

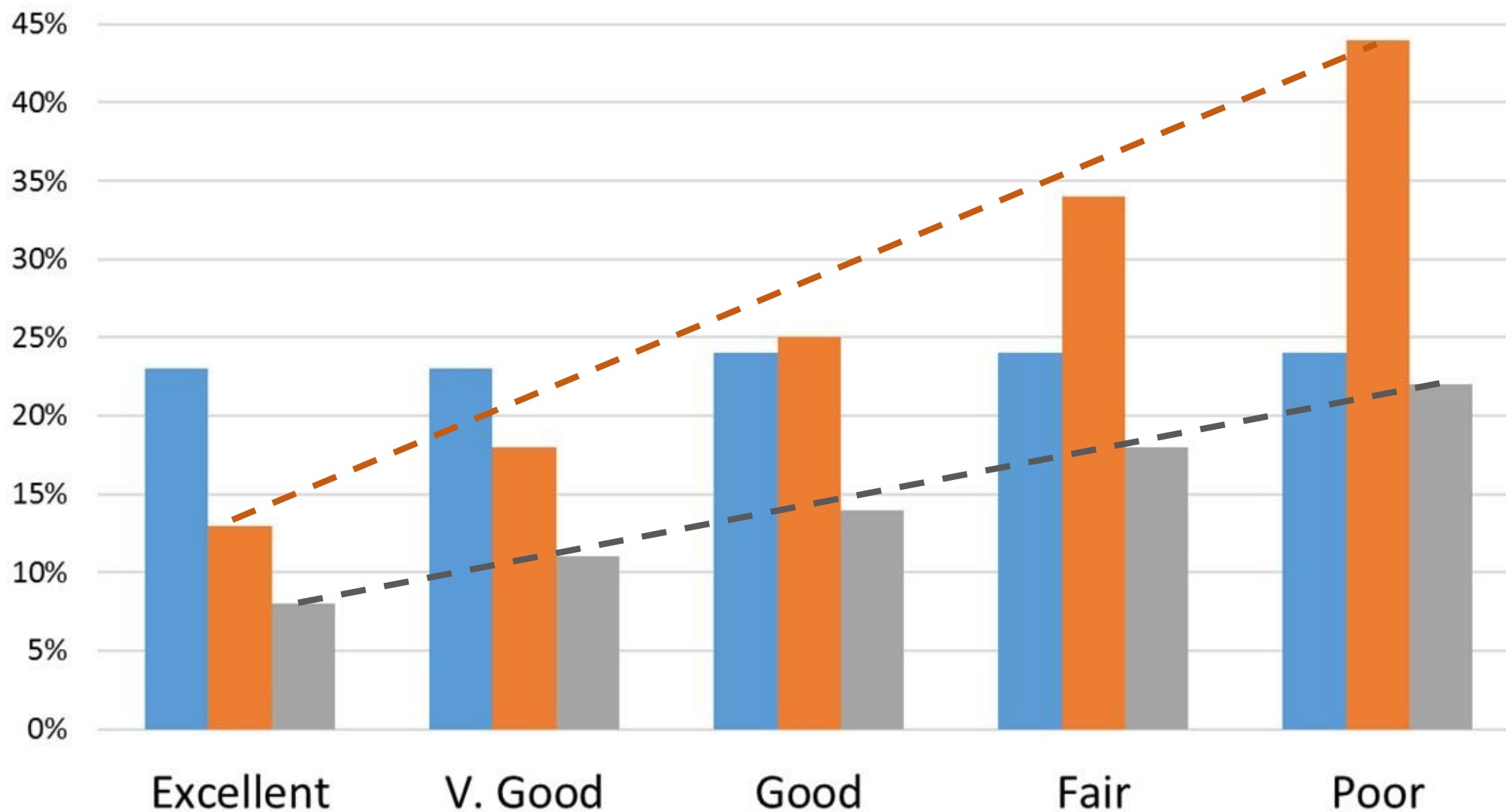
How to Make Health Insurance More Affordable & Secure



@mfcannon

CATO
INSTITUTE

28yo Males Uninsured after 1yr, by Coverage Source & Health Status



Source: Mark Pauly and Robert Lieberthal, "How Risky Is Individual Health Insurance?", *Health Affairs*, 2008.

ACA Rations Care for Pre-Ex Conditions

- 10-month closed-enrollment (i.e., rationing) period

When Jeanne Balvin had emergency surgery for diverticulitis in June 2017, her short-term health insurance plan—a policy she bought instead of more comprehensive insurance—covered most of the bills after she paid a \$2,500 deductible.

But when she landed back in the hospital with an abdominal infection a few weeks later, she says her insurance company, UnitedHealthcare, wouldn't cover the charges—and then canceled the three-month policy she had just renewed.

UnitedHealthcare said the infection was a pre-existing condition related to the diverticulitis and wouldn't be covered under terms of the contract. And when Balvin, 61, was hospitalized a third time at the end of July—this time for a blood clot probably caused by inactivity following the hospitalizations—she had no insurance at all, leaving her with \$97,000 in hospital bills.

