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Key BCBSA Recommendations for the American Health Care Act

The Blue Cross Blue Shield Association (BCBSA) believes Americans are best served by a competitive, private health insurance market that offers consumers the choices they want at a price they can afford. Further, healthcare coverage must be accessible to as many Americans as possible, just with more choices and better prices.

We support key provisions in the bill, in particular those that stabilize the market during the 2018 and 2019 transition period. Specifically, we urge the House to maintain the following provisions which will go a long way toward keeping premiums stable and allowing people to keep their coverage:

- Allowing premiums to vary to encourage better prices for young people;
- Providing for a smooth transition for consumers by dedicating funding for high-risk individuals in 2018 and 2019; and
- Repealing the Health Insurance Tax which would have raised premiums by 3% in 2018.

BCBSA recommends changes to several provisions:

Put in place additional market stabilizers at the same time as the effective date for repeal of the individual mandate: The bill eliminates the individual mandate penalty upon enactment, prior to putting in place a package of adequate market stabilizers such as funding for individuals with high-cost conditions, financial incentives for young people, and strong incentives for people to stay continuously covered.

- ***BCBSA Recommendation:*** Ensure adequate market stabilizers are in effect in 2017 in order to keep premiums from rising.

Establish adequate continuous coverage incentives and return authority for the small group market to the states: The bill includes a federally-mandated late enrollment surcharge in 2019 that is in effect for one year only. This is likely to discourage healthy people from signing up. Instead, people that need medical care most will sign up, raising premiums and lowering the number of people covered. The bill also establishes a late enrollment surcharge for the small group market.

- ***BCBSA Recommendation:*** Give states flexibility to adopt a 6-month Medicare-like waiting period or other incentives for continuous coverage that work best in their state. Eliminate the late

enrollment penalty for small group coverage, and return authority for the small group market to the states.

Establish a tax credit to purchase health insurance that is age, income and premium adjusted in 2020: The flat tax credit which is adjusted by age, but not by income or premium, does not give healthy people enough incentive to stay in the market, especially in the absence of an individual mandate. It also adversely impacts older Americans, people with lower incomes and people in higher cost states. Moreover, the flat tax credit becomes less valuable over time. It is important that the tax credit for 2020 creates a market that enables people to get the coverage they need at a price they can afford.

- ***BCBSA Recommendation:*** The tax credit to purchase health insurance coverage should be tied to income and the cost of coverage, in addition to age, in order to provide adequate assistance to older and lower income Americans. We look forward to working with Congress to create a stable and affordable private market.

Create a Patient and State Stability Fund that is dedicated to covering the cost of people with significant medical needs after 2019: We support returning authority and flexibility to the states, but it is important to have dedicated funding to offset costs for high-risk individuals. As written, the bill allows states to use these funds for any number of initiatives. We are also concerned that states with already stretched budgets will not be able to take advantage of the full federal match.

- ***BCBSA Recommendation:*** Dedicate federal funding to offset the cost of individuals in need of significant medical care after 2020 and eliminate the up-front state match requirement. Increase funding to help individuals with out of pocket costs, such as deductibles.

Adjust Medicaid funding after 2020: Starting in 2020, the bill implements per capita caps in Medicaid, increasing in future years using the medical care component of the consumer price index. In addition, the bill provides \$10 billion over five years to non-expansion states for safety net funding.

- ***BCBSA Recommendation:*** Ensure that Medicaid growth rates reflect increases in the prices for medical care, growth in the volume and intensity of services per person and demographic effects such as the aging of the population, so that states can properly invest in Medicaid improvements such as adoption of managed care.