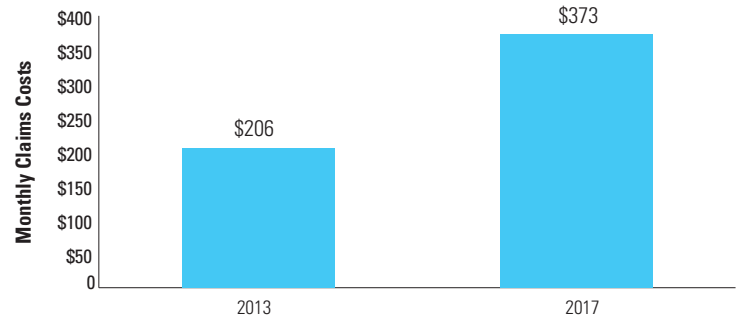
**Congress should establish a sustained federal funding system to support the cost of caring for those with significant medical needs.** As people with serious health conditions entered the individual market, the cost of medical claims to pay for their care rose rapidly (see Figure 3), and now exceed costs for those with employer-based coverage. Five percent of people who buy coverage in the individual market represent almost 60 percent of health care claims' costs. A sustained federal funding mechanism which states could draw on to support the cost of caring for those with serious health conditions is essential to make premiums more affordable for everyone, especially those who do not qualify for a tax credit.

Figure 2: Proposed ACA Premium Subsidy - Income Limits Age Adjusted for 2021\*



\*Subsidy income limits projected to 2021 by Oliver Wyman. Income limits for ages 50-64 are the same as those under current law.

Figure 3: Individual Market Claims Before and After Implementation of ACA



Data from MLR Public Use Files. For 2017, data is based on Individual Market adjusted to represent ACA-compliant coverage using 2016 relationships. Monthly Claims Costs includes reduction for CSRs.

1 The current tax credit limits the out-of-pocket cost of insurance to a percentage of income for those under 400 percent of poverty.

Creating a premium affordability program to support the cost of care for those with serious medical conditions (those with claims in excess of \$65,000) would reduce premiums by about 15 percent and cost the federal government less than \$3 billion.<sup>2</sup> The lower premiums resulting from such a program would mean tax credit expenditures—which are tied to premiums—also would fall. Such a program would be a major commitment to assuring that coverage remains available and affordable for those with pre-existing conditions.

**Congress should provide relief from the health insurance tax.** In January 2018, Congress passed legislation suspending the ACA health insurance tax (HIT) for 2019. If Congress does not act, the HIT will add more than \$16 billion to the cost of insurance for individuals, small businesses, families and Medicare Advantage enrollees in 2020 when the tax is slated to return. Eliminating the HIT would reduce premiums by 2-3 percent.

**Congress should modernize health plans that are linked with health savings accounts (HSAs).** Currently, high-deductible health plans that are linked to HSAs are prohibited from offering services other than preventive care on a pre-deductible basis. This can create cost barriers to care for patients with chronic illnesses. To provide better management of chronic disease, Congress should permit HSA-qualified health plans to cover high value services before the deductible. For example, a health plan could provide coverage of insulin before the deductible to ensure patients with diabetes have access to this life-saving drug. This would preserve the consumer-directed features of HSAs and assure access to services that keep people healthy and address chronic conditions.

### 3. IMPROVE OUTREACH TO ENCOURAGE PEOPLE TO OBTAIN AND MAINTAIN INSURANCE

**Exchanges should provide enhanced outreach to ensure that people enroll in coverage.** A recent Commonwealth Fund survey found that two of five (40 percent) of America's 27.5 million uninsured, working-age adults were not aware of their state's marketplace or HealthCare.gov.<sup>3</sup> As costs of operating exchanges decrease over time, user fees for issuers should be lowered, and some of the fees should be redirected to outreach, education and marketing to encourage enrollment. In addition, federal funding for outreach should be restored to 2014 levels. States also should be encouraged to develop more efficient and less costly outreach and enrollment platforms.

**Exchanges should provide information on coverage status to states to improve outreach efforts and simplify enrollment.**

States should have access to aggregated information on health insurance enrollment and income status to determine who is potentially eligible for government assistance in subsidized, qualified health plans, as well as in the Medicaid and CHIP programs. This information would allow better targeting of outreach and education campaigns. At the same time, Congress should work to simplify the eligibility rules for tax credits to make it easier for people to know whether they qualify for financial assistance to help them purchase coverage.

**Policymakers should continue to allow consumers to automatically renew coverage.** About 3 million people automatically re-enroll in health insurance coverage each year on the health insurance exchanges. Automatic re-enrollment is a feature of employer-based insurance as well as Medicare Advantage and Medicare Part D. Allowing consumers to auto-renew helps ensure continued enrollment and should be maintained. State efforts to provide incentives for individuals to maintain health insurance coverage also should be supported.

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2 The program would pay 70 percent of the costs between \$65,000 and \$1 million.

3 <https://www.commonwealthfund.org/publications/issue-briefs/2017/sep/following-aca-repeal-and-replace-effort-where-does-us-stand>