ACA Rations Care for Pre-Ex Conditions

- Penalizes high-quality coverage
 - Infertility: \$15,000/patient
 - Multiple sclerosis: \$14,000/patient
 - Substance abuse: \$6,000/patient
 - Diabetes insipidus/hemophilia A: \$5,000/patient
 - Severe acne: \$4,000/patient
 - Nerve pain: \$3,000/patient

ACA Rations Care for Pre-Ex Conditions

- Rationing by formulary:
 - Exchange plans “are ten times more likely than employer plans to require prior authorization or step therapy for a generic, and are about twice as likely to not cover a generic on their formulary.”
(Geruso, Layton, and Prinz, 2017)
- Rationing by network, etc.

ACA Rations Care for Pre-Ex Conditions

- Affects all enrollees
 - “healthy consumers cannot be adequately insured against the negative shock of transitioning to one of the poorly covered chronic disease states.” (Geruso, Layton, and Prinz, 2017)
 - “completely undermines the goal of the ACA.” (I Am Essential coalition of 150 patient groups, 2016)

Is Obamacare Harming Quality? (Part 1)

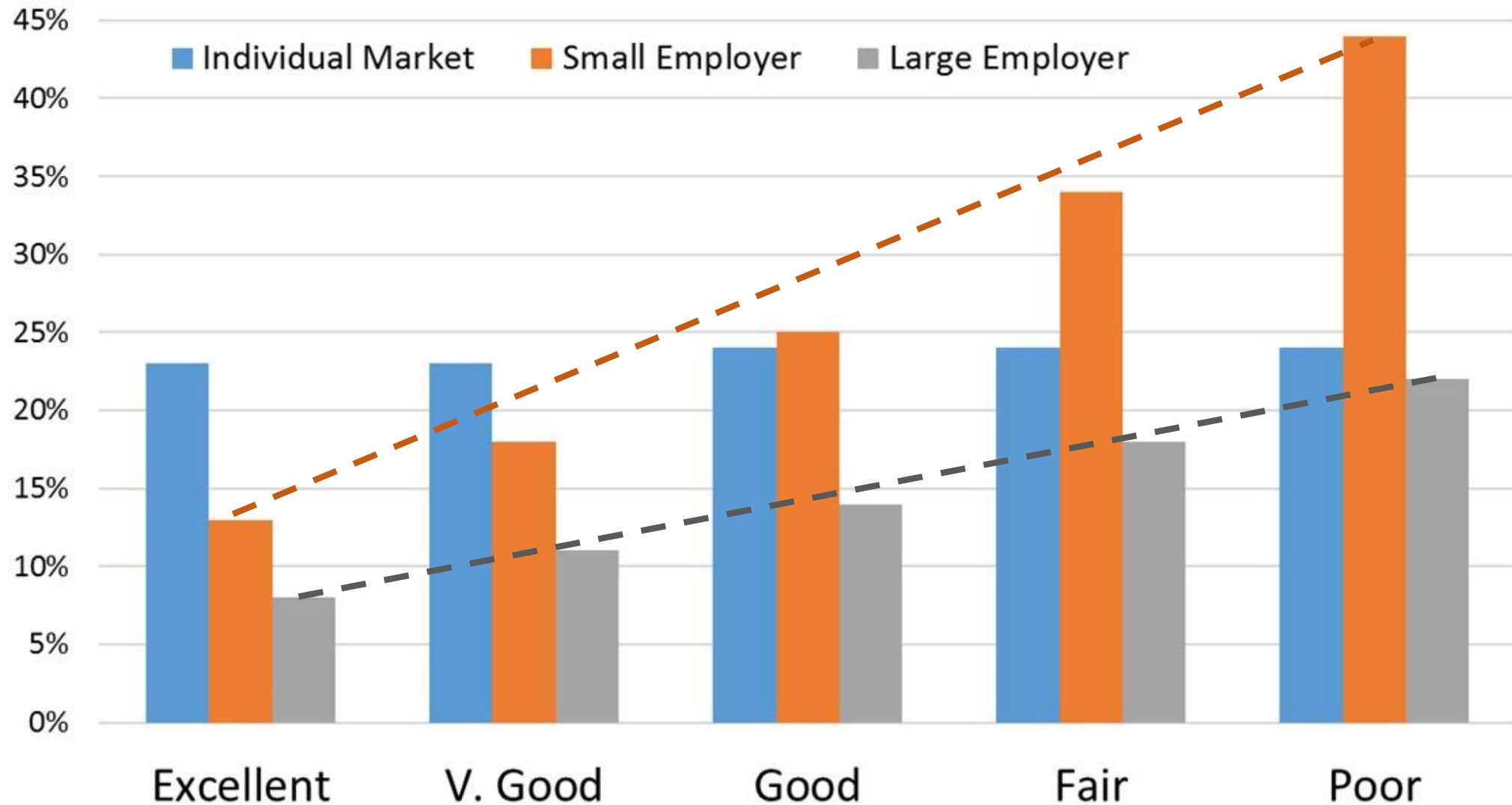
Michael F. Cannon

JANUARY 4, 2018

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28yo Males Uninsured after 1yr, by Coverage Source & Health Status (2000-2004)



Source: Mark Pauly and Robert Lieberthal, "How Risky Is Individual Health Insurance?", *Health Affairs*, 2008.

