Statement of the U.S. Chamber of Commerce

ON: **"Stabilizing Premiums and Helping Individuals in the Individual Insurance Market for 2018: Governors"**

TO: **U.S. Senate Committee on Health, Education, Labor & Pensions**

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DATE: **September 7, 2017**

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The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

The U.S. Chamber of Commerce ("Chamber") welcomes the opportunity to submit this statement for the record for the hearing of the U.S. Senate Committee on Health, Education, Labor & Pensions on "Stabilizing Premiums and Helping Individuals in the Individual Insurance Market for 2018: Governors." The Chamber applauds the Committee's attention to the very serious and time sensitive concerns facing the individual insurance market now and even more critically, in the year to come.

The Chamber has previously identified and called on Congress to take two important initial steps to rein in soaring premiums in the individual market and preserve the last remnants of choice in the exchanges: 1. Suspend the health insurance tax for 2018 and 2019; and 2. Fund and honor the cost sharing reduction payments through 2019.

Suspend the Tax on Health Insurance for 2018 and 2019

As the Governors testifying are aware, the Affordable Care Act (ACA) imposed a health insurance tax (HIT) on fully-insured health insurance plans, increasing premiums for plans sold in the individual insurance markets and beyond. This tax is also increasing premiums for small businesses and seniors. The non-partisan Congressional Budget Office and other analysts have all concluded that the HIT is "largely passed through to consumers in the form of higher premiums." Under current law the tax will be re-imposed in January of 2018 and will raise $14.3 billion, with much of that cost being passed along to consumers and small businesses in the form of higher premiums.

To demonstrate the impact this tax will have on various types of premiums in 2018 within the states represented by witnesses at the hearing, the Chamber submits excerpts in the next two charts from an Oliver Wyman study released recently.[1] Individuals will each pay an additional premium between $146-$167 in 2018 when buying a health insurance plan in the individual market; while families will pay additional premiums between $430-$625, when buying health insurance through the small group market.

ADDITIONAL PREMIUM PER CAPITA IN 2018
AS A RESULT OF THE TAX ON HEALTH INSURANCE

State	Individual	Small Group Single	Small Group Family	Large Group Single	Large Group Family	Medicare Advantage
CO	$167	$183	$500	$188	$512	$236
MA	$164	$211	$625	$204	$569	$262
MT	$164	$177	$430	$189	$482	$238
TN	$161	$176	$442	$171	$514	$238
UT	$146	$163	$463	$178	$513	$240

[1] "Analysis of the Impacts of the ACA's Tax on Health Insurance in 2018 and Beyond." Oliver Wyman. August 8, 2017. See: http://www.stopthehit.com/wp-content/uploads/2017/08/Oliver-Wyman-2018-HIT-Analysis%E2%80%8E-August-8-2017.pdf

Further, this tax will increase 2018 premiums in: Colorado by more than $191 million; Massachusetts by more than $248 million; Montana by more than $32 million; in Tennessee by more than $484 million; and, in Utah by more than $108 million.

ADDITIONAL PREMIUMS TO BE PAID IN 2018
AS A RESULT OF THE TAX ON HEALTH INSURANCE ($000s)

State	Individual	Small Group	Large Group	Medicare Advantage	Total
CO	$30,351	$30,185	$ 76,103	$ 48,136	$191,571
MA	$10,759	$27,223	$120,959	$ 34,233	$248,253
MT	$ 9,556	$ 6,123	$ 11,592	$ 4,637	$ 32,474
TN	$48,957	$40,188	$ 72,408	$138,917	$484,742
UT	$12,106	$12,450	$ 44,425	$ 27,018	$108,496

We encourage the Committee to work on legislation to suspend this tax on insurance, which will only further increase premiums, as it considers ways to stabilize the individual market and further reform our health care system to make coverage more affordable for individuals, families, seniors, small businesses, and employers.

Continue Funding the Cost Sharing Reduction Payments Through 2019

Additionally, Congress can send an immediate message of certainty and prevent further premium increases in the individual market by committing to funding the cost sharing reduction payments. The Affordable Care Act mandates that insurers participating in the ACA exchanges reduce or eliminate the deductible and co-payments for low-income individuals. Insurers are reimbursed for this expense through the cost sharing reduction (CSR) program. Currently, nearly 6 million people (almost 60% of those who purchase coverage on the exchanges) benefit from this program.

If Congress or the administration were to terminate the CSR payments, insurers would still be required by law to reduce or eliminate the out-of-pocket costs for qualifying individuals[2], but they would be forced to raise premiums.

As the Governors know, the deadline for filing premium rates passed last month for the upcoming open enrollment season (November 1 – December 15, 2017). A number of states (including Tennessee, Pennsylvania and Washington) are allowing insurers to either submit two different premium rates (one assuming continued CSR payments and one assuming no CSR payments) or revise their rates if CSR funding is terminated. The average attributed increase in premiums across the country if the CSRs are not paid is between 11-20%.

[2] Qualifying individuals are those that are eligible to purchase coverage on the exchange. Generally speaking, these individuals earn between 100-400% of the Federal Poverty Level (FPL) (up to $98,400 for a family of four). However, CSR payments are only available for those between 100- 250% FPL ($61,500 for a family of four).

State	CSR Enrollment*	Percentage of Enrollment with CSR*	Estimate of Additional Premium Increase to Compensate for Loss of CSR
Total	5,895,662	57%	N/A
AK	5,895	42%	11%
OK	80,548	62%	17%
PA	205,692	57%	16%
TN	118,901	59%	21%
WA	72,771	40%	N/A

*****Source: *2017 Effectuated Enrollment Snapshot* (June 12, 2017), Centers for Medicare and Medicaid Services, https://downloads.cms.gov/files/effectuated-enrollment-snapshot-report-06-12-17.pdf (last visited on August 2, 2017).

Given the significant number of individuals who would be harmed and the premium increase that would result, we urge the Congress to commit to funding the CSR payments through 2019. Beyond doing so as part of an effort to stabilize the individual market and ensure choice of plans in the exchanges, the financial impact to the federal government also provides a compelling rationale for action. Just last month, the Congressional Budget Office and the Joint Committee on Taxation projected these outcomes, compared with what would occur if the CSR payments were continued[3]:

- The fraction of people living in areas with no insurers offering non-group plans would be greater during the next two years and about the same starting in 2020;
- Gross premiums for silver plans offered through the marketplaces would be 20 percent higher in 2018 and 25 percent higher by 2020—boosting the amount of premium tax credits according to the statutory formula;
- Most people would pay net premiums (after accounting for premium tax credits) for non-group insurance throughout the next decade that were similar to or less than what they would pay otherwise—although the share of people facing slight increases would be higher during the next two years;
- Federal deficits would increase by $6 billion in 2018, $21 billion in 2020, and $26 billion in 2026; and
- The number of people uninsured would be slightly higher in 2018 but slightly lower starting in 2020.

The data is clear, and governors across the country are all too aware of the harm that the tax on health insurance and the uncertainty around CSR payments are having on an already destabilized – and in many states, failing – individual market. We urge Congress to suspend the tax on health insurance and commit to making the CSR payments through 2019.

[3] https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53009-costsharingreductions.pdf