



Policy Analysis Sept 4, 2017

Governors' Plan *Hickenlooper-Kasich Healthcare Proposal*

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The Hickenlooper-Kasich Proposal

The individual health insurance market is collapsing under the 2010 Affordable Care Act (ACA). According to the Centers for Medicare and Medicaid Services, 47% of counties will have just one health insurer in 2018¹ – stripping away virtually all choice in the marketplace for residents in nearly half of all the nation's counties. Individual insurance markets are in a death spiral largely because Obamacare's regulations increase the cost of insurance, particularly for the young and healthy. Although well-intentioned and offering some ideas worthy of debate and consideration, the proposal put forward by **Governors John Hickenlooper of Colorado and John Kasich of Ohio** would not sustainably reduce costs in the individual market, nor would it increase the number of insured, for several key reasons.

1. ***Hickenlooper-Kasich is a band-aid placed over a gushing wound.*** Essentially, the governors' proposal merely increases subsidies for individuals and insurance companies and appropriates funding for cost-sharing subsidies and a temporary stability fund that states can use to create reinsurance programs. While this may buy a short period of time from the full brunt of Obamacare's harmful cost stimuli, it is not sustainable and in no way addresses the fundamental cost drivers for health insurance.
2. ***Hickenlooper-Kasich does not eliminate any of the ACA's mandates that drive up the cost of health insurance and healthcare.*** The plan maintains the essential health benefits (EHBs), age rating regulations, and community rating regulations, with limited opportunities for states to work around these mandates. Each of these requirements are among the primary drivers behind the dramatic increase in premiums in the individual market since the implementation of the ACA. The ten EHBs include mental health and substance abuse disorder services, rehabilitative benefits, pediatric coverage, and other coverage options that certain individuals may not need or want. A comprehensive literature review finds the ACA's benefit mandates increase the cost of health insurance by 9%,² and another data analysis finds the ACA's various mandates increase health insurance cost by 44.5% to 68%.³

The ACA also only allows insurance companies to charge a 3:1 difference in premiums for the oldest and youngest customers. Pre-ACA the average age rating was 5:1. A 5:1 age band is more in line with actual health costs. The average 64-year-old costs 4.8 times more than a 26-year-old to insure.⁴ Young and healthy individuals are forced to overly subsidize their older and sicker counterparts. Even with the plan's suggested \$100 million advertising budget, the inflated premiums will continue to serve as a disincentive for young and healthy individuals to buy insurance, leaving an unbalanced risk pool.

3. ***Hickenlooper-Kasich intentionally maintains the individual mandate.*** The governors' suggestion that the individual mandate is "perhaps the most important incentive for healthy people to enroll in

coverage” is based on an inflated faith in the mandate. In the fall of 2016, an estimated 27 million individuals still lacked insurance. A survey by the Kaiser Family Foundation found that the number one reason why individuals remain uninsured is because health insurance is too expensive.⁵ IRS records show that in 2015, 6.5 million people paid the penalty and an additional 12.7 million people claimed an exemption from the mandate.⁶ The average Obamacare plan in 2017 costs \$3,624 in annual premiums; roughly 520% more expensive than the tax penalty.⁷ A report by the American Action Forum finds that 62% of Millennials in 2016 found it “financially advantageous to forego health coverage, and instead pay the mandate penalty and cover their own healthcare costs.”⁸

4. ***Hickenlooper-Kasich continues the disastrous Medicaid expansion.*** Since the ACA, Medicaid enrollment has exploded by 31.2% nationally – up to 74.5 million people from 56.8 million pre-ACA. States like Ohio (29.6%), Colorado (79.5%), and Kentucky (106.3%) have notably expanded their rolls.⁹ Many of these new enrollees are able-bodied individuals with no dependents and who can work. This expansion is essentially a new entitlement, as few enrollees ever come off the Medicaid rolls. Furthermore, expansion has caused states to prioritize the working-age adults over the truly vulnerable because they get more funding for the expansion population. This causes waitlists for necessary services for *traditional* Medicaid patients. Yet it seems that those states which accepted Medicaid expansion – like Colorado and Ohio – prefer to literally pass the buck to the federal government.

At its current rate, Medicaid expansion will put a tremendous financial strain on the nation. According to the CBO, in 2016 total entitlement outlays (Social Security, Medicare, Medicaid) totaled \$1.9 trillion. At \$368 billion, Medicaid makes up a whopping 19.3% of this number.¹⁰ The CBO reports that federal spending for major healthcare programs like Medicare and Medicaid, together with Social Security, will reach 14% of GDP by 2038, twice the average of the past 40 years.¹¹ This is unsustainable. Let the states once again administer their own Medicaid populations through block grants.

Contact the Millennial Policy Center ¹²

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Endnotes

¹ “County by County Analysis of Current Projected Insurer Participation in Health Insurance Exchanges.” CMS.gov, Centers for Medicare and Medicaid Services, 30 Aug. 2017.

² Haislmaier, Edmond, and Drew Gonshorowski. “Responding to King v. Burwell: Congress’s First Step Should Be to Remove Costly Mandates Driving Up Premiums.” Issue Brief, no. 4400. The Heritage Foundation. 4 May 2015.

³ Gonshorowski, Drew, and Nicholas Poché. “New Analysis: Premium Hikes Largely Caused by Obamacare Regulations.” The Heritage Foundation, 23 Mar. 2017.

⁴ Keisling, Jonathan. Age Bands And The Affordable Care Act. American Action Forum, 13 July 2016.

⁵ “Key Facts about the Uninsured Population.” Kaiser Family Foundation, 29 Sept. 2016.

⁶ Koskinen, John. “IRS Commissioner John Koskinen Updated Members of Congress regarding 2016 Tax Filings Related to Affordable Care Act Provisions.” Letter to Congress. Internal Revenue Service, 9 Jan. 2017.

⁷ Health Plan Choice and Premiums in the 2017 Health Insurance Marketplace. Issue brief. Assistant Secretary for Planning and Evaluation, 24 Oct. 2016.

⁸ Ryan, Conor. To Buy or Not to Buy: Uninsured Young Adults and the Perverse Economic Incentives of the ACA. American Action Forum, 22 Jan. 2014.

⁹ “Total Monthly Medicaid and CHIP Enrollment.” KFF.org. The Henry J. Kaiser Family Foundation, 1 Sept. 2017.

¹⁰ “The Federal Budget in 2016: An Infographic.” CBO.gov. Congressional Budget Office, 8 Feb. 2017.

¹¹ Quora. “What Share Of The Federal Budget Goes To Health Care Versus Other Spending?” Forbes.com. *Forbes Magazine*, 6 Mar. 2014.

¹² The **Millennial Policy Center** is a policy research, development, and education think tank whose mission is to address public policy issues affecting the Millennial Generation (born 1981 to 1998) and to present policy solutions that advance freedom, opportunity, and economic vitality for Millennials throughout the country. www.MillennialPolicyCenter.org.