Public Supports New Federal Rules Allowing Short-Term Health Insurance Plans Even When Trade-Offs are Considered

Q: Do you favor or oppose new federal rules that would allow consumers to purchase health insurance that costs 50 percent less than current plans, offers more choice of hospitals and doctors than current plans, and would cover 2 million more uninsured people?

Q. Follow-up: What if this meant [INSERT] then would you favor or oppose new federal rules that would allow consumers to purchase health insurance that costs 50 percent less than current plans, offers more choice of hospitals and doctors than current plans, and covers 2 million more uninsured people?

How Support for New Federal Health Insurance Rules Changes When Confronted With Potential Costs

Support For New Federal Rules When No Costs
Mentioned



What if this meant...

18%

...If People Purchased Plans that Covered Fewer
Services than Current ACA-Plans



31%

...If Premiums Increased for Some Consumers Who
Purchase Plans on the Individual Market



35%

Note: Cost questions asked of half samples

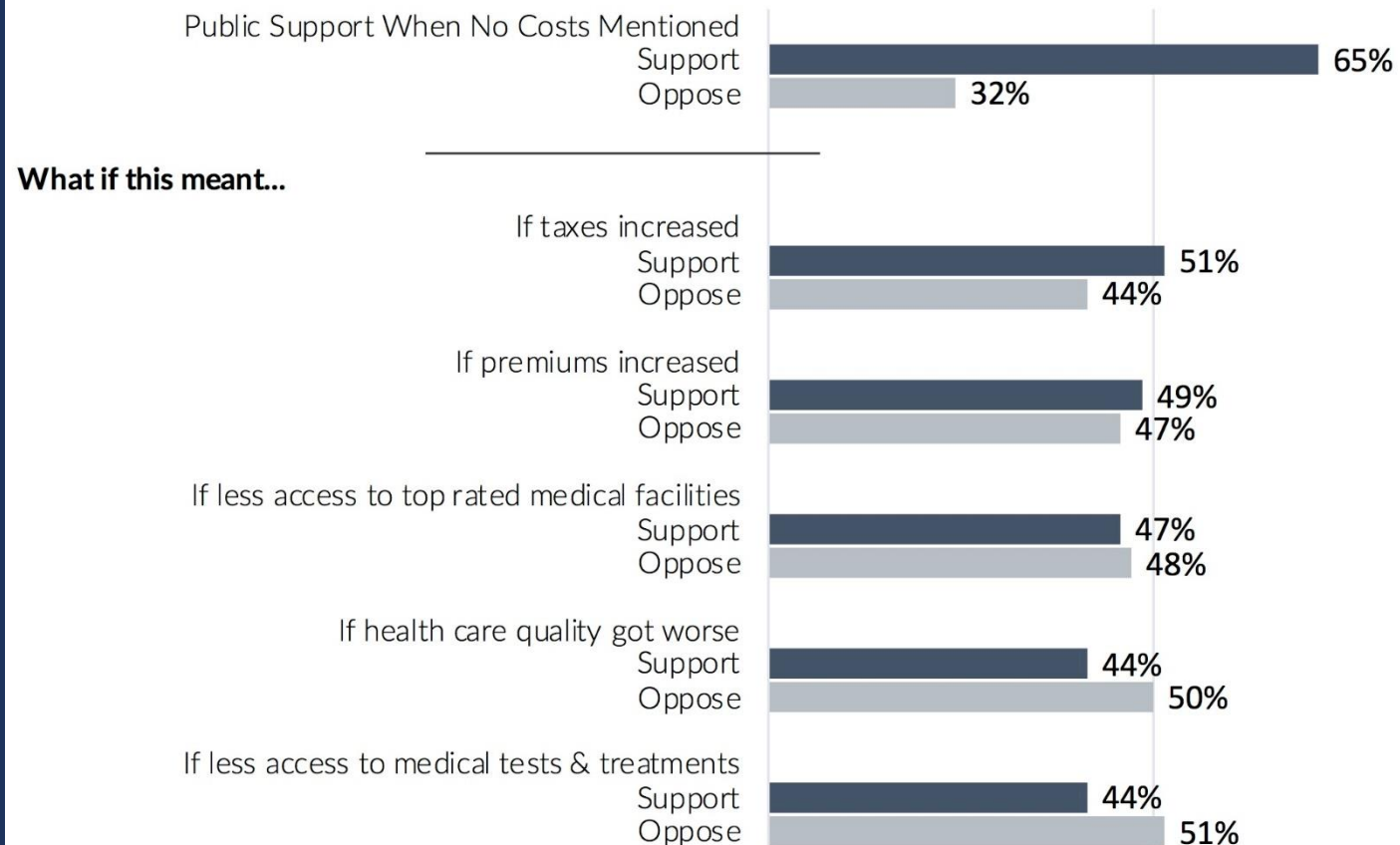
SOURCE: CATO 2018 HEALTH CARE SURVEY

Public Support Drops for Pre-Existing Conditions Regulations When Trade-Offs Are Considered

Q. Do you favor or oppose provisions in the Affordable Care Act, or Obamacare, that prohibit health insurance companies from refusing to cover, or from charging higher premiums to people with pre-existing conditions?

