YOUNG INVINCIBLES

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

Stabilizing Premiums and Helping Individuals in the Individual Insurance Market for 2018: Health Care Stakeholders

Testimony of
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TESTIMONY FOR THE UNITED STATES SENATE COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

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Thank you Chairman Alexander, Ranking Member Murray, and members of the Committee for the opportunity to appear before you today. My name is Christina Postolowski, and I am the Rocky Mountain Regional Director of Young Invincibles, a non-profit, non-partisan research and advocacy organization working to expand economic opportunity for young adults ages 18 to 34. We welcome the chance to discuss ways to both improve the individual insurance market and build on the gains young adults have made under the Affordable Care Act (ACA).

The data on the impact of the ACA on young people's coverage rates, health care needs, and the financial challenges facing this generation might surprise you. Consider the following:

- Since 2010, the uninsured rate for young people has declined from 29 percent to 16 percent.[1] As of 2015, over eight million people between the ages of 18 and 34 received coverage through provisions in the ACA,[2] including 3.5 million through the health insurance marketplaces and 3.8 million through Medicaid.[3]
- Young adults already earn lower incomes than other age groups, but young adults who are uninsured or purchasing insurance individually earn even less. Young workers in the individual market earn a median income of $26,000,[4] while uninsured young workers earn a median income of $20,000 per year.[5] That means that the typical young adult enrolled in the individual market could get a benchmark plan for $154 a month (or 7.1 percent of their annual income) in premiums.[6] An uninsured young person could pay $83 a month in premiums (or 4.96 percent of their annual income) for the same policy.[7] In addition to these tax credits, up to 7.2 million young adults between the ages of 18 and 34 are eligible for cost-sharing reductions (CSRs).[8]
- Contrary to stereotypes, young adults value health insurance and want to enroll in coverage.[9] More than seven in 10 young adults say it is "very important" that they have health insurance.[10] And prior to the ACA, just five percent of young workers with an offer of employer-sponsored coverage said that they opted not to enroll in their employer's plan because they did not need the coverage, instead citing others reasons such as parental coverage or prohibitive costs.[11]
- A survey conducted prior to the ACA found that 60 percent of young people said that they did not get needed health care because of cost and half reported problems paying medical bills or said they were paying off medical debt over time.[12]

To ensure we continue to build on the ACA's coverage gains, Young Invincibles recommends that Congress take the following policy actions:

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[1] Erin Hemlin, What's Happened to Millennials since the ACA? Unprecedented Coverage & Improved Access to Benefits", Young Invincibles, April 2017, http://younginvincibles.org/wp-content/uploads/2017/05/YI-Health-Care-Brief-2017.pdf
[2] Ibid.
[3] Ibid.
[4] Young Invincibles' analysis of Current Population Survey, Annual Social and Economic Supplement, 2016.
[5] Ibid.
[6] Estimated using Kaiser Health Foundation's Health Insurance Marketplace Calculator, assuming a single 26-year old non-tobacco user.
[7] Ibid; Young Invincibles' analysis of Current Population Survey, Annual Social and Economic Supplement, 2016.
[8] Young Invincibles' analysis of Current Population Survey, Annual Social and Economic Supplement, 2016.
[9] Kaiser Family Foundation. (2013). *Kaiser Health Tracking Poll: June 2013*. Princeton Survey Research Associates International. Retrieved from http://www.kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-june-2013/
[10] Ibid.
[11] S.R. Collins, The Commonwealth Foundation, Covering Young Adults Under the Affordable Care Act, August 2013, 6, http://www.commonwealthfund.org/~/media/Files/Publications/Issue%20Brief/2013/Aug/1701_Collins_covering_young_adults_tracking_brief_final_v4.pdf
[12] S.R. Collins, The Commonwealth Foundation, Young, Uninsured, and in Debt: Why Young Adults Lack Health Insurance and How the Affordable Care Act Is Helping, June 2012, 1, http://www.commonwealthfund.org/~/media/files/publications/issue-brief/2012/jun/1604_collins_young_uninsured_in_debt_v4.pdf

1. Swiftly fund cost-sharing reduction payments through at least 2019;
2. Create a permanent reinsurance program—not high-risk pools;
3. Maintain existing guardrails around Section 1332 waivers;
4. Reverse cuts to marketplace enrollment promotion and consumer assistance—specifically targeting these efforts to reach young adults; and
5. Provide increased financial assistance to maximize young adult enrollment and further stabilize the market.

