AMA
AMERICAN MEDICAL ASSOCIATION

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The Honorable Orrin G. Hatch
Chairman
Senate Committee on Finance
219 Senate Dirksen Office Building
Washington, DC 20510

Dear Chairman Hatch:

On behalf of the physician and medical student members of the American Medical Association (AMA), I am writing in response to your letter dated May 12, 2017, inviting comments and recommendations from key stakeholders to help inform the Senate's deliberations on changes to the Affordable Care Act (ACA). We very much appreciate your outreach.

The AMA has long advocated for health insurance coverage for all Americans. Our policy positions are guided by the actions of the AMA House of Delegates, composed of representatives of more than 190 state and national specialty medical associations, and they form the basis for AMA consideration of health care system reforms. We know from research studies that individuals without health insurance coverage live sicker and die younger. Without health insurance coverage, many people often put off seeking medical treatment until conditions that might have been easily treatable turn into major medical problems or worse, become untreatable. While we agree that there are problems with the current health care system that must be addressed, the AMA continues to support the important goal of making high-quality, affordable health insurance coverage accessible to all Americans, regardless of their health care status or economic situation.

Earlier this year, the AMA put forward our vision for health reform consisting of a number of key elements reflecting AMA policy. Throughout the current debate we have consistently recommended that any proposals to replace portions of the current law should pay special attention to ensure that individuals currently covered do not become uninsured. Proposals should maintain key insurance market reforms, such as coverage for pre-existing conditions, guaranteed issue, and parental coverage for young adults as well as stabilize and strengthen the individual insurance market; ensure that low- and moderate-income patients are able to secure affordable and meaningful coverage; and guarantee that Medicaid, the Children's Health Insurance Program, and other safety net programs are adequately funded. Moreover, we believe that the health care system can be further strengthened by reducing regulatory burdens that detract from patient care and increase costs and by providing greater cost transparency throughout the health care system. We offer for your consideration more detailed recommendations below.

Health Insurance Affordability

The AMA has long supported advanceable, refundable tax credits as a preferred method for assisting individuals in obtaining private health care coverage. As millions of Americans have enrolled in coverage offered through health insurance exchanges, progress has been made by covering the uninsured

and expanding access to affordable, quality health care. However, for many Americans, premiums and cost-sharing are too high. Many individuals, particularly those with incomes that qualify for little or no premium subsidization, have difficulty affording their coverage, and premiums for some individuals already eligible for premium tax credits still may be too high to incentivize them to get covered. While those for whom costs exceed a set percentage of income are exempt from penalties for failure to secure coverage, they are nonetheless negatively impacted by their inability to afford coverage. Moreover, we remain concerned that patients enrolled in plans with high deductibles and other cost-sharing requirements may have difficulty affording the care they need, which can result in them avoiding or delaying needed care. There may be roles for benefit design, as well as the use of health savings accounts (HSAs), to support patients in affording and accessing necessary and timely care.

Most importantly, we believe that the overall structure of premium tax credits as provided under current law should be maintained. Tax credits should be refundable, advanceable, inversely related to income, and large enough to purchase quality, meaningful coverage. Providing and targeting financial assistance toward those who need it the most has the most positive impact on insurance take-up rates. Tax credits that vary by age, but not income, would likely be too small to make adequate coverage affordable for low- and middle-income individuals, leaving them uninsured. We also believe that tax credits inversely related to income are a more efficient use of taxpayer resources.

We offer the following additional options for addressing health insurance affordability:

- Fund the cost-sharing reductions (CSRs) for 2017 and 2018. Cost-sharing subsidies are necessary not only to make health care services affordable for individuals with low incomes, but to stabilize the individual health insurance marketplace.
- Provide young adults (ages 19-30) with enhanced tax credits—e.g., $50 per month—while maintaining the current premium tax credit structure which is inversely related to income. Smaller amounts could be provided to individuals between ages 30-35. Providing enhanced tax credits to young adults would improve health insurance coverage rates for this population as well as help balance the individual market risk pools.
- Fix the ACA's "family glitch," which denies premium and cost-sharing subsidies to purchase coverage on health insurance exchanges to families facing high-cost employer-sponsored insurance when one family member has access to affordable employee-only coverage, ignoring the cost of family coverage. A significant percentage of affected employees and their families are under the age of 35. As a result, in addition to providing more individuals and families with access to affordable coverage, fixing the "family glitch" could help balance the individual market risk pools.
- To address problems of high deductibles and cost-sharing for individuals with incomes above 250 percent of federal poverty level (FPL), consider modestly funding HSAs. Many individuals eligible for premium tax credits, but not cost-sharing subsidies, are having difficulties in affording the cost-sharing requirements of the plans in which they have enrolled.
- Create demonstration projects to allow individuals eligible for cost-sharing subsidies—who forego these subsidies by enrolling in a bronze plan—to have access to a pre-funded HSA in an amount determined to be equivalent to the cost-sharing subsidy they would have received if they had enrolled in a silver plan. Therefore, in cases when individuals forego cost-sharing subsidies by enrolling in a bronze plan, they would have some contributions in their HSAs to help finance the medical care they need. Unspent HSA funds would roll over from year to year, creating greater protection against high deductibles.