Q. Follow-up: What if this meant [INSERT], then would you favor or oppose prohibiting health insurance companies from refusing to cover, or from charging higher premiums to people with pre-existing conditions?

How Support for Pre-existing Conditions Regulations Changes When Confronted With Potential Costs



Note: Cost questions asked of partial samples

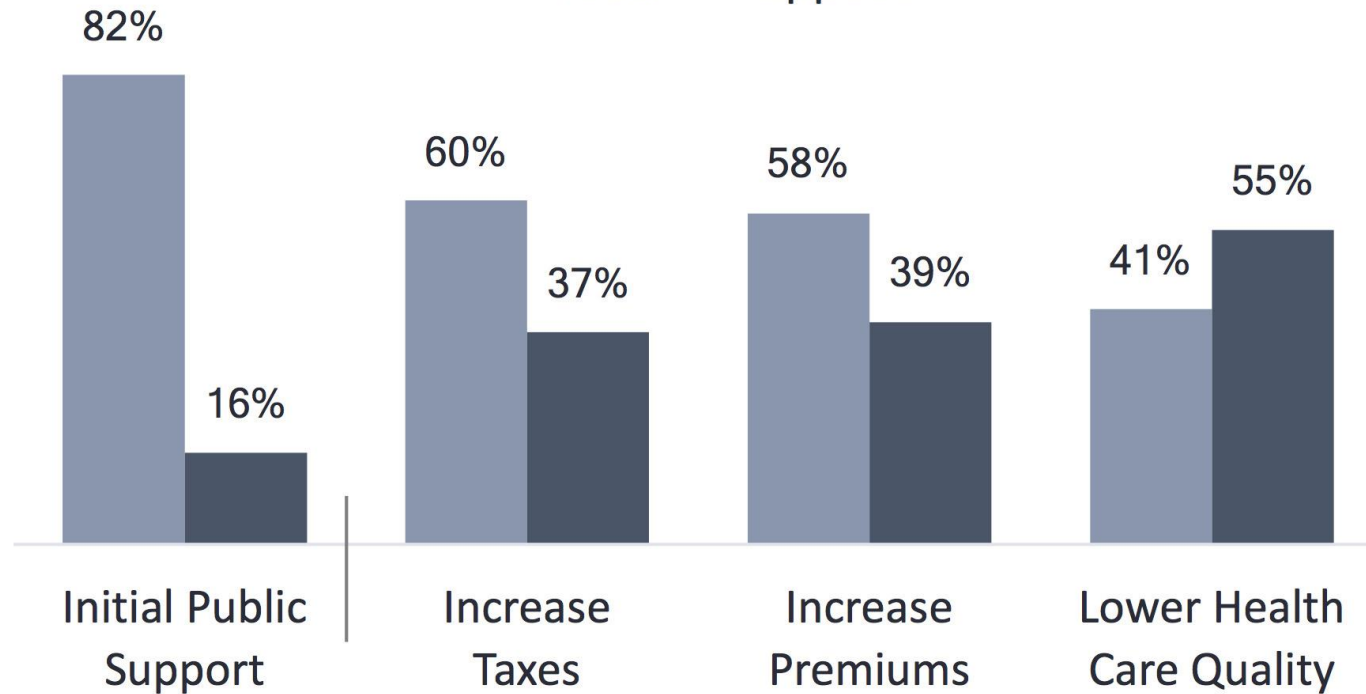
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Support for ACA's Community-Rating Provision Among Democrats

■ Favor ■ Oppose



(5) Individual health insurance coverage

The term “individual health insurance coverage” means health insurance coverage offered to individuals in the individual market, but does not include short-term limited duration insurance.

Short-Term Limited Duration Insurance

- Exempt from all PHSA health insurance regulations
- “Short-term limited duration” statutorily undefined
 - 1996-2016: < 12 mos.
 - 2016-2018: < 3 mos.
 - 2018: Initial contract < 12 mos.; renewals up to 36 mos.; renewal guarantees across consecutive plans
- Some states limiting/banning, some expanding

