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LEGISLATIVE MEMO

How Washington state can lead the way in health care innovation

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Key Findings:

1. **State lawmakers can enact practical reforms that will expand health coverage and make private insurance more affordable, without affecting coverage for people in the Apple Health program.**

2. **Make the price of health care transparent, to end surprise billing and allow people to make choices that fit the health needs of their families.**

3. **Allow Health Reimbursement Arrangements so employees can have tax-free dollars to buy portable health insurance they can keep their whole lives.**

4. **Allow existing short-term plans to last for three years with availability for renewal, to allow consumers to have greater doctor and hospital choices.**

5. **Bolster Health Savings Account regulations to allow parents to open HSAs for children and allow young people to invest in HSAs.**

6. **Decrease mandates on health care plans so insurers can offer individualized plans that meet the particular health needs of consumers.**

7. **Encourage the use of telehealth services to allow patients better access to doctors across state lines.**

8. **Abolish Certificate of Need laws to increase the supply of hospital beds and services, and create more patient choices to drive lower costs.**

Introduction

Congress passed, and President Biden signed the $1.9 trillion Covid 19 relief bill in March 2021. This bill contains provisions that will dramatically increase government subsidies for health care insurance for millions of people who already have health care plans.

This increases subsidies to health care insurance companies that will have the long-term effect of increasing the cost of health care with modest or no benefit to those who need help getting health insurance coverage. There are better solutions to meet the crisis of rising health care costs.

State lawmakers can enact practical policy reforms that will expand health coverage and make private insurance more affordable, without affecting coverage for current Apple Health beneficiaries.

Policy analysis

Medicaid was enacted in the 1960s as a safety net to help impoverished Americans get health care. Under the 2010 Obamacare law, however, Medicaid was expanded to provide subsidies to people who were 150% above the federal poverty limit. Subsidies to the middle-class, to those who were 400% above the poverty level ($106,000 for a family of four) were also included. The past twelve years have allowed analysis of U.S. government subsidized health insurance as it relates to affordability and to actual health care.

The Affordable Care Act (ACA) authors expected to create a market in which more insurance plans would be offered at affordable prices. In the years since, however, the program has actually become the unaffordable care act.

As a result of implementing the ACA, insurance premiums have skyrocketed, consumer choices have become limited and private market forces are very weak. To justify the price of the ACA, 25 million people were "needed" and were expected to enroll. Instead, enrollment is 46% lower than was originally expected, as of December of 2021. Expected enrollment still fell short despite increased open enrollment time and the pandemic crisis. Middle-income families cannot afford the

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increased premiums and are largely priced out of the private market.

Even after spending $50 billion taxpayers' dollars (as of 2020), the individual insurance market enrollment was up by only two million people compared to pre-Obamacare levels. That amounts to a $25,000 per new enrollee tax subsidy since institution of ACA.[1]

The Washington state Health Exchange

In Washington state, on the Exchange, a family bronze plan, rated three stars (out of five) can cost $18,700 to $21,000 per year (with a $17,000 and $12,000 deductible, respectively). Medical coverage and choice of physicians and hospitals are not as broad as they are for private and employer-based plans with the same price tag.

The expansion of the Affordable Care act in the Covid-19 relief bill allocates an additional $34 billion in taxpayer money to increase insurance subsidies. Most of the increased spending will be paid to health care insurance companies for those who are already covered by insurance. The added subsidies are a windfall to insurance companies.

The subsidy policy draws people into low-quality health care plans and gives the most affluent Americans tax-funded benefits. It is projected that only a fraction of Americans who need help are truly benefitting. There is in effect no income limit to get subsidies for ACA health care plans.

Brian Blase's independent analysis of the bill's effect on the average citizen clarifies the problems with this new subsidized health care expansion.[2]

A family of four headed by a 60-year-old making $45,000 per year, has an increased benefit of $1,000. If a family makes $135,000, it will qualify for an $18,000 subsidy for health care insurance, and if a family's income is $270,000 the benefit is $6,000. Blase explains that couples making half a million dollars or more qualify for thousands of dollars in tax refunds.