1. Fund cost-sharing reduction payments through at least 2019.

First, to ensure those already benefitting from the ACA do not see their coverage jeopardized, Congress should make clear that CSR payments will be made by immediately funding the reductions through a mandatory appropriation through at least the end of 2019. Making these payments would reduce uncertainty among consumers and carriers stemming from pending litigation and statements from the Administration about whether these payments will continue to be made. Moreover, these payments are already built into the federal budget baseline and would not require additional spending.[13] By immediately funding CSRs through at least 2019, Congress will avoid increasing consumers' premiums up to 20 percent next year,[14] spur greater competition among insurers in the individual market, and prevent the federal government from absorbing the additional costs associated with financing enrollee's premium tax credits. This funding is crucial not only for consumers currently receiving CSRs, but also for marketplace consumers whose incomes may exceed the threshold to qualify for premium tax credits. This is especially critical for young adults who have seen their net worth drop 56 percent in the last 25 years.[15] Given young adults' lower net worth and incomes, young people are less able to absorb an increase in their out-of-pocket costs or 20 percent increase in premiums. Therefore, if CSR payments are not funded, we could see fewer young adults able to participate in the marketplaces.

2. Create a permanent reinsurance program—not high-risk pools.

Second, to keep premiums down and make coverage more affordable, Congress should create a permanent reinsurance program. National and state-level reinsurance programs have already been shown to significantly reduce premiums, which promotes market stability, insurer participation, and the enrollment of younger, healthier consumers. Under the ACA's temporary reinsurance program, for instance, reinsurance was estimated to have reduced premiums by 10 to 14 percent in 2014.[16] And earlier this year, Governor Walker estimated that consumers in Alaska could see their premiums drop as much as 20 percent next year because of the state's reinsurance program.[17] Reinsurance is not new or unique, nor is it an insurer bailout: for instance, Congress recognized the importance of a permanent reinsurance program when developing the Medicare Part D prescription drug program in 2003.[18] To provide immediate stability to the individual market, we recommend Congress guarantee funding for reinsurance through at least a 2-year mandatory appropriation.

Well-funded and well-designed reinsurance programs will go a long way to helping cover high-cost consumers – a return to state or federal high-risk pools, on the other hand, will not. Historically, high-risk pools have been woefully inadequate at providing affordable, comprehensive coverage to those who need it most and would fail to meet the needs of young people, resulting in higher uninsured rates and

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[13] Paul N. Van de Water, "Providing an Explicit Appropriation for Cost-Sharing Reductions Wouldn't Require a Budgetary Offset," Center on Budget and Policy Priorities (CBPP) blog, April 19, 2017, https://www.cbpp.org/blog/providing-an-explicit-appropriation-for-cost-sharing-reductions-wouldnt-require-a-budgetary

[14] Congressional Budget Office, "The Effects of Terminating Payments for Cost-Sharing Reductions", August 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53009-costsharingreductions.pdf

[15] Tom Allison, "The Financial Health of Young America: Measuring Generational Declines Between Baby Boomers & Millennials", Young Invincibles, January 2017, 11, http://younginvincibles.org/wp-content/uploads/2017/04/FHYA-Final2017-1-1.pdf

[16] American Academy of Actuaries, Using High-Risk Pools to Cover High-Risk Enrollees (2017).