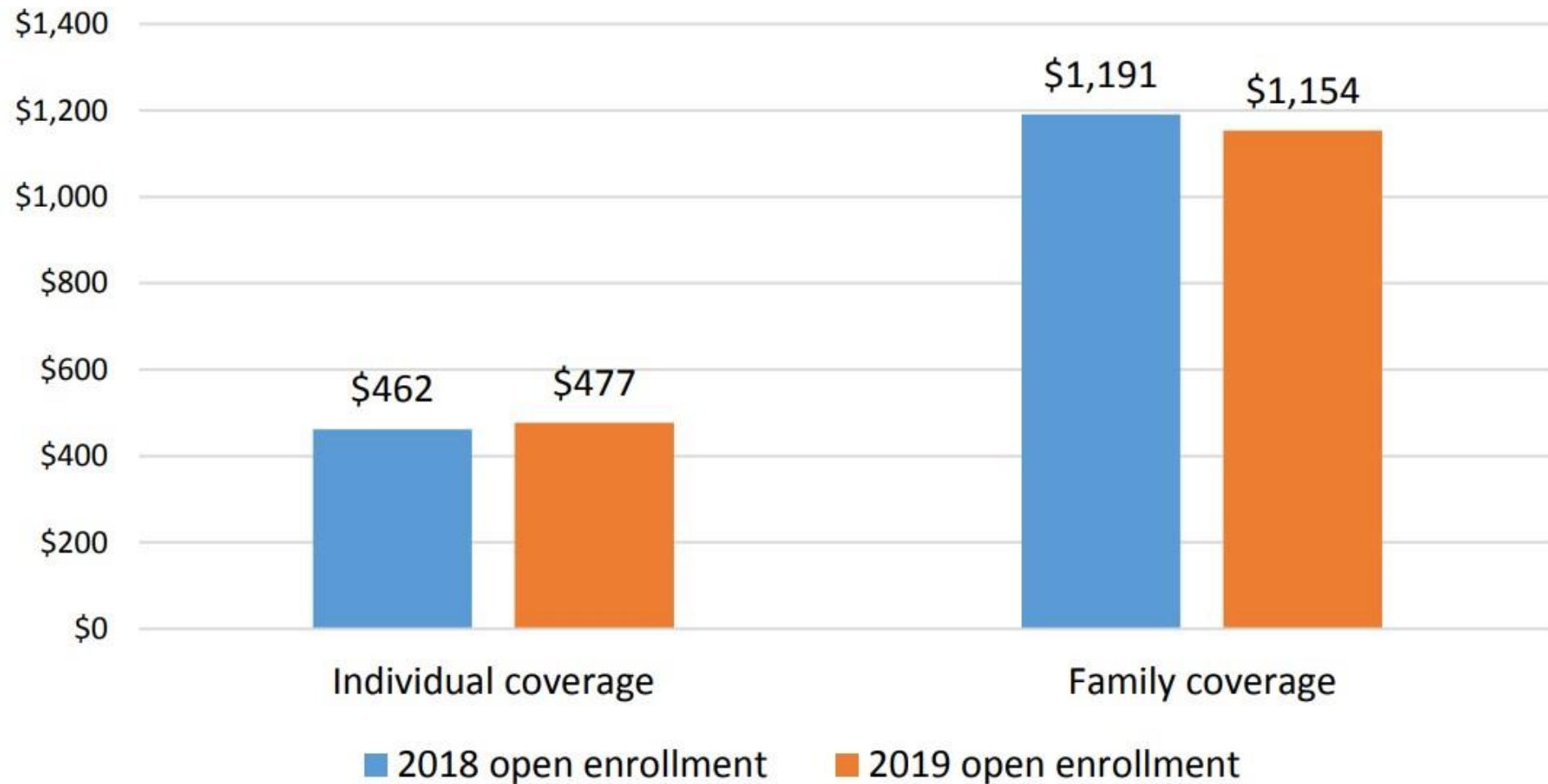
Benefits of STLDI

- 1) Lower premiums
- 2) Flexible coverage, conscience protections
- 3) Purchase any time of year
- 4) Better coverage/incentives than ACA “protections”
- 5) Limits & bans ration care for preexisting conditions
- 6) Doesn’t take ACA coverage or “protections” away
- 7) Can reduce ACA premiums (guaranteed renewability)
- 8) More popular than ACA preexisting-conditions provisions

