October 13, 2020

Illinois Department of Healthcare and Family Services
Director Theresa Eagleson
Prescott Bloom Building
201 S. Grand Ave., East
Springfield, IL 62763

Illinois Department of Insurance
Director Robert H. Muriel
122 S. Michigan Ave., 19th Floor
Chicago, IL 60603

Dear Director Eagleson and Director Muriel:

The Illinois Life & Health Insurance Council (ILHIC) appreciates the opportunity to participate in the stakeholder discussion with our health insurance provider members and partners on September 17 regarding the coverage options the state is currently exploring as part of the health care affordability feasibility study outlined in P.A. 101-0649. ILHIC and our health insurance providers believe it is important that every Illinoisan have access to affordable coverage, high-quality care, and control over their health care choices. To achieve this, we must continue to improve on what works and focus on fixing those aspects of our system that serve as barriers to that goal.

Our commercial health insurance providers are a key partner to achieving this, but every aspect of our health care coverage and delivery system has a role to play to ensure that individuals, families, and employers in Illinois continue to enjoy a competitive market where options exist at every level to meet their health and financial needs.

We appreciate that the options outlined are intended to be looked at in a comprehensive way but understanding the current marketplace coverage dynamics is key to understanding what policy option(s) address the actual needs that exist today. While some states have seen an erosion in their marketplace options, Illinois has seen an expansion of these marketplace coverage options over the past couple of years. Anything that would potentially disrupt that progress by way of shifting costs or even pulling healthy individuals away from existing coverage, including employer-based insurance, could destabilize the market to the ultimate detriment of the consumer.

ILHIC looks forward to seeing the policy options outlined (which include an off-marketplace and an on-marketplace public options/Medicaid buy-in program; a Basic Health Plan; premium and cost-sharing wraps targeting those outside of existing eligibility criteria; and the implementation of a state-based exchange) in greater detail. Until that time, we respectfully submit the following comments for consideration as this study moves forward.

Cost-shift and Access Impact Evaluation Across the Entire Market

P.A. 101-649 requires the Departments to conduct a study that not only produces a state-specific actuarial and economic analysis, but also produces cost estimates for the policy options studied and how those policies may impact uninsured rates, but also health insurance affordability and access for low- and middle-income residents.

In addition to examining the impact on the uninsured, and the low- and middle-income residents, the study and the policy options identified should also evaluate the impact on the employer-sponsored coverage market. Employer-sponsored health insurance represents a significant source of health coverage for individuals and families that rarely relies on state taxpayer dollars for support, and anything that might cause erosion on that source of coverage would prove fiscally imprudent by increasing strain on taxpayer-supported funding.

Policy options that seek to build on a public option approach, including a Medicaid Buy-in program, will only be able to achieve affordability by holding provider reimbursements rates to Medicaid reimbursement rates or even rates that may be lower than Medicaid.

In states like Colorado and Washington, the outlined approach for a public option followed this path, but policy options that force provider reimbursements lower in the public coverage programs will inevitably drive reimbursement rates higher for commercial payers and therefore, increase premiums for those individuals, families and employers with private insurance. In 2018, the National Bureau of Economic Research found that hospital cost-shifting due to lower Medicare reimbursements, for example, resulted in a 1.6% higher average payment from private payers over time.[i] Additionally, it is worth noting that in Washington, their new public option program "Cascade Care" resulted in plans with 2021 premiums that were on average 5% higher than private ACA plans offered on their exchange this year.[ii]

Similarly, a recent RAND report released this year noted that in 2018, employers and private insurers pay an average of 247% of what Medicare would have paid for the same hospital inpatient and outpatient services at the same facilities. In Illinois, employers and private insurers pay an average of 281% of what Medicare would have paid for these services, which puts the state as the 13th highest in the nation. These costs, the report notes, have increased an average of 5.1% each year since 2016.[iii]

The Colorado Department of Health Care Policy & Financing also released a report earlier this year that found that while the state's affordability policies succeeded in reducing uncompensated care, the providers sought to make up for reimbursement shortfalls by increasing the price of care for privately insured patients. The report found that hospital prices outpaced growth in patient volume, with prices soaring by more than 71% over 2009 while patient volume (based on discharge data) only went up by 16.6% during that time.[iv]

In addition to a cost-shift, access to care could be hindered if providers, particularly those in rural, lower-income communities, and communities of color that currently operate on thin margins, opt out of a Medicaid Buy-in/public option program due to the low reimbursement rates, which result in an inverse outcome than what this reform is hoping to achieve. For example, the five carriers selected in Washington to provide the new public option plans beginning in 2021 will only serve 19 of the state's 31 counties.[v]

A recent Crain's Chicago Business article highlighted the plight of several Chicago hospitals that serve minority communities currently that either face closure or have closed, creating a health care "desert"

for those communities.[vi] These hospitals typically serve a much higher Medicaid population that, as noted earlier, receive lower reimbursement than reimbursement rates paid by private commercial insurance payers.

Additionally, hospital systems exploring consolidation have not necessarily focused on taking over struggling safety-net providers serving these communities, which we encourage the state to consider in its analysis given the importance of looking at these policy options through the lens of supporting racial and health equity.[vii]

Altered Coverage Landscape and Unintended Consequences

The Illinois Department of Insurance issued a data call of commercial health insurance providers that focused on collecting coverage data for the first three quarters of 2019. This data was intended to help inform the possible exploration of a state coverage waiver, like a 1332 waiver authorized by the Affordable Care Act, that could allow the state to address coverage gaps.

While the goal of the affordability study outlined in P.A. 101-0649 is similar, the data used to perform an actuarial and economic analysis of the identified policy options will rely on data that does not reflect the significant changes that have taken place in our state's health care coverage and delivery system since that time due to COVID-19.