[17] Matt Buxton, Alaska's health insurance premiums to fall by 20 percent with new federal funding, *The Midnight Sun*, July 11, 2017, http://midnightsunak.com/2017/07/11/alaskas-health-insurance-premiums-fall-20-percent-new-federal-funding/

[18] Michael Hiltzik, "As GOP Moves Toward Repeal, A Government Report Shows Obamacare is Working Well," *Los Angeles Times* (Jul. 3, 2017)

subjecting those with pre-existing conditions—which affect up to 35 percent of 18- to 24-year-olds and 46 percent of 25- to 34-year-olds—to a lifetime of struggling to access care.[19]

I know this to be true, because when I was 23, I was diagnosed with Rheumatoid Arthritis. It was 2008, and, in the midst of moving and changing jobs, I was denied coverage on the individual market by multiple insurers due to my chronic condition. The State of Colorado hired me as a contractor, without benefits. It was a great opportunity, particularly in the midst of the Great Recession, but the prospect of going without health coverage was nerve-wracking. I was still fairly early in my diagnosis and trying to figure out the appropriate medications and treatment to control my condition, to prevent more serious health challenges down the road. Colorado's state-run high-risk pool, CoverColorado, which operated prior to the ACA, was the only place I could get covered, so I enrolled. Even with the subsidy I received, my insurance through CoverColorado was expensive. By law, CoverColorado's premiums could be up to 50 percent higher than standard individual market rates.[20] I was also subject to a three-month pre-existing condition exclusion period,[21] which meant that for one-quarter of the time that I was on the plan, I still lacked the coverage I needed. And CoverColorado had a lifetime limit of $1 million.[22]

I was not alone in my experience. In 2008, about 23 percent of CoverColorado enrollees were young adults between the ages of 20 and 39.[23] However, there were also many Coloradans with pre-existing conditions who were left out of our state's previous high-risk pool. At its peak, CoverColorado only served about 14,000 people and accounted for only 3.5 percent of Coloradans in the individual market in 2011.[24] Today, it is estimated that about 753,000 non-elderly Coloradans—nearly 54 times that number, or 22 percent of Colorado's nonelderly population—have a pre-existing condition that could potentially make them eligible for a high-risk pool.[25]

But it is not just health care consumers that come up short under high-risk people schemes; it is the government and taxpayers as well. In a recent interview with *The Denver Post,* former Colorado insurance commissioner Marcy Morrison explained that Colorado regularly struggled to fund the pre-ACA CoverColorado program.[26] And the cost to operate a high-risk pool offering ACA-like coverage and subsidies—where the typical consumer spends between 8 and 10 percent of their income on coverage—would be very expensive: up to $656 billion over 10 years.[27]

3. Maintain existing guardrails around Section 1332 waivers.

As we think about building on coverage gains made by the ACA, we recognize the value and importance of state flexibility in expanding access to coverage. For example, Colorado decided to run its own state-based marketplace and expand its Medicaid program. As a result of these efforts, Colorado has seen a reduction in its uninsured rate from 14.3 percent in 2013 to 6.7 percent in 2015, with young adults seeing the largest gains in coverage.[28] Section 1332 waivers are one way that states can make changes that build upon these types of successes and improve young people's access to quality, affordable health insurance.

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[19] High Risk Pool Ruse, *USA* Today, March 5, 2017, https://www.usatoday.com/story/opinion/2017/03/05/high-risk-pool-ruse-editorials-debates/98681846/; "At Risk: Pre-Existing Conditions Could Affect 1 in 2 Americans." HHS ASPE Brief. p.1. https://aspe.hhs.gov/system/files/ pdf/76376/index.pdf

[20] Robin Baker, Bell Policy Center, Non-Group Insurance: Not a Quick Fix for Health Care, Page 10, (2009).

[21] Blair Miller, "Despite Concerns Over Pre-existing Conditions, Rep. Mike Coffman Leaning Yes on AHCA as Vote Looms," Denver Channel (May 3, 2017).