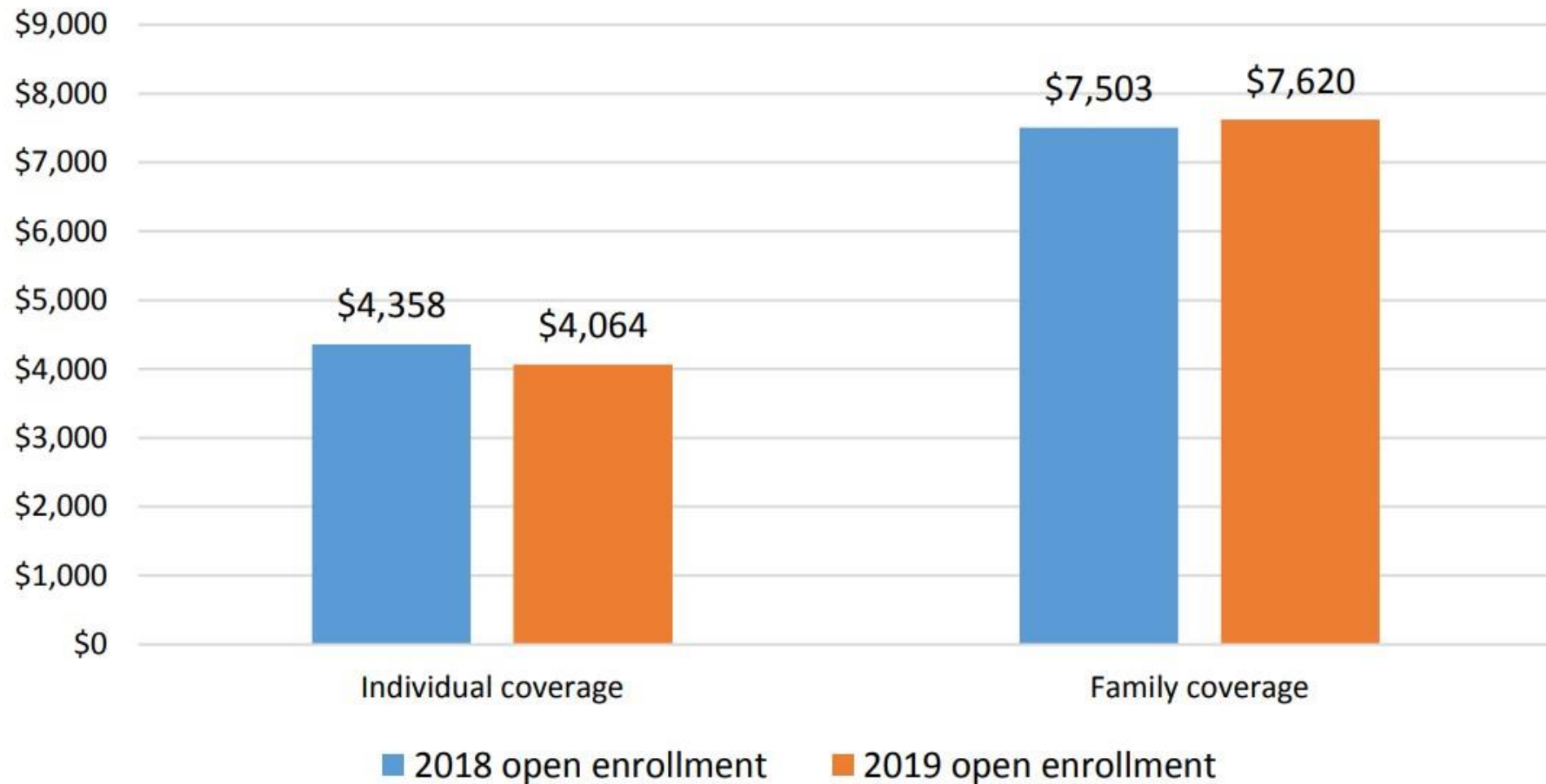
Lower Premiums/Flexible Coverage



ACA Coverage - Average Monthly Premium



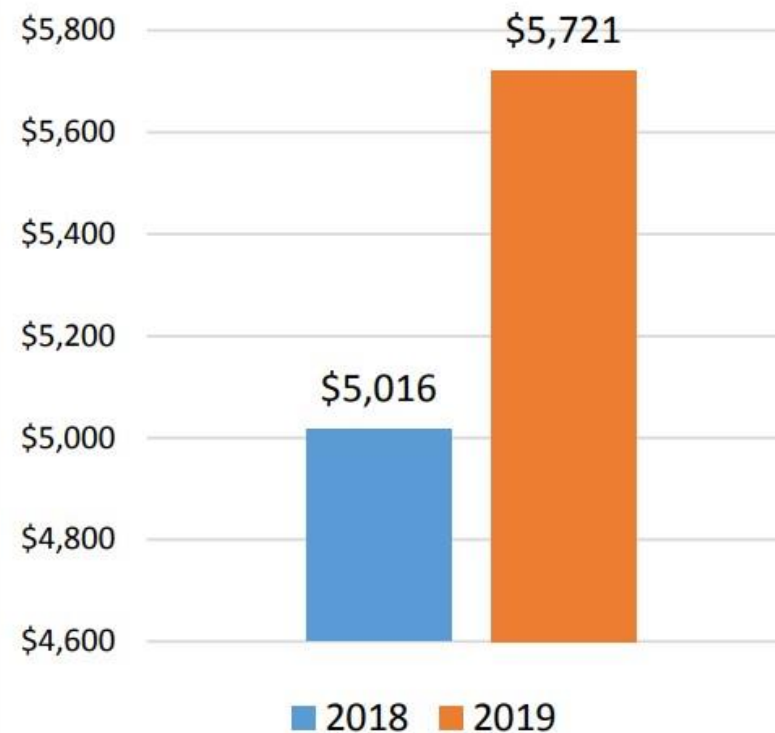
ACA Coverage - Average Annual Deductible



