



Article from
Health Watch
June 2018
Issue 86

Commercial Health Care: What's Next? A Health Section Strategic Initiative

By David Dillon

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In June 2017, the Society of Actuaries (SOA) Health Section released a new strategic initiative titled Commercial Health Care: What's Next? This initiative was designed to be an anthology series of white papers and articles focusing on education and research concerning key issues in health care reform. This article contains a condensed summary of and excerpts from a white paper that was recently released. All articles and newly released companion pieces are located at <http://www.theactuariesmagazine.org/category/web-exclusives/commercial-health-care-whats-next/>.

COVERAGE FOR ONE AND FOR ALL? THE IMPACT OF THE INDIVIDUAL MANDATE AND GUARANTEED ISSUE IN THE INDIVIDUAL HEALTH CARE MARKET

By Jackie Lee, FSA, MAAA, and Armen Akopyan, ASA, MAAA

In 2010, Congress passed the Patient Protection and Affordable Care Act (ACA) with the goal of increasing accessibility to affordable health care. One of the ACA's pillars required that insurance companies provide coverage to all customers, regardless of any pre-existing medical conditions. For this “guaranteed issue” environment to work in the marketplace, two things are required: maximizing participation among customers and carriers, and managing affordability.

A well-known component of the ACA is the individual mandate, which was intended to increase participation by encouraging



continuous coverage. The individual mandate requires those without employer-provided health insurance to either buy individual coverage or pay a penalty when they file their taxes. In the context of guaranteed issue, the individual mandate is a disincentive for people to go without coverage, but it helps accomplish both goals, maximizing participation and managing affordability.

Unfortunately, the individual mandate was not strong enough. Various states' experiences in the health insurance marketplace has shown that the goals of health care reform are not fully achieved by simply maximizing participation. Participation and affordability both need to be addressed simultaneously to have a viable long-term market.

The ACA's individual mandate was not strong enough to compel all eligible uninsured individuals to buy coverage. Policymakers could consider eliminating exemptions and loopholes, strengthening enforcement and/or adding other continuous coverage provisions as options to increase participation.

Other ACA features designed to maximize participation included guaranteed issue and Medicaid expansion. Without strong continuous coverage requirements, the premiums in ACA markets have increased significantly. Contributing to these

increases were anti-selection and the Supreme Court decision that made Medicaid expansion optional for states.

The individual market is unique within the health insurance industry. Unlike the employer-group market, the individual market is not self-sustaining. Managing affordability requires supplemental funding to keep carriers and consumers in the market. Maintaining access for high-cost claimants and broad participation among lower-income consumers requires external funding and additional market support. There are several ways to strike this balance. The following are a few ideas, rather than an exhaustive list. Additionally, the current regulatory environment may need to change for some of these situations to happen.

- Allow consumers to choose from preselected essential health benefit requirements.
- Establish reinsurance funds, like the 2014–2016 transitional reinsurance program.
- Offer a lower actuarial value plan, such as a copper plan. This would require the Centers for Medicare and Medicaid Services (CMS) to update the Risk Adjustment program to maintain a level playing field.

The ACA has yet to achieve its goal of increasing accessibility to affordable health care. No sweeping reform to change a complex health care system will be perfect the first time. We must assess the strengths and weaknesses of the various provisions and make changes over time, incorporating our learnings. A study of states that have embarked on health reforms on their own has shown there is no one-size-fits-all solution, and with every change come trade-offs. The individual mandate is only one piece of the larger ACA puzzle. Policymakers must be mindful of the interdependencies among the pieces.

While promoting continuous coverage via the individual mandate or other options is an important consideration, improving affordability simultaneously is necessary to long-term market viability. Legislative options to study include strong incentives to reduce cost, promote participation and improve quality. The debate should be focused on the proper order of tackling these interconnected challenges. ■



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