[22] Ibid.

[23] Robin Baker, Bell Policy Center, Non-Group Insurance: Not a Quick Fix for Health Care, Page 11, (2009).

[24] John Ingold, "High-Risk Pools, A Centerpiece of GOP Health Care Bill, Have a History in Colorado," *The Denver Post* (May 5, 2017); Karen Pollitz, High-Risk Pools for Uninsurable Individuals, Page 4, (2017).

[25] Gary Claxton et al., Pre-existing Conditions and Medical Underwriting in the Individual Insurance Market Prior to the ACA (2016).

[26] "High-risk pools, a centerpiece of GOP health care bill, have a history in Colorado," *The Denver Post*, May 5, 2017, http://www.denverpost.com/2017/05/05/high-risk-pools-ahca-history-colorado/.

[27] Linda Blumberg et al., High-Risk Pools Under the AHCA: How Much Could Coverage Cost Enrollees and the Federal Government?, Page 4, (2017).

[28] "Impacts of the Affordable Care Act," Colorado Health Institute, last updated February 21, 2017, https://www.coloradohealthinstitute.org/research/impacts-affordable-care-act-0

However, amendments to Section 1332 that would change the law's guardrails would harm the most vulnerable young people. We urge Congress not to change the Section 1332 guardrails that require that any waiver proposal provide coverage to at least a comparable number of residents as the ACA, provide coverage that is at least as comprehensive and affordable as the ACA, and not increase the federal deficit.[29] These guardrails are as important as ever in light of recent state waiver proposals that would decimate financial assistance for low-income young adults, like those proposed by Iowa and Oklahoma.[30] Additionally, allowing states to waive essential health benefit requirements, for example, could actually decrease rather than increase young adult enrollment, by reducing or eliminating the services—like maternity and newborn care, mental health and substance use disorder services, and preventive services—that young people use and value the most in their coverage.[31]

4. **Reverse cuts to marketplace enrollment promotion and consumer assistance -- specifically targeting these efforts to reach young adults.**

To bring greater stability to the market and help more young people achieve the financial security associated with having coverage, we recommend boosting enrollment promotion and assistance efforts with additional funds dedicated to targeting young adults. Despite tremendous gains since the passage of the ACA, 11 million young adults remain uninsured.[32] About 6.1 million of these uninsured young adults have incomes that could qualify them for premium tax credits.[33] Of those, approximately 4.2 million of them have incomes that could qualify them for cost-sharing reductions,[34] including over 3 million who may be eligible for insurance plans with deductibles no larger than $250 a year.[35]

Guaranteed CSR payments and a reinsurance program would help bring premiums down for even more young people, but actual enrollment depends on young adults knowing about their options. Many young people remain unaware of premium tax credits or opportunities to enroll in marketplace coverage, with historically too few resources devoted to reaching this population. For example, a report from the Commonwealth Fund found that 19- to 34-year-olds were the least likely group of uninsured adults to know about the insurance marketplaces.[36] This is not surprising: young people are often learning about the health coverage system for the first time in their lives.

The Administration's announcement that they would cut Navigator grants by 41 percent and paid advertising by 90 percent for this upcoming enrollment period goes in the exact wrong direction.[37] Congress should reverse these cuts and direct HHS to administer these resources so as not to limit enrollment,[38] imperil the risk pool, and discourage issuers' future participation in the marketplace. These outcomes would result in higher premiums for consumers and greater costs to the government and taxpayers in future years.

