

Statement before the House Democratic Policy Committee

Affordable Health Care

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Good morning Chairman Sturla, Representative Pashinski and Members of the House Democratic Policy Committee. I am Alison Beam, Chief of Staff at the Pennsylvania Insurance Department. Thank you for the opportunity to be here today to speak about the ways that Governor Wolf's Administration has made health care more affordable in the Commonwealth and how the Administration is working to accomplish this aim in the future. Health care affordability is an issue that is extremely critical for residents of the Commonwealth of Pennsylvania, and I applaud the Committee's efforts to shed light on such an important topic.

While health care affordability is an unwieldy topic, I would like to take the time you've offered me today to first speak about the dramatic improvements that the Affordable Care Act (ACA) has made in Pennsylvania, and then speak about some of the challenges we're facing to keep that market stable. Finally, I will provide an overview of the various initiatives that we're working on in the Commonwealth to address health care affordability.

The Affordable Care Act Has Increased Access to Health Care

When discussing the affordability of health care, we must first recognize the positive impact that the ACA has had on Pennsylvanians. As a brief reminder, prior to the ACA, individuals seeking access to health care faced barriers such as pre-existing condition exclusions, which either denied individuals access to commercial health insurance outright, made insurance prohibitively expensive or allowed an individual to obtain insurance but not for services related to the pre-existing condition. Likewise, individuals with chronic medical issues or anyone who underwent a costly procedure like a transplant could face financially devastating annual and lifetime limits. Women could see higher monthly premiums than men and perhaps not have access to contraception or maternity care. Finally, coverage for other critical services like mental health and substance use disorder treatment services were difficult to obtain. These challenges contributed to more than 10 percent of Pennsylvanians and 16 percent of Americans nationwide going uninsured.

Since the ACA's passage, Pennsylvania's uninsured rate has fallen from 10.2 percent in 2010 to 5.6 percent in 2016 – the lowest it's ever been. More than 1.1 million Pennsylvanians have accessed coverage through the ACA, and that coverage is much more comprehensive than what was previously available. Of the 12.7 million Pennsylvanians, more than 40 percent of us – 5.4 million individuals – have pre-existing conditions and cannot be denied health insurance coverage due to the ACA. In addition to this, more than 175,000 Pennsylvanians have also been able to access substance use disorder treatment services through their individual market or Medicaid expansion coverage. These services are critical as our Commonwealth and other states around the country strive to combat the overwhelming impact of the opioid epidemic.

The Individual Market Still Faces Challenges

While the ACA has made great strides to achieving health care access, the ACA's individual market still faces challenges to remain stable. Many of the challenges include actions that the federal government has taken, such as not funding Cost-Sharing Reduction (CSR) payments, the encouragement of Short-Term Limited Duration (STLD) insurance and Association Health Plans (AHPs), and curtailing efforts to grow the risk pool during the open enrollment season. I'll explain each of these challenges in turn, and how the Insurance Department has approached each challenge with the aim of mitigating harmful consequences for Pennsylvanians.

De-funding of Cost Sharing Reduction payments

The federal Administration's decision to discontinue CSR payments to insurers and Congress' inaction to appropriate these funds increased Pennsylvania's individual market health insurance rates last year from an expected 7.6 percent increase to an average 30.6 percent. As a reminder, CSR payments provide additional benefits for people with lower incomes to assist with their out-of-pocket costs. To mitigate the impact of the lack of funding of these payments, the Wolf Administration prudently planned to allow insurers to account for the non-funding of these payments. We also worked closely with insurers in an attempt to cut through the massive consumer confusion and guide each consumer to the most suitable plan for their needs. As a result, many consumers were able to purchase a plan for 2018 that provided them better value.

Encouragement of Short-Term Limited Duration Insurance

The federal Administration recently released a proposed rule which would allow STLD insurance to be positioned as an alternative to individual market coverage by allowing the policy to have a similar duration to individual market coverage. STLD insurance is referred to by some as "skinny plans," which is a reference to the trimmed down benefit package and coverage limits in these plans when compared to ACA coverage.

While the Insurance Department has underlying concerns that the encouragement of STLD insurance will further destabilize the individual market, the Department is also concerned about the misunderstanding and confusion these plans create for consumers. Frequently these plans are marketed as "ACA-compliant," and consumers purchase them believing they are buying coverage that includes all of the benefits required by the ACA, that they can purchase the plan using the ACA's subsidies, that their pre-existing conditions are covered, and that they can renew the coverage without being re-underwritten. After they purchase the plan, consumers discover that they have been misled, and the coverage is not as promised. Within the last two years, we have suspended the licenses of seven agents who misrepresented limited benefit plans as complying with the ACA, and we have open and ongoing investigations and continue to address this issue.

Proposal to expand Association Health Plans

The federal government threw yet another challenge to the individual market when it recently proposed a rule that would encourage AHPs. AHPs are viewed by some as an alternative to participating in the individual and the small group market, which creates instability in the marketplace by siphoning individuals out of the individual market risk pool. The proposed rule broadened the population that can avail themselves of AHPs by allowing more individuals and small employers to join together as groups to purchase AHPs. In a comment letter on the proposed rule, the Insurance Department voiced concerns that the expansion of AHPs will cause potential consumer harm immediately and on an ongoing basis, as the ripple effect of the proposed changes will affect market stability, insurers, and the provider community. The proposed rule, if finalized as drafted, would result in greater barriers to high-quality coverage and decreased affordability for many consumers.

