America's Health Insurance Plans
601 Pennsylvania Avenue, NW
South Building, Suite Five Hundred
Washington, DC 20004

March 13, 2019

Representative Andrea Salinas
House District 38
900 Court St. NE
H-485
Salem, Oregon 97301

Re: HB 2009 and 2012 – Medicaid Buy-In (OPPOSE)

Dear Representative Salinas:

I write today on behalf of America's Health Insurance Plans (AHIP) and our member plans to express our opposition to the Medicaid buy-in portions of HB 2009 and HB 2012.

AHIP is the national association whose members provide insurance coverage for health care and related services. Through these offerings, we improve and protect the health and financial security of consumers, families, businesses, communities and the nation. We are committed to market-based solutions and public-private partnerships that improve affordability, value, access and well-being for consumers.

These bills fail to distinguish the "buy-in" plans from other qualified health plans (QHPs) sold on the Exchange and provide no rationale for whether – and how – these new plans would be more affordable than QHPs. We are also concerned the proposed buy-in program will not improve the current uninsured market, does nothing to help the unsubsidized population, and fails to address the underlying cost of care.

Every American should have access to affordable, comprehensive coverage regardless of their income, health status, or pre-existing conditions. We agree that hardworking Americans who buy their coverage on the individual market increasingly find that their premiums are out of reach if they don't qualify for premium subsidies. Our members stand ready to work with the legislature to make coverage more affordable to Oregonians.

Medicaid buy-in has been touted as a workable solution to access and affordability problems, but these programs have the potential to be extremely disruptive to patients and the health care system. These types of proposals must undergo a careful review of their design, implementation, and potential consequences. Unfortunately, the lack of detail in these bills makes it difficult to assess the specific impacts they would have on the current market and how they will impact coverage and affordability for existing enrollees and the taxpayers who fund the Medicaid program. We offer the following comments on the Medicaid buy-in portion of HB 2009 and HB 2012.

The effects on the current individual market have not been studied.

The Oregon Health Authority reported that approximately 41.1 percent of Oregonians are covered by Medicare or the Oregon Health Plan.[1] The majority of Oregonians are already covered by Medicaid, Medicare, or employer-sponsored coverage – only about 5.2 percent of the population purchases coverage in the individual market.[2]

Such a small market share means that the Oregon individual health insurance market is vulnerable to market instability and rising costs. A Medicaid buy-in proposal could further eliminate choices in the individual market and drive up prices for those that continue to purchase commercial coverage. If younger, healthier individuals leave the unified risk pool, it could increase costs in the QHP market. This would hit unsubsidized consumers and small business especially hard. We are also concerned that any "rate setting" for providers at below commercial levels for the buy-in plans would cause cost-shifting, raising costs for the rest of the commercial market (individual, small group, and large group). Lower provider rates could also affect patient access, if rural hospitals and providers are not able to sustain large blocks of business at below commercial market levels of reimbursement. Eliminating choice and disrupting current options for anyone is not a favorable outcome.

Though the Universal Access to Healthcare Workgroup spent months studying this issue, a detailed analysis of how this proposal would impact those individuals purchasing coverage on the Exchange has not been completed. We believe it is critical to wait for this analysis to be completed before moving forward.

There is no evidence that a buy-in plan will be cheaper than existing commercial coverage.

These bills provide no evidence that the coverage provided by coordinated care organizations (CCOs) will be more affordable than existing coverage sold on the Exchange. Coverage by coordinated care organizations in the Oregon Health Plan (OHP) is extremely comprehensive – in addition to federally mandated services, OHP covers all services prioritized by the Health Evidence Review Commission without cost sharing. OHP is also afforded a number of benefits not enjoyed by the rest of the commercial market – providers are paid less for the services and drug costs are low, thanks to the Medicaid best price rule.

If CCOs are required to provide the same level of benefits as they do under OHP but do not enjoy the same provider rates or Medicaid drug rebates, then the cost of coverage will be more akin to a platinum plan on the Exchange – not a realistically affordable option for most of the populations targeted by this bill.

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[1] *Oregon Health Insurance Survey, 2017*. Oregon Health Authority. Available at https://www.oregon.gov/oha/HPA/ANALYTICS/InsuranceData/2017-OHIS-Gaps-Health-Coverage.pdf.
[2] *Oregon Health Insurance Survey, 2017*.

If these bills envision this buy-in coverage requiring the same provider rates and Medicaid drug pricing, then more work needs to be done to make those objectives a reality. Doctors and hospitals will have to agree to accept lower reimbursement rates for a larger population and the destabilizing effects on the rest of the health insurance market will have to be studied. The federal government will have to agree to expand the federal Medicaid best-pricing rule beyond Medicaid, which will be met by vehement opposition by the pharmaceutical industry.