Short-Term Coverage -
Average Individual Premium



Short-Term Coverage -
Average Individual Deductible



Limiting STLDI rations care for
preexisting conditions



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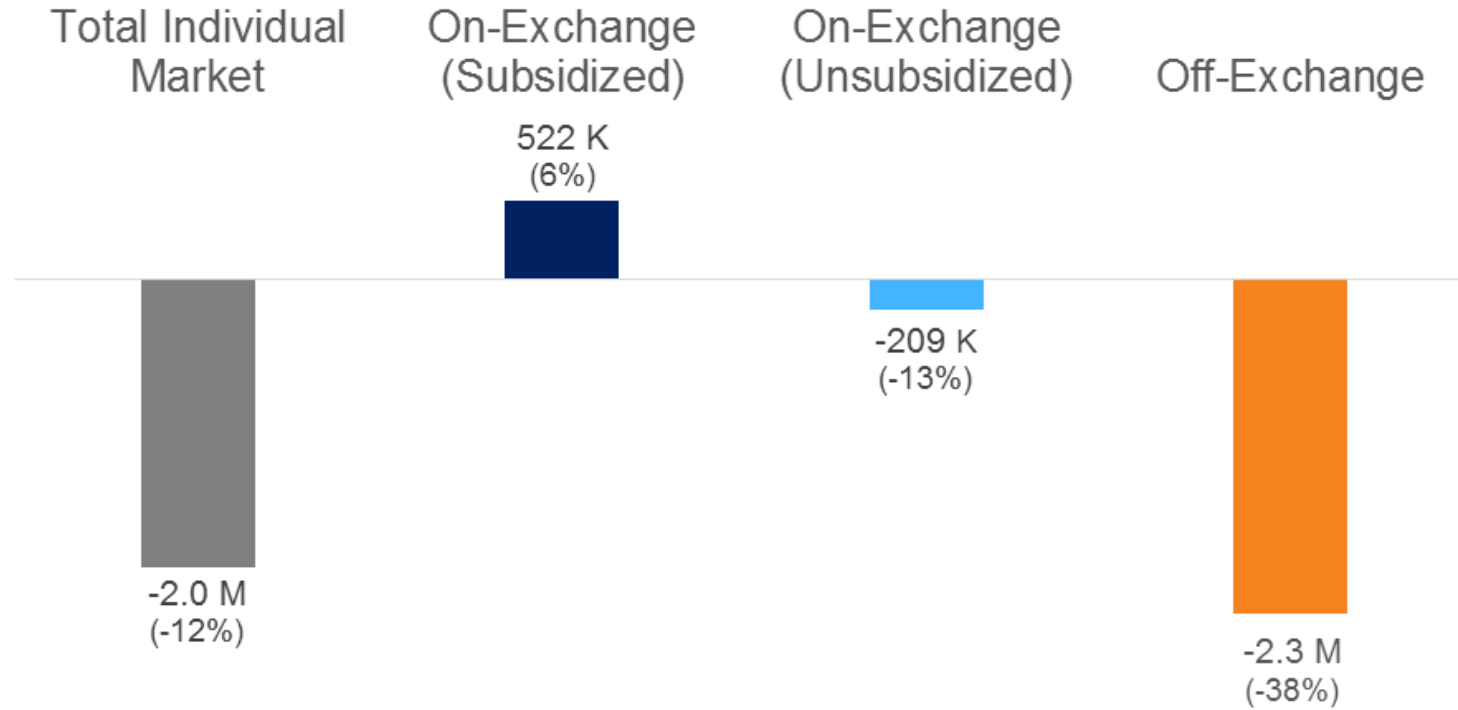
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More popular than ACA preexisting-
conditions provisions



Figure 3

Change in Q1 Enrollment, 2017 - 2018



Source: Kaiser Family Foundation analysis of data from Mark Farrah Associates Health Coverage Portal TM
Note: Off-exchange enrollment includes both ACA compliant and non-compliant plans. Change from 2017 – 2018 is the change in first quarter enrollment.