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[29] 42 U.S. Code § 18052(b)(1).
[30] Iowa Insurance Division, Draft: Iowa Stopgap Measure, July 13, 2017, https://iid.iowa.gov/documents/iowa-stopgap-measure; Oklahoma State Department of Health, Oklahoma 1332 Waiver Application, Page 18, August 16, 2017.
[31] How Millennials Use Their Health Insurance, Young Invincibles, August 2016, http://younginvincibles.org/wp-content/uploads/2017/04/how_millenials_use_health_care.pdf
[32] Young Invincibles' analysis of Current Population Survey, Annual Social and Economic Supplement, 2016. Based on raw number of uninsured young adults ages 18 to 34. http://www.census.gov/cps/ data/cpstablecreator.html
[33] Ibid.
[34] Young Invincibles' analysis of Current Population Survey, Annual Social and Economic Supplement, 2016. Based on raw number of uninsured young adults earning between 100 and 250% FPL. http://www.census.gov/cps/ data/cpstablecreator.html
[35] Ibid, Based on raw number of uninsured young adults earning between 100 and 250% FPL; Center for Budget & Policy Priorities, Key Facts You Need to Know: Cost-Sharing Reductions, Page 2, December 3, 2015, http://www.healthreformbeyondthebasics.org/wp-content/uploads/2013/09/KeyFacts_Cost-Sharing-Reductions.pdf
[36] S. R. Collins, M. Z. Gunja, M. M. Doty, and S. Beutel, "Who Are the Remaining Uninsured and Why Haven't They Signed Up for Coverage?", The Commonwealth Fund, August 2016, http://www.commonwealthfund.org/publications/issue-briefs/2016/aug/who-are-the-remaining-uninsured
[37] Amy Goldstein, The Washington Post, Trump officials slash advertising, grants to help Americans get Affordable Care Act insurance, August 31, 2017, https://www.washingtonpost.com/national/health-science/trump-officials-slash-advertising-grants-to-help-americans-get-affordable-care-act-insurance/2017/08/31/e8a45386-8e8f-11e7-84c0-02cc069f2c37_story.html?utm_term=.17f5754f54d3
[38] Pinar Karaca-Mandic, Health Affairs, The Volume Of TV Advertisements During The ACA's First Enrollment Period Was Associated With Increased Insurance Coverage, March 2017

Navigators, consumer assistance programs, and marketplace call centers help bridge inequities in health insurance literacy and ensure that young people understand their options and are able to get covered. And we have seen the value of this assistance in our state-based outreach efforts. For example, recently, someone on our outreach team in Virginia recently met a student in Burke, Virginia who was weeks away from turning 26. She did not understand her options for transitioning off dependent coverage, was unaware of the 60-day special enrollment period, and had no idea she could qualify for premium tax credits. She now plans on making an appointment with Enroll Virginia as her birthday gets closer. Without this additional information, the young woman could have missed her opportunity to enroll. And she's far from alone: due to mixed messages from the Administration and uncertainty in Congress, we have seen that consumer confusion has increased. All of this calls for renewed, targeted outreach and assistance funding that helps provide accurate information to consumers and better ensures that young adults know about their coverage options.

5. **Provide increased financial assistance to maximize young adult enrollment and further stabilize the market.**

To achieve our shared goal of boosting young adult enrollment and further stabilizing the individual market, Congress should do more to further reduce young adults' premium costs to help more of them afford coverage. One proposal suggests a boost in financial assistance by an additional $50 a month for young adults. This would result in an additional 900,000 insured young adults at a less than $3.7 billion a year price tag to the federal government.[39]

Another way to lower costs for young people is to lower the premium affordability threshold for young adults. This would result in greater financial assistance for young people based on their incomes and account for, as the ACA currently does, premium variation in markets across the country. Boosting young adult enrollment in the marketplaces will not only help young people, but can help reduce premiums for marketplace consumers more broadly.[40] Lowering the affordability threshold would help make plans more accessible to the lowest income young people in the highest cost markets, ultimately bringing down costs for all consumers. We are currently analyzing the full impact on coverage, premiums, and cost that such a proposal would have.

