



State Health Exchange LEADERSHIP NETWORK



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The Honorable Lamar Alexander, Chairman
The Honorable Patty Murray, Ranking Member
U.S. Senate Committee on Health, Education, Labor and Pensions
Washington, D.C., 20510

Dear Chairman Alexander and Ranking Member Murray:

Thank you and members of the Senate Health Education Labor and Pensions Committee for your commitment to hold September hearings on actions that Congress should take to stabilize and strengthen the individual health insurance market. The State Health Exchange Leadership Network, an association of state leaders dedicated to the implementation and operation of the state-based health insurance marketplaces, appreciates this opportunity to submit testimony.

The seventeen state-based marketplaces (SBMs) and SBMs using the federal platform (SBM-FPs) are dedicated to the development of sustainable and agile systems to bring choice, transparency, and value to our states' health insurance consumers. We demonstrate how state flexibility can be leveraged to bridge public and private interests to tailor coverage to meet local need and drive greater stability in insurance markets. According to the Centers for Medicare and Medicaid Services (CMS), SBMs and SBM-FPs have attracted a healthier risk mix to our marketplaces than in states utilizing the Federally-facilitated marketplace (FFM) (HealthCare.gov)¹ and, on average, the SBMs have attained a lower rate of attrition among our marketplace consumers than in FFM states. Assuming no additional major changes that could affect the markets for next year, the majority of SBMs and SBM-FPs expect to maintain stable issuer counts for 2018,² a testament to the strength and stability of our markets.

As SBM and SBM-FP leaders representing diverse state needs, consumers, and political leadership, we are deeply invested in ensuring greater stability for our markets, working closely with our issuers and regulators. Based on this work, we believe the strategies below are immediate steps that would help address the shared goal of strengthening and stabilizing the individual insurance market.

¹ The Center for Consumer Information and Insurance Oversight, "Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2016 Benefit Year" and Appendices, June 2017. Available at: <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/>

² National Academy for State Health Policy, "Issuers Hold Steady in State-based Exchanges," July 2017. <http://www.nashp.org/issuers-hold-steady-in-state-based-exchange-states/>

The National Academy for State Health Policy (NASHP), is a non-profit, non-partisan organization representing an independent academy of state health policymakers.

Assure consistent funding of cost-sharing reduction (CSR) payments

States and issuers require certainty over the future of CSR payments.³ Elimination of this program will compromise the affordability of coverage and services -- especially for the 7 million low-to moderate income individuals and families⁴ who use these funds to aid in affording out-of-pocket medical expenses. Collectively, CSR eligible individuals represent 45 percent of SBMs and SBM-FPs enrollees. CBO estimates that elimination of CSR payments will lead to an average rate increase of 20 percent for effected plans to make up for losses, while increasing the federal deficit by \$194 billion from 2017 through 2026.⁵ We anticipate middle income families to be hardest hit by these increases. While SBMs and SBM-FPs are working hard to mitigate the negative market impact of CSR payment uncertainty, the federal government must commit to funding CSR payments in order to lower rates and stabilize carrier participation.

Establish a permanent, federal reinsurance program

A permanent, comprehensive, federally-funded reinsurance program (without a state match requirement) is necessary to ensure consumers have access to affordable coverage as the individual market is inherently less stable than group coverage. States appreciate the opportunity to use the 1332 waiver process to establish state reinsurance programs, but are unanimous in recognizing that such state efforts do not diminish the need for a well-funded permanent federal program. Many states have budget constraints that limit their ability to dedicate a sufficient and ongoing stream of state funding to support a state-level reinsurance program or to match a state-federal reinsurance program, leaving states and consumers at risk of future instability if state funds cannot be sustained. A federally-funded reinsurance program will provide a consistent and long-term solution to foster market stability across the nation.

Maintain flexibility over the use of 1332 waivers

State innovation and experimentation will be key to identifying creative solutions that can maximize the provision of affordable coverage and manage health system costs and quality. SBMs and SBM-FPs encourage additional flexibility for states under ACA section 1332 waivers, while also ensuring all consumers continue to receive comprehensive and affordable coverage and protection for pre-existing conditions as in the ACA. Additional flexibility could clarify: 1) the ability to meet deficit neutrality requirements over the lifetime of the waiver, not year by year thus allowing states the flexibility to invest in initial years and ramp up to savings in later waiver years; and 2) flexibility to establish open enrollment periods that are more suitable to meet local needs.

Beyond additional flexibility, we believe that the creation of planning grants and establishment of expedited federal processes for review and approval of waivers (without

³ Kaiser Family Foundation, "The Effects of Ending the Affordable Care Act's Cost-Sharing Reduction Payments," April 2017.

<http://www.kff.org/health-reform/issue-brief/the-effects-of-ending-the-affordable-care-acts-cost-sharing-reduction-payments/>

⁴Centers for Medicare and Medicaid Services, "Health Insurance Marketplaces 2017 Open Enrollment Period Final Enrollment Report: November 1, 2016-January 31, 2017," March 2017. <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2017-Fact-Sheet-items/2017-03-15.html>

⁵ The Congressional Budget Office, "The Effects of Terminating Payments for Cost-Sharing Reductions," August 2017. <https://www.cbo.gov/publication/53009>

diminishing public comment opportunities) could provide states with heightened opportunity to appropriately innovate in consideration of timely and local factors.

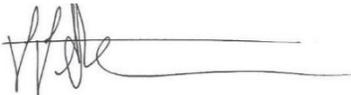
Promote stability through a commitment to certainty and long-term solutions

Certainty and predictability are necessary to encourage competition, affordability, and long-term stability of the insurance markets. Actions focused primarily on near-term challenges will only provide temporary relief to markets, encouraging a continued environment of consumer uncertainty, fiscal instability, and insurance market volatility.

SBMs and SBM-FPs reflect state differences in how they are governed, financed and administered. We are self-sustaining, stable and committed to providing our customers with high-quality, affordable insurance options. What we have outlined above are immediate steps toward stabilizing our markets. Beyond these steps, we also encourage continued federal investment in marketing and outreach. While each SBM and SBM-FP conducts its own marketing, outreach, and enrollment activities, federal actions – or inaction – impacts our effectiveness, and confusion over the future of the ACA and shortened enrollment periods may negatively impact our enrollment. Furthermore, we encourage continued reinforcement of personal responsibility policies designed to improve insurance risk pools. Finally, as our marketplace models and technology continues to evolve, we support maximum flexibility for states to develop agile and innovative technology solutions, especially for states that wish to partner with the federal government as SBM-FPs.

As you continue your essential work to assure the stability of the individual market, we are happy to provide you with any data or information that may be helpful in assessing how your proposals may impact our insurance markets. We look forward to additional opportunities to work with you to develop solutions to address necessary and important challenges to improve stability across all markets. Thank you.

Sincerely,



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