The Department of Healthcare and Family Services indicated that the study will take into account the current economic conditions, including a high unemployment rate and inevitable erosion in individual's access to employer-sponsored coverage, but the data will be deficient in providing a clear picture of current coverage gaps for which these policy options are attempting to solve.

Furthermore, economic recovery will rely on the employer community's ability to restore job opportunities that include the offering of stable platforms like employer-sponsored insurance. Therefore, we believe it is critically important that the state truly understand current coverage gaps and how these policy options will not only solve for those, but also potentially impact to the cost and stability of the employer-sponsored coverage landscape as a time in which that landscape has been altered by COVID-19.

We also believe it is important for the study to explore the potential impact on the affordability of non-public option marketplace offerings on the individual market. Broad reforms that impact the costs of the second lowest cost silver Qualified Health Plan (QHP) sold on the state's marketplace will have a direct bearing on the amount of ACA premium and cost-sharing subsidies available to those who already qualify for those affordability supports.

Under new reinsurance reforms implemented this year in Colorado, there is some early evidence showing that while costs went down for those individuals with household incomes at or above 400% FPL not eligible for the Advanced Premium Tax Credit (APTC), lower-income APTC-eligible individuals actually saw an increase of their out-of-pocket costs by almost 18% on average statewide because as the premium rate for the 2nd lowest cost silver plan decreases, so does the amount of the APTC available.[viii] This is not to suggest reinsurance reforms alone automatically results in a cost shift to those with lower incomes, but it does underscore the need to carefully assess how these policy options impact the entire market, including those populations that are not the primary target of such reforms.

Well-intentioned reforms targeting a certain coverage demographic may result in unintended consequences with affordability and erosion for other coverage demographics and products. Therefore,

it is not only extremely important to evaluate these possibilities across all associated policy options, but also even more important for the state to understand the coverage landscape as it has been re-shaped by COVID.

Cost and Infrastructure Considerations

The health care affordability options the state expects to outline as part of the cost study address policy measures that speak to coverage design but do little to address the underlying costs that drive the actual cost of health insurance. Premiums are a direct reflection of medical and prescription drug costs and utilization, and without some focus on addressing systemic costs, creating sustainable affordability reforms will be difficult to achieve.

Health insurance providers advocate for consumers by negotiating lower prices with doctors, hospitals, and drug companies, but policy options that do not foster competition in all sectors of our health care industry make those goals difficult to achieve. The health insurance sector is currently the only sector of our health care economy that is held to profit caps when it comes to our consumer's health care dollars. Only 2 cents of every health care dollar go towards the health insurance provider while nearly a quarter of that dollar is spent on prescription drugs, as an example.[ix]

Policy decisions requiring consumer's health care dollars be spent on certain medical services, devices, providers, and prescription drugs by way of state coverage mandates also drive premium increases. Under the Affordable Care Act, Illinois was required to establish an essential health benefit (EHB) benchmark incorporating all state mandated coverage requirements enacted prior to 2012 thereby creating a coverage floor for consumers in the individual and small group markets in the state. Since that time, however, Illinois has continued to pass new mandates that increases premiums for these consumers.

We would encourage the state to consider how these mandates have and may continue to add to affordability challenges for individuals and employers in Illinois.

With respect to the consideration of establishing a state-based exchange and how that impacts implementation and success of some of the other highlighted policy options, the employer and health insurance provider community sought passage of an Illinois Health Benefits Exchange in 2014 and 2015. The Council and our members believed that Illinois was in the best position to implement an exchange that is sensitive to the coverage gaps and market landscape unique to this state.

Legislative efforts, however, stalled in part after negotiations broke down over the funding source needed to sustain operation of the exchange, as well as how the marketplace was to be organized. It is worth noting that these discussions and efforts to move in this direction were done at a time when federal funding was available to assist states in standing up their own exchange; a funding source that does not exist at this time.

The affordability policy options targeted for the study are options that have been explored by other states like CO, WA, MA and NM, all of which have a state-based exchange. Furthermore, unlike many of these others states, Illinois still has pre-ACA coverage infrastructure in place that is financially supported by health insurance providers today. The Illinois Comprehensive Health Insurance Plan (ICHIP) still serves enrollees with pre-existing conditions who were previously unable to secure affordable health insurance, and at the end of 2019, the program reported less than 94 participants enrolled.[x]

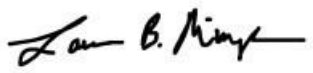
We believe it is important that the affordability study, in addition to exploring how a state-based exchange might impact implementation and cost of these options, acknowledge existing infrastructure that is unique to Illinois.

Finally, nearly all these policy options highlighted will require a funding structure to support them at a time when the state is already financially disadvantaged. Some states have targeted funding mechanisms that rely on taxes and fees assessed on the health insurance providers, but these funding mechanisms come at a cost to the consumer in the way of higher premiums, which can ultimately detract from the overall goal of these affordability policies.

A study produced by Oliver Wyman showed that the health insurance tax levied on health insurance providers in 2020 translates into more than $800 million in additional premium dollars paid by Illinois employers and consumers.[xi]

On behalf of our health insurance provider members, ILHIC once again appreciates the opportunity to weigh in on these affordability policy options and hope that our feedback can help inform the considerations associated with these policy options as the study is developed. We believe it is important that all Illinoisans have access to affordable health care coverage and care, and we look forward to working with the state to achieve that goal.

Sincerely,



Laura Minzer
President

CC: Laura Phelan, Director of Policy, Illinois Department of Healthcare and Family Services
Ryan Gillespie, Deputy Director of Health Products, Illinois Department of Insurance
Kate Morthland, Health Insurance Policy Advisor, Illinois Department of Insurance

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