As Congress considers ways to bring premiums down, we would caution that bringing premiums down by increasing out-of-pocket costs may do very little to help young people afford care. Very high-deductible or catastrophic plans will further expose our cash-strapped generation to financial insecurity that most cannot afford. Enrollment trends show little appetite for skinny plans, with young people opting overwhelmingly for more comprehensive coverage, not less.[41] In 2015, 77 percent of young adults ages 18 to 34 in Healthcare.gov states chose a Silver-level plan or higher, with only 21 percent selecting a Bronze plan and 3 percent in a catastrophic plan.[42] Perhaps surprising to some, a recent survey found that young adults were nearly 40 percent more likely to indicate that they would prefer a plan with a higher monthly premium and a lower deductible as compared with adults 50 and over.[43] This is particularly true for low- and middle-income consumers; the survey found just 39 percent of those earning under $50,000 a year preferred a low premium, high-deductible plan, compared to 52 percent of people making over $50,000.[44]

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[39] C. Eibner & E. Saltzman, The Commonwealth Fund, Insuring Younger Adults Through the ACA's Marketplaces: Options to Expand Enrollment, December 16, 2016, http://www.commonwealthfund.org/publications/blog/2016/dec/insuring-younger-adults
[40] Ibid.
[41] ASPE Issue Brief, "Health Insurance Marketplace 2015 Open Enrollment Period: March Enrollment Report," 30-31, https://aspe.hhs.gov/system/files/pdf/83656/ib_2015mar_enrollment.pdf
[42] Ibid.
[43] Jay McDonald, Bankrate, How bad is shopping for health insurance?, December 2, 2014, http://www.bankrate.com/finance/insurance/health-insurance-poll-1114.aspx
[44] Ibid.

While so-called “copper plans” or similar proposals would certainly reduce premiums,[45] deductibles for these policies would be around $9,000,[46] even while a recent analysis of consumer finance data found that, for young people, an extraordinary medical payment amounted to $1,406.[47] Furthermore, the typical young adults’ net worth is just $10,900,[48] and the median income for an uninsured young worker is just $20,000 a year.[49] In the event of a health care emergency, these types of policies would require a young person to spend nearly nearly all of their net worth—or half the annual income of a typical uninsured young worker—to even meet their deductible.. Even if such a plan were coupled with a Health Savings Account, the typical uninsured young person would have to save $632 a month to avoid facing an extraordinary medical payment just to meet a copper plan deductible.[50] Young people may determine that a plan offering them such little in value is not worth the cost and forego coverage altogether.

Millions of young people are accessing coverage for the first time and millions more are benefitting from the law’s benefit standards and consumer protections, enabling them to live independent, productive lives without fear of experiencing a health emergency and devastating financial loss. We hope Republicans and Democrats will follow this Committee’s lead and work together to bring greater stability to the health care system and make meaningful changes to the law to meet the needs of young people across the country. Thank you for the opportunity to speak with you today. I look forward to taking your questions.

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[45] Caroline Pearson, Avalere Health, Avalere Analysis: ‘Copper Plan’ Alternative Would Lower Premiums 18%, August 20, 2014, http://avalere.com/expertise/managed-care/insights/avalere-analysis-copper-plan-alternative-would-lower-premiums-18

[46] Ezra Klein, Vox.com, 7 Democrats have a plan to make Obamacare cheaper. Here’s how., October 28, 2014, https://www.vox.com/2014/10/28/7083343/obamacare-copper-plans-explained

[47] Farrell, Diana and Greig, Fiona. “Coping with Medical Costs through Life.” JPMorgan Chase Institute, 2017

[48] Tom Allison, “The Financial Health of Young America: Measuring Generational Declines Between Baby Boomers & Millennials”, Young Invincibles, January 2017, Page 11, http://younginvincibles.org/wp-content/uploads/2017/04/FHYA-Final2017-1-1.pdf

[49] Young Invincibles’ analysis of Current Population Survey, Annual Social and Economic Supplement, 2016.

[50] Ibid.; Farrell, Diana and Greig, Fiona. “Coping with Medical Costs through Life.” JPMorgan Chase Institute, 2017