- Lower the cap on premiums for the second lowest cost silver plan for the highest incomes eligible for premium tax credits (for example, from 9.69 percent to 8.5 percent of household income), and lower premium caps for lower incomes accordingly. Lowering premiums for individuals eligible for premium tax credits would serve as a greater incentive to this population becoming and remaining insured.

Stabilizing the Individual Market

As mentioned above, the AMA believes Congress and the Administration should remove uncertainty about continued funding for CSRs. This is critical not only to help maintain affordability, but also to stabilize the individual market. Nearly 60 percent of all individuals who purchase coverage through the marketplace—seven million people—receive assistance to reduce deductibles, co-payments, and/or out-of-pocket limits through CSR payments to insurers. If these subsidy payments cease, it will be considered a breach of contract and insurers would be able to withdraw from the market immediately to avoid financial losses, leaving their enrollees with no coverage. One of the most significant ways that Congress can help to stabilize the individual market is to ensure the continued funding of the CSRs.

Another way to stabilize the individual market is to create risk adjustment and reinsurance programs to account for high-risk/high cost patients enrolled in marketplace plans to protect against premium increases. There has been much debate recently about high-risk pools. If high-risk pools are an element of the Senate's plan, they must be adequately funded, without waiting periods or exclusions for individuals with pre-existing conditions, premiums and deductibles must be affordable, and there should be no annual or lifetime limits on benefits. We believe, however, that risk adjustment and reinsurance are a more efficient use of government funds to advance affordability and coverage goals.

Protecting the Medicaid Safety Net

Millions of Americans have gained coverage through the Medicaid expansion under the ACA, many for the first time. It is important to keep in mind that the ACA's heavy reliance on Medicaid as a coverage option for low-income individuals is because it is a more efficient use of resources than subsidized private market coverage. Without access to Medicaid, these individuals would be uninsured. Medicaid expansion has provided access to critical services, including mental health and substance abuse treatment related to the ongoing opioid misuse and addiction crisis. Any changes to the Medicaid program must ensure that those who have benefited continue to have the ability to obtain quality, affordable coverage. We also recommend allowing non-expansion states the option of expanding their Medicaid programs for individuals up to 100 percent FPL versus 138 percent FPL, which would provide coverage for adults caught in the coverage gap.

Beyond the expansion, the underlying structure of existing Medicaid financing ensures that states are able to react to economically driven changes in enrollment, as well as increased health care needs driven by external factors, including natural disasters, epidemics, or break-through treatments for serious medical conditions, such as hepatitis C. The AMA has long supported state flexibility in the Medicaid programs so that states may pursue innovations that improve care for patients with low incomes in ways that best meet each state's unique needs. Changes to the program, however, such as through per capita caps or block grants, will likely limit the ability of states to respond to increased demand for certain services and force states to limit coverage and increase the number of uninsured. Changes to the financing of

Medicaid must guarantee it maintains its indispensable role as a dependable safety net able to respond quickly to changing circumstances.

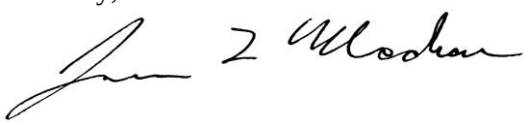
Any new Medicaid proposals must also ensure that quality coverage remains available and affordable for Medicaid beneficiaries and those state governments that chose to accept enhanced federal funding are not disadvantaged in their efforts to improve and maintain the health of their citizens.

Within those parameters, we offer the following recommendations on potential Medicaid reforms:

- Allow states the freedom to develop and test different models for covering low-income residents, including the use of premium subsidies for non-disabled and non-elderly Medicaid beneficiaries that can be used to purchase comparable private insurance with little or no cost-sharing.
- Authorize joint waivers under sections 1115/1332 to allow Medicaid to subsidize broader state coverage innovations.
- Encourage states to decrease the administrative burdens of public insurance programs and utilize new payment incentive arrangements that promote practice efficiency and the provision of high quality and proven cost-effective care.
- Encourage states to develop and test alternatives without incurring new and costly unfunded federal mandates or capping federal funds.

In conclusion, the AMA stands ready to work with you and your Senate colleagues on a bipartisan basis to address the shortcomings of the existing health care system and ensure that health insurance coverage is available and affordable for every individual and family in the nation. Thank you again for the opportunity to provide our recommendations.

Sincerely,



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