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

January 30, 2019

Representative Eileen Cody
34th Legislative District
303 John L. O'Brien Building
PO Box 40600
Olympia, WA 98504

Senator David Frockt
46th Legislative District
224 John A. Cherberg Building
PO Box 40446
Olympia, WA 98504

**Re: HB 1523/SB 5526 – "Public Option" and Standardized Health Plans**

Dear Representative Cody and Senator Frockt:

I write today on behalf of America's Health Insurance Plans (AHIP) to express our opposition to HB 1523/SB 5526, which would create health plans with state-regulated provider reimbursements. We are concerned that this type of mandate will drive up the cost of coverage for those enrolled in other plans and destabilize the individual health insurance market.

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.

Every American should be able to get 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 Washingtonians. But we believe that this proposal heads in the wrong direction and would cause several significant, unintended consequences including the destabilization of the health insurance marketplace.

We offer the following comments on the "public option" portion of HB 1523 and SB 5526:

***Rate setting is not the right approach to rein in health care costs.***

Creating a new set of health plans that look identical to other plans but with capped reimbursement rates moves us in the wrong direction of rewarding value over volume. We must focus on the underlying cost drivers and market dynamics driving premium increases – prescription drug pricing, predatory hospital contracting, third party payments and other tactics that game the system to drive up costs, and overly restrictive market rules inhibiting innovation and value-based insurance designs.

Furthermore, this bill ignores the single largest driver of health care costs – pharmaceuticals. Prescription drugs represent the largest segment of health care spending, making up more than 23 percent of commercial premiums.[1] Ever-higher launch prices for new drugs and thousand-percent price hikes on decades-old medications are the biggest threat to the sustainability of our health care system, but HB 1523 and SB 5526 are silent with respect to prescription drugs.

***This proposal will destabilize the non-public option individual health insurance market.***

Adding price-regulated health plans poses a danger to both choice and competition in the individual market. Health insurance providers offering non-public option plans will not be able to compete with "public option" counterparts, which are required to reimburse providers at much lower rates than commercial individual market plans. There needs to be a level playing field for all health insurance providers who want to offer products to individuals and families purchasing coverage.

This proposal could significantly hinder competition by either of the following scenarios:

1. Allowing the state to select certain bidders for offering "public option" plans instead of allowing all health insurance providers to offer these types of plans could lead to less competition in the individual market. If private health insurance providers who have managed to develop a network of providers at these government set rates are not chosen to offer the new "public option" plans in a specific region, they may be reluctant to offer traditional individual market plans that are unable to compete on price. Fewer carriers will participate in the individual market than when they are all playing on a level playing field.

2. Because there is no mandate for providers to participate in the networks of these "public option" health plans, it will be difficult for carriers to contract with providers at below-commercial market reimbursement rates. If carriers are unable to create an adequate network of providers willing to accept the mandated reimbursement rates, they will not be able to offer these plans and "public option" plans will cease to be offered.

***The "public option" proposal conflicts with the proposal to standardize individual market plans.***

Section 1 of HB 1523 and SB 5526 attempts to set a level playing field for plans sold on the individual market. By standardizing benefit designs, plans are left to compete based on their ability to put together high-quality provider networks at the most cost-effective rates, which ultimately determine their premiums.

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[1] *Where Does Your Health Care Dollar Go?* America's Health Insurance Plans. May 2018. Available at https://www.ahip.org/wp-content/uploads/2017/03/HealthCareDollar_FINAL.pdf.

If providers decide to contract with these "public option" plans, they may cover their losses by shifting costs to other commercial plans, including the other plans sold in the individual market. This gives the "public option" plans a huge advantage at the one thing that individual market plans are competing on – provider contracting rates which render the lowest premiums – and abandons the legislature's desire to provide standardization and fairness.

**Health plans are committed to working with the legislature to implement a structure for standardized plans that benefit consumers and do not destabilize the market. The goal should continue to be offering individuals and families choice in the market so they can select a product that meets their needs.**

***This proposal will destabilize the group health insurance market and cause premiums to increase for large employers and small businesses.***

By setting reimbursement rates for doctors and facilities at below-commercial market rates, providers may require higher reimbursement rates in their contracts for other products to cover their losses from participating in the "public option" plans. Higher reimbursement rates will put upward premium pressure on small and large employer groups, self-insured plans, and Taft-Hartley trust plans, where the vast majority of the state gets coverage. Our members are also concerned about their ability to continue to assemble networks in group health plans that offer consumers a choice of providers and access to high-quality facilities at reasonable rates.

These "public option" plans may also lead to a loss of enrollment in the small group market. Small employers may decide that their employees could pay less for "public option" plans on the individual market and stop offering small group coverage to their employees. Combined with the Trump administration's expansion of health reimbursement accounts, the individual market "public option" plans would look like an increasingly attractive option for small employers and their employees.

We are concerned that paying providers below-commercial market rates in a market that could potentially grow in size is unsustainable and, given underlying access issues, this sets up these "public option" plans to fail in the future.

***This proposal will destabilize rural hospitals and other health care providers.***

Another potential area for instability is the potential harm that Medicare-based reimbursement rates will cause to small rural hospitals and physicians serving those communities. These providers cannot sustain large new blocks of business at below-commercial market levels of reimbursement. Federal price-cap proposals have repeatedly been dismissed because they pose too many risks to the health care delivery system. This proposal could create major patient access problems in large geographic portions of the state and have devastating effects on patients' access to the care that they need.

***AHIP is 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.[2] 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. **We welcome the opportunity to work with you and other stakeholders on addressing these issues that would make a real difference in lowering costs for all Washingtonians.**

The proposals in which Washington policymakers can play a role include:

- **Reducing Surprise Billing** by protecting patients from surprise bills and preventing unnecessary premium increases related to out-of-network care. Legislation has already been introduced by Representative Cody and Senator Rolfes to achieve this goal.
- **Curbing Inappropriate Third-Party Premium Payments** by limiting the list of third-party entities from which health insurance providers must accept premium and cost-sharing payments. States may also prohibit the use of copay coupons for brand-name drugs if there is a less expensive, equally effective alternative.
- **Increasing Drug Competition** by requiring manufacturers to publish true R&D costs and explain price setting and price increases. States may also inform patients and physicians on effectiveness and value and reduce regulatory barriers to value-based pricing.
- **Expanding the Use of Telehealth** by enhancing flexibility and avoiding state mandates on reimbursement and/or payment parity, site-specific use, prior visit requirements, or specific technology use. States may also designate telehealth as a means of satisfying network adequacy requirements and support the establishment of multi-state licensure compacts.
- **Creating Reinsurance Programs** that are not solely funded by carrier assessments, but instead shared by a variety of stakeholders that benefit from reinsurance.
- **Creating State Premium Discount Programs** for individuals and families earning more than 400 percent of the federal poverty level.
- **Providing Savings to Consumers who Engage in Wellness Programs** by preserving flexibility for plans to promote safe, effective, high-value care.
- **Investing in Marketing and Outreach** to support state-based exchange investments, so long as these approaches do not increase premiums.

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[2] *12 Solutions to Lower Premiums for Hardworking Americans Who Buy Their Own Coverage.* America's Health Insurance Plans. November 2018. Available at https://www.ahip.org/wp-content/uploads/2018/11/AHIP_AffordabilityWorkgroup-111518.pdf.

**Although we share your goals to make health care more affordable for Washington residents, we do not believe a public option 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.**

Sincerely,

Stephanie Berry
Regional Director, State Affairs