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**Statement for the Record to:**

**COMMITTEE ON ENERGY AND COMMERCE  
SUBCOMMITTEE ON HEALTH  
U.S. HOUSE OF REPRESENTATIVES**

**Hearing on Advancing Patient Solutions for Lower Costs and Better Care**

**Submitted by:**

**Blue Cross and Blue Shield Association**

**June 9, 2016**

The Blue Cross and Blue Shield Association (BCBSA) appreciates the opportunity to comment on legislative proposals under consideration by the House Energy and Commerce Subcommittee on Health.

BCBSA is a national federation of 36 independent, community-based and locally operated Blue Cross and Blue Shield companies (“Plans”) that collectively provide healthcare coverage for more than 107 million members – one-in-three Americans. BCBS Plans offer individual coverage across the United States and provide coverage in the vast majority of the Exchange Marketplaces today. BCBS Plans have an 85-year history providing coverage across all markets in their local communities.

BCBSA commends the Health Subcommittee for considering proposals that will help to ensure that the individual market is stable, affordable and encourages people to get the ongoing health care they need to stay healthy and manage their chronic illnesses.

Three bills address existing policies that allow some people to buy health insurance only when they need care, making coverage more expensive. We believe these bills would help balance the overall risk pool and stabilize the market by:

- Ensuring individuals are eligible for a Special Enrollment Period before enrolling;
- Aligning grace periods for non-payment of premium with state requirements; and
- Modifying age variation in premium rates to 5:1 or a rate set by a state

A system where people can get health insurance regardless of preexisting conditions can only be viable if people maintain continuous coverage and there are appropriate incentives for all Americans to participate. Experience from the past two and a half years shows that the newly enrolled individuals are older than originally projected; have higher rates of certain conditions (e.g., hypertension, diabetes, depression, coronary artery disease, HIV and Hepatitis C); use more medical services; and have much higher costs.<sup>1</sup> In addition, medical costs continue to increase with significant growth in prescription drug costs.

BCBSA offers the following comments on the bills:

**1. Eligibility for Special Enrollment Periods (SEPs) should be determined up front before coverage is effective.**

Special enrollment periods (SEPs) play a key role in promoting continuity of coverage during important life transitions, such as job changes, relocations, marriage, and births. However, CMS allows SEPs for more events than either Medicare Advantage or employer coverage. The bill will ensure SEPs are used appropriately by requiring CMS to verify that consumers are eligible for SEPs before they are enrolled.

Individuals who gain coverage through SEPs are a substantial and growing percentage of the Exchange population and they incur significantly higher medical claims than others. In the first two years of the Exchange marketplaces, up to one-third of those enrolled in coverage through SEPs. Moreover, these enrollees typically incur higher costs than those individuals who sign up during the open enrollment period. In fact, the actuarial firm Oliver Wyman found those individuals enrolling in

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<sup>1</sup> BCBSA Health of America Report, “Newly Enrolled Members in the Individual Health Insurance Market after Health Care Reform: The Experience from 2014 and 2015”.

coverage through SEPs incurred 24% more in health care costs over their first three months of coverage in 2014 than those coming in during the open enrollment period. Oliver Wyman found strong evidence that the relative cost of the enrollees signing up for coverage during SEPs was even higher in 2015.<sup>2</sup>

**2. Grace periods for non-payment of premiums should be shortened to 30 days as required by almost all states.**

The ACA required a three-month grace period for certain individuals to continue receiving coverage without paying their health insurance premiums. The ACA requirement far exceeds state grace periods which are typically 30 days, allowing some individuals to stop paying premiums in October but continue to receive medical services through December and then re-enroll the following January without paying any outstanding premiums, causing premiums to rise for everyone. The bill before the Committee would address this issue.

A recent national consumer survey shows that more individuals are using the grace period than before. It found that 18% of consumers stopped paying their premium in 2015 and then reenrolled again in 2016. Further, half of these consumers returned to the same plan they stopped payment for in 2015. Of the consumers that stopped paying premiums last year, 45% said they had stopped payments in 2014.<sup>3</sup>

**3. Allow states to determine the age rating factors to ensure appropriate incentives to enroll younger, healthier people.**

The ACA limited the amount premiums for adults can vary based on age to a 3 to 1 band. This has made premiums for younger people much more expensive than the actual medical costs they claim and resulted in fewer people age 25-44 obtaining health insurance. In fact, the uninsured rate is much higher than was originally projected for those ages 25-44. The bill before the Committee would help bring younger, healthier people into the system, making it more affordable for everyone.

**CONCLUSION**

Keeping premiums affordable for everyone is crucial to increasing participation among healthier individuals who help balance the overall risk pool and stabilize the market. The current risk pool is out of balance – with a disproportionate number of people who need significant healthcare services – making health insurance more expensive for everyone.

The legislation under consideration by the Subcommittee provides a needed course correction to ensure greater affordability.

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<sup>2</sup> Oliver Wyman, “Special Enrollment Periods and the Non-Group, ACA-Compliant Market”.

<sup>3</sup>

[http://healthcare.mckinsey.com/sites/default/files/McK%202016%20OEP%20Consumer%20Survey%20Infographic\\_vF.pdf](http://healthcare.mckinsey.com/sites/default/files/McK%202016%20OEP%20Consumer%20Survey%20Infographic_vF.pdf)