Shortened Open Enrollment Season

The federal government shortened the time period for people to enroll in health insurance for 2018, while also cutting outreach funding. These efforts jeopardize market stability, as the health of any insurance market depends on the strength of its risk pool, and reduced enrollment strains the risk pool and contributes to rising costs for those in it. In an effort to avoid such consequences and serve as a resource for consumers during the abbreviated enrollment season, the Department worked alongside insurers, legislators, health care providers, consumer advocates, and other stakeholders to reach our common goal of increasing covered Pennsylvanians and informing them of important changes to the open enrollment period. Because of these collaborative efforts, almost 400,000 Pennsylvanians selected health plans for 2018, only a slight decrease from 2017. We will continue to carry out outreach and enrollment efforts, as encouraging enrollment helps everyone – people have access to coverage, insurers have a more robust risk pool, and providers are more likely to receive compensation for care provided.

The Wolf Administration is Diligently Working to Address Rising Health Care Costs

While the challenges I have outlined may seem insurmountable, the Wolf Administration continues to demonstrate unwavering leadership by committing to reroute the escalating path of health care costs. The Administration understands the opportunity and the responsibility that comes with being in such a uniquely situated state, with a competitive health insurance market, a world-renowned provider community, an aging population and a diverse geography. True to the principles of state democracy, the Commonwealth is serving as a laboratory for initiatives to address the challenge of health care cost containment head on.

Addressing Underlying Costs of Health Care

Stabilizing the individual market is an important first step to addressing cost concerns, but we still need to get to the root of what really drives insurance costs: the cost of health care. To put it simply, insurance is expensive because the health care it pays for is expensive. Unfortunately, it gets more and more expensive every year, which means premiums will continue to rise every year.

We need to have a serious conversation about how we can moderate the unsustainable growth in health care costs, especially in areas experiencing astronomical growth in cost like we currently see with pharmaceutical costs. There is no silver bullet to reduce the cost of health care and the conversation is not easy, but it is essential as we look to the future and the long-term viability of our health care system. We continue to look for solutions to these problems at the state level, as well as engaging in the national conversation through the National Association of Insurance Commissioners (NAIC). Recognizing the great depth of knowledge that Commissioner Altman has on this issue, the NAIC recently selected her to serve as a leader on the Health Insurance and Managed Care Committee of the NAIC, which is charged with examining health care cost drivers and state initiatives to address the issue.

Achieving Affordability Through State Innovation

We need to build upon the foundation of the ACA by making targeted and common sense changes that will make the ACA work better for the people it is not working perfectly for today. We still have a serious affordability problem in the individual market, especially for the 1-2 percent of Pennsylvanians who rely on the individual market for coverage but are not eligible for financial assistance, as well as individuals facing rising deductibles. We are exploring flexibility contemplated in the ACA to create a program to control outlier health care costs, which has the potential to meaningfully reduce health care costs statewide – especially the unsubsidized population.

Under Section 1332 of the ACA, states have the opportunity to obtain permission to waive certain portions of the ACA in order to implement creative solutions to stabilize the individual health insurance market. However, states face the challenge of securing adequate funding. While funding for such a program would largely come from federal pass-through funds under the Section 1332 Waiver, a portion of the funding would also have to come from state contributions. We recognize the constraints of state budgets so we recently urged members of the Pennsylvania Congressional Delegation to support a package of bipartisan health insurance stabilization bills, which included grants for state funding to carry out these initiatives. Unfortunately, the market stabilization bills were not included in the most recent federal spending bill, so the Department is continuing to monitor additional funding opportunities at the federal level.

Addressing Surprise Out-of-Network Balance Bills

The Insurance Department continues to work with the legislature to establish a path to resolution for consumers when they receive an unexpected balance bill. These bills unexpectedly drive up consumers' out-of-pocket health care costs, creating greater cost strain on the health care system as a whole. The Department thanks Senate Banking and Insurance Chairman Senator White and Senators Costa and Schwank for sponsoring SB 678 and Representative Pickett for sponsoring HB 1553. Both bills address the circumstances that arise when a consumer unknowingly receives services from an out-of-network physician, and is subsequently billed directly for the difference between the insurer's reimbursement and the cost of the services. These unexpected and sometimes financially significant bills are troubling and can be unaffordable for consumers, who may have done everything right when choosing to receive care in-network. The Department's primary goal for this proposed solution is to protect consumers from receiving these unexpected bills, while minimizing burden on the stakeholders involved in these complicated situations.

Leading Initiatives Within Governor Wolf's Health Innovation Plan

The Insurance Department, in partnership with the Department of Health and the Department of Human Services, is leading efforts to address health care affordability and quality contemplated in the Governor's Health Innovation Plan (HIP). The HIP is a comprehensive, multi-stakeholder statewide initiative to improve the health of all Pennsylvanians by redesigning the way we pay for, deliver, and coordinate health and health care services. The Insurance Department is leading the price and quality transparency innovation work, which includes initiatives aimed at making care more shoppable and increasing consumer health literacy. The work groups are exploring how transparency innovations impact consumers' health care experiences and decisions.

Moving the Needle on Health Care Costs

Governor Wolf's Administration is facing the health care cost challenge head on. Specifically, the Insurance Department is diligently working to stabilize the insurance market by strategically and thoughtfully anticipating and reacting to challenges presented by federal regulatory dynamics. But more than just being reactive, the Department is proactively identifying solutions to implement in Pennsylvania that can achieve meaningful affordability for consumers. Despite the immediate, burning challenges of the health insurance landscape today, we have not lost sight that we must continue to seek long-term strategies that moderate the growth of health care costs to ensure our system is sustainable and will meet the needs of those that need it now as well as those that will need to rely on it in the future.

Thank you for allowing me to speak with you today. I would be happy to take any questions that you might have.