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**Statement for the Record to:**

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

**Hearing on Patient Relief from Collapsing Health Markets**

**Submitted by:**

**Blue Cross and Blue Shield Association**

**February 1, 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 coverage in every zip code 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 Chairmen Burgess and Walden for considering changes to improve the individual health insurance market with these stabilizing bills that will encourage people to get the ongoing health care they need to stay healthy and manage their chronic illnesses.

BCBSA strongly supports the three bills recently introduced to address existing policies that allow some people to buy health insurance only when they need care, threatening the sustainability of the market. 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
- 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 supports these legislative proposals that would help ensure that the individual market is stable, affordable and encourages people to get the ongoing care they need:

**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. It is important that CMS verifies that consumers are eligible for SEPs in order to avoid “just in time” insurance which undermines the stability of the market. We support Congressman Blackburn’s re-introduction of H.R. 706 that will ensure a strong verification process.

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. CMS data show only 40% of those ever covered in the federal exchange in 2015 had

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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 for 12 months, and that about 25 percent 2015 enrollment came in through SEPs.<sup>2</sup> Moreover, these enrollees typically incur higher costs than those individuals who enroll during the open enrollment period. In fact, the actuarial firm Oliver Wyman found those individuals enrolling in coverage through SEPs amassed 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>3</sup>

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

We commend Congressman Flores for re-introducing H.R. 710, which will incentivize individuals to stay covered. The ACA required a 3-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 get medical services through December, causing premiums to go up for everyone.

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>4</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 their actual medical costs 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. We applaud Congressman Bucshon for re-introducing legislation, H.R. 708, which will allow states more flexibility while encouraging younger and healthier individuals to enroll.

## **CONCLUSION**

Keeping premiums affordable for everyone is crucial to increasing participation and coverage 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 bipartisan legislation under consideration by the Committee provides a needed course correction to ensure greater market stability and more affordable coverage. BCBSA encourages immediate passage of these bills.

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<sup>2</sup>

<https://academyhealth.confex.com/academyhealth/2016arm/mediafile/Presentation/Session4923/Keri%20Apostle.pdf>

<sup>3</sup> Oliver Wyman, “Special Enrollment Periods and the Non-Group, ACA-Compliant Market”.

<sup>4</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)