It is counterintuitive that in 2010 a Democratic-led Congress passed a bill that increases income inequality, by giving significant tax breaks to the wealthy. It is clear that the families who need the most help are not getting as much. The primary winners under this tax-funded federal program are the health insurance companies.

Policy reforms to make private health insurance more affordable

There are specific steps Washington lawmakers can take to decrease health care costs and allow patients more choice and control of their healthcare dollars.[3] These reforms can be enacted while protecting patients with chronic illnesses and pre-existing conditions. It can also be done without affecting or restricting the health insurance availability for those currently enrolled in the Washington Apple Health Plan. Here are specific reforms to make healthcare more affordable.

Make the price of health care transparent, build on the federal transparency rules. This would include transparency for drug prices, facility fees and costs of tests and imaging. Americans are savvy consumers. Allowing consumers to understand and see where their health care dollars are going would add healthy competition to the industry. Eliminating surprise billing through transparency rules would allow people to make choices that fit the health needs of their families.

Implement Health Reimbursement Arrangement rules that would allow employers to give their employees tax free dollars to buy insurance that workers could keep their whole lives, even if they lose their job or move. Lawmakers should

1 "Examining the Affordable Care Act's effect on coverage, by Brian C. Blase, Health Affairs Forefront, July 20, 2021, at https://www.healthaffairs.org/do/10.1377/forefront.20210715.739918/full/.

2 "Dems' new COVID relief bill mainly subsidizes health care for the rich," by Brian Blase, Blase Policy Strategies, February 27, 2021, at https://blasepolicy.org/dems-new-covid-relief-bill-mainly-subsidizes-health-care-for-the-rich/.

3 "Health Care Choices 2020: A Vision for the Future," Health Policy Consensus Group, October 20, 2020, at https://www.healthcarechoices2020.org/wp-content/uploads/2020/10/HEALTH-CARE-CHOICES-2020_A-Vision-for-the-Future_FINAL-002-1.pdf.

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allow low-income people to use the existing subsidies to enroll in better, private health care plans. This reform would give the employees the same tax advantage that their employers get when purchasing health care.

Allow short-term limited duration health care plans to last for three years with availability for renewal. These plans have been shown to be less expensive, allowing participants greater doctor and hospital choices without taking people out of the exchanges in states that allow short-term plans.

Bolster Health Savings Account regulations to allow tax preferred investments in these accounts. Allow parents to open HSAs for their children that could grow throughout their lives and be used for unexpected health care expenses including long term health care. Allow young people to invest in HSAs that are structured like IRAs or 529 plans. This can be achieved by bolstering the federal Health Reimbursement arrangement rules implemented on January 1, 2020.

Decrease mandates on health care plans. "One size fits all" usually means it fits no one well. Encouraging insurance plans to cater directly to the needs of the insured would help the chronically ill and those with preexisting conditions. Mandates that prevent insurance companies from offering individualized plans for those with heart disease or cancer for example, limit innovation, affordability and competition.

Encourage use of telehealth. Lawmakers should not impose rules that limit the use of this innovative tool across state lines by requiring that only in-state providers can use it. The tight control of patient access to medical care through insurance regulation and state licensing rules should be re-evaluated, with patient interest in the forefront.

Abolish Certificate of Need laws to offer more choices with lower costs. Lawmakers should allow competition that is not hamstrung by these outdated laws to encourage more hospital beds, expanded services and more quality healthcare options to patients.

Conclusion

Innovative legislation in Washington state with respect to health care would come as a welcome relief to the general public. The COVID-19 pandemic led to a number of innovations in expanding access to health care. These improvements should be retained, and lawmakers should enact further positive reforms that increase competition, lower costs and provide direct benefit to everyone living in Washington state.

Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body.

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