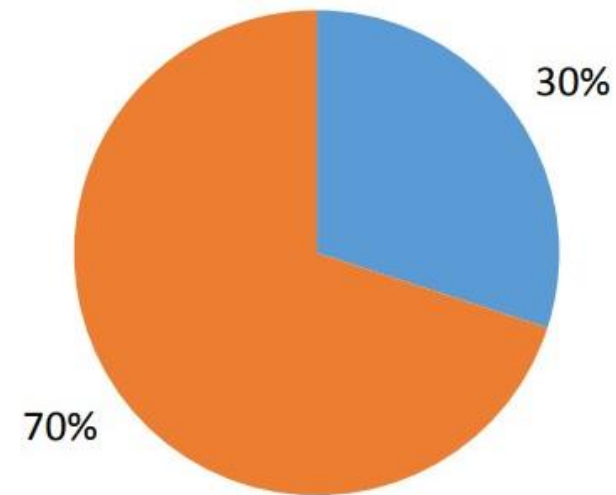


2017: People selecting short-term vs unsubsidized ACA coverage¹



■ ACA coverage ■ Short-term coverage

2018: People selecting short-term vs unsubsidized ACA coverage¹



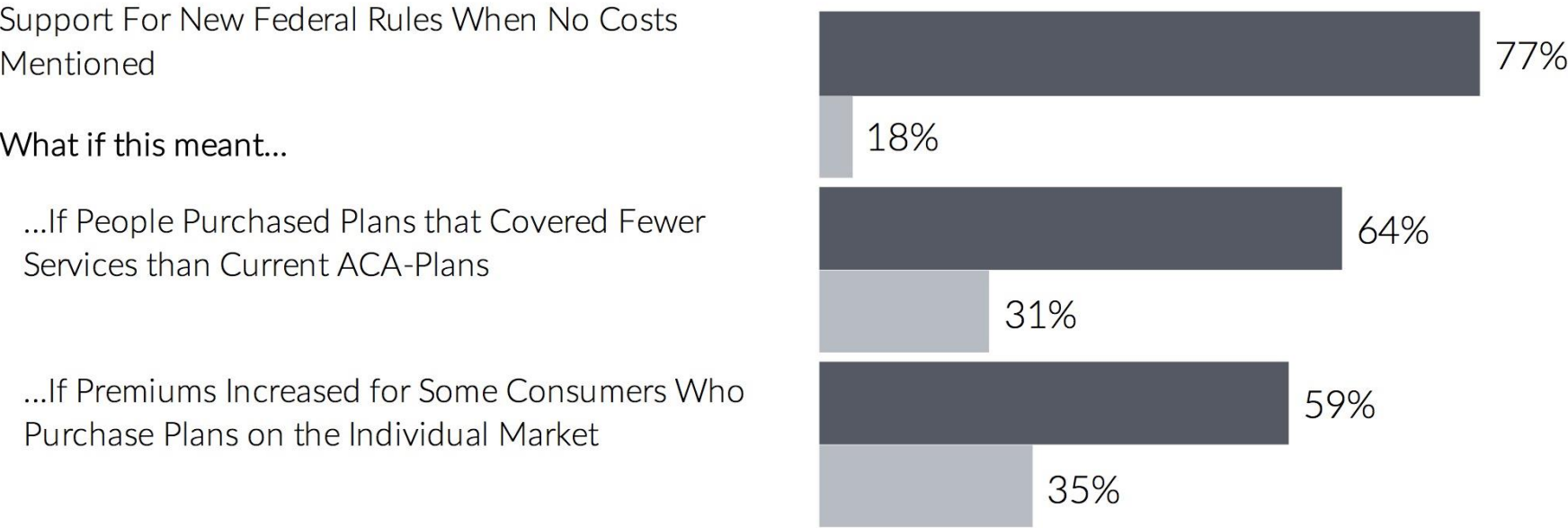
■ ACA coverage ■ Short-term coverage

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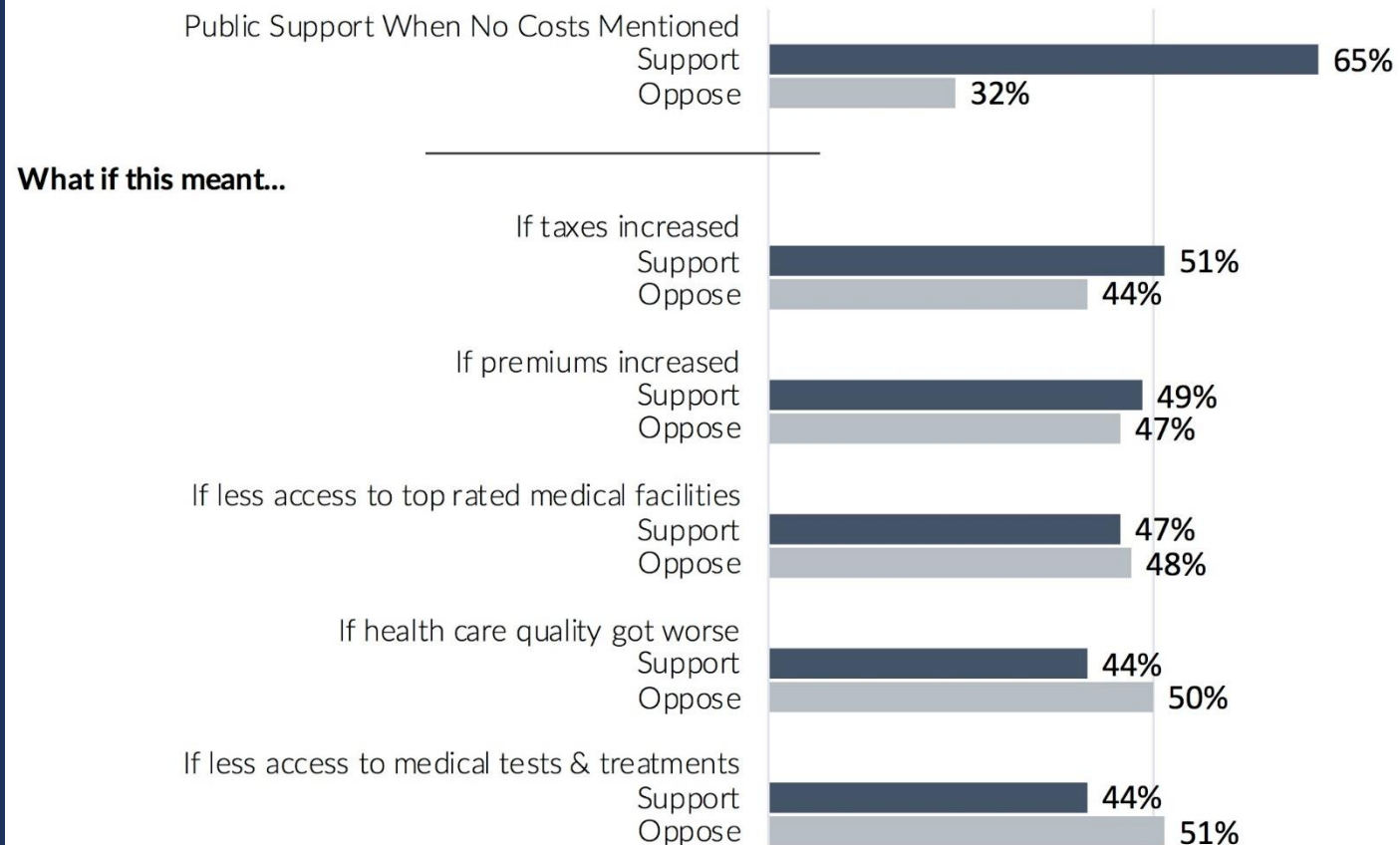
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