These bills fail to address the fiscal impact of the program.

In addition to providing no details on what the cost of coverage will be, HB 2009 and 2012 provide no details on how these buy-in plans will be funded, if at all.

In the 2017-19 biennium, total state spending in the Oregon Health Plan (OHP) already totaled 4.5 billion dollars.[3] This represents about 29 percent of total OHP funding – the remaining 71 percent is funded by the federal government. It is unknown if – and how much – federal financial support would be made available for this endeavor. We believe that an 1115 waiver would be required to receive federal funding for new Medicaid enrollees beyond federal eligibility levels. Developing such a waiver application is tremendously time and cost consuming and must be carefully constructed to meet federal requirements. Specific program details on how the program will function must be included as part of the waiver submission process, but none of those details are included in either of these bills.

If no federal funding is sought, the state will have to pay for whatever short fall remains between the premium paid by enrollees and the true cost of the coverage that they receive. The state Medicaid budget is under tremendous strain, currently facing a $950 million shortfall[4] which has only partially been addressed by HB 2010. This new state funding would only add to the strain on the state budget and the rest of the health care market.

If no federal or state funding is sought for these plans, then consumers will be responsible for the full cost of coverage. As discussed above, this coverage could be prohibitively expensive and would not address the currently affordability problems in the individual market.

This bill provides the wrong solutions for the majority of Oregon's uninsured market.

About 77 percent of Oregonians purchasing coverage on the Exchange receive tax credits to lower their premiums and 36 percent are in enhanced silver plans that also reduce their copays and deductibles.[5] These are the enrollees in the 138-400 percent FPL population targeted by

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[3] *Oregon Health Plan Financing and Provider Taxes*. Oregon Health Authority. February 7, 2019. Available at https://olis.leg.state.or.us/liz/2019R1/Downloads/CommitteeMeetingDocument/157276.

[4] Cunningham, Paige. *States scramble to head off future Medicaid shortfalls*. Washington Post. February 21, 2019. Available at https://www.washingtonpost.com/news/powerpost/paloma/the-health-202/2019/02/21/the-health-202-states-scramble-to-head-off-future-medicaid-shortfalls/5c6db0641b326b71858c6bec.

[5] *Marketplace Effectuated Enrollment and Financial Assistance*. Kaiser Family Foundation. Available at https://www.kff.org/other/state-indicator/effectuated-marketplace-enrollment-and-financial-assistance.

these bills. Of the 6.3 percent of Oregonians who are uninsured, OHA estimates that 80 percent qualify for either OHP or financial assistance.[6]

There have been no compelling arguments or data presented to explain why Medicaid buy-in is the right solution to help these populations rather than building off existing programs. The benefits need to outweigh the costs of creating a brand-new program. Billions of dollars have been spent to get to where we are today – that success should be leveraged to expand coverage to the remaining uninsured and lower costs for everyone. These consumers would be better served by strengthening the Exchange marketplace, ensuring that all Oregonians eligible for financial assistance receive it, and lowering underlying cost drivers to make coverage more affordable for everyone.

Furthermore, this proposal does nothing to lower health care costs for those Oregonians who do not currently receive federal subsidies to purchase individual coverage, beyond those who meet the narrow parameters provided in the bill. These consumers increasingly find themselves priced out of the individual market. We believe that efforts to address cost drivers in the health care market would better address the needs of this population, as well as the currently uninsured.

Health plans are committed to working together to develop meaningful solutions to lower costs and increase coverage without destabilizing the individual market.

AHIP and its member plans have proposed twelve solutions to lower premiums for hardworking Americans who buy their own coverage.[7] Our proposals are based around the three tested and proven methods for driving down the costs of premiums for consumers: reducing the cost of health care, offering premium savings to consumers, and increasing participation to balance risk.

Although we share your goals to make health care more affordable for Oregon residents, we do not believe that Medicaid buy-in is the solution to address the underlying costs of health care in the state. Our members stand ready and eager to work with policymakers and other stakeholders to make coverage more affordable, but we must do so in ways that do not destabilize an already fragile individual market. **We welcome the opportunity to work with you on addressing the issues that would make a real difference in lowering costs for all Oregonians.**

Sincerely,

Stephanie Berry
Regional Director, State Affairs

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[6] *Oregon Health Insurance Survey, 2017*.

[7] *12 Solutions to Lower Premiums for Hardworking Americans Who Buy Their Own Coverage.* AHIP. November 2018. Available at https://www.ahip.org/wp-content/uploads/2018/11/AHIP_AffordabilityWorkgroup-111518.pdf.