



Democratic National Committee Platform Testimony on Health Insurance

June 18, 2016

The National Association of Health Underwriters (NAHU) is the leading professional association for health insurance agents, brokers, general agents and consultants, representing more than 100,000 benefit specialists nationally. Health insurance agents, brokers and consultants help individuals, families and employers of all sizes to purchase health insurance coverage. NAHU members work on a daily basis to help America's health insurance consumers use their coverage in the best possible way. We appreciate the willingness of the Democratic Platform Committee to accept testimony from stakeholders on the content of its healthcare platform for the Democratic National Committee (DNC).

Americans deserve a healthcare system that delivers both world-class care and financial security. This system should be accessible, it should provide consumers with choice in coverage options and providers, and it should focus on containing cost burdens to make coverage affordable to all Americans. Despite the laudable passage and implementation of the Affordable Care Act (ACA), our nation's individual and business consumers of healthcare still face many challenges. NAHU urges the DNC to build upon the existing strengths of our private-market system to achieve a bipartisan, workable health-reform solution by focusing on access, choice and affordability.

Access

NAHU believes that our country needs a health coverage system that is accessible to all. We should strive to make access to medical care and the financial protections private health insurance provides available to all Americans. We also must ensure that Americans have access to the help they need to purchase and use coverage that best meets their specific needs.

In order to successfully navigate our existing healthcare framework, the vast majority of employers and individual health insurance consumers voluntarily choose to utilize a licensed and regulated independent agent or broker. The purchase of medical care coverage is one of the most important personal and financial decisions American families make. Furthermore, the purchase, design and implementation of a healthcare plan is enormously consequential to American employers of all sizes. NAHU believes that, to be successful, healthcare reform moving forward must acknowledge and preserve the role of professional health insurance agents, brokers and consultants. The implementation of the ACA has evolved the role of agents, brokers and consultants to not only assist both individual and business consumers in selecting the appropriate healthcare



coverage for their needs, but also to advocate on behalf of their clients to ensure compliance with the ACA, offering consumers ultimate protection in an ever-changing market. Agents, brokers and consultants provide invaluable year-round service to their clients to assist in claims and coverage solutions, and continue to do so in light of commission cuts that resulted from unintended consequences of provisions in the ACA. NAHU believes that the use of a health insurance agent or broker should be available for all American private health insurance consumers, and that agents and brokers must be fairly compensated for their work, and licensed and regulated to ensure consumer protection.

Access to a wide range of coverage sources also needs to be a top priority. For the majority of Americans under the age of 65, employer-sponsored health insurance is a reliable method for obtaining high-quality health insurance coverage, and it is the core of our national private-market healthcare-delivery system. Employer-based coverage and the financial contributions employers make toward that coverage are the bedrock for health insurance coverage in this country. Preserving and protecting this valuable source of healthcare financing is essential.

According to the Bureau of Labor Statistics, about 175 million Americans have employer-sponsored coverage and are statistically more likely to maintain coverage year after year. Providing coverage through employers or other group arrangements offers controlled entry and exit in the health insurance market, which prevents price-escalating adverse selection and ensures the spreading of risk. It also ensures federally guaranteed consumer protections and the ease of economies of scale of group purchasing and enrollment. In addition, it is a means for employers to provide equitable contributions for their employees.

Changes to the tax treatment of coverage for both employers and employees must be avoided at all costs. Tax incentives for employers to establish group plan benefits for their employees, including the deduction for employer-paid health coverage and the small-business tax credit, must be preserved. Additionally, several recent health insurance and tax-reform proposals have suggested eliminating or capping the employer tax exclusion provided to individuals who have employer-provided group coverage and perhaps substituting it for some other tax preference. Capping the exclusion for employees would degrade the benefit and serve as a tax increase for middle-class Americans. There is no magic number that would be the “right” cap; health insurance coverage pricing is based on many different factors, including age, geography and the level of overall medical claims on larger groups. A cap would most likely have the effect of being a “sick” tax, discriminating against employer groups with older or sicker employees and families.

Eliminating the exclusion would mean an immediate and significant tax increase on most Americans. The very coverage that keeps the vast majority of Americans insured would overnight become a burden and, for many, the new tax burden that would come with accepting their employer’s offer of coverage would be much more than any penalty they might incur for going without coverage. This means that many employer plans would lack the employee participation they would need to remain viable and that coverage offered through



employers would likely cease to exist. No longer would there be a potent means for spreading risk among healthy and unhealthy individuals. Employers and individuals would lose many group purchasing efficiencies and workers would be less likely to have their employer as an advocate in coverage disputes. Employers would be less likely to involve themselves in matters of quality assessment and innovation and could suffer in terms of worker productivity and labor costs because employer-sponsored insurance leads far more workers to purchase health insurance than they would on their own. NAHU believes the DNC must take expedient and extensive action to reduce the financial and administrative burdens on employers attempting to provide health insurance coverage for their employees and dependents to ensure that employers continue to invest in their employees' healthcare needs in the years ahead.

Although most Americans obtain their coverage through their employer or the employer of a family member, and should be able to continue to do so if they wish, it is also critical to build and preserve consumer access to a stable and affordable individual marketplace for those who do not have the choice of an employer-based plan. To that end, Congress should make adjustments to our Tax Code so that individuals buying coverage, regardless of income, can deduct the premium they pay for health insurance from their income tax on an above-the-line basis.

Health insurance premium tax credits for low-income individual health insurance consumers have significantly increased access to coverage in the individual health insurance market. The structure of the current tax credits prevent some people who are eligible but unable to afford employer-sponsored family coverage from taking advantage of the tax credits available in the individual market. This "family glitch" should be corrected as a first priority for Democrats.

Finally, while ensuring consumer access to individual and employer-based major medical coverage is crucial, these are not the only types of health insurance policies for which access needs to be preserved. For our nation's senior population, the stability of our Medicare system is crucial. Continued access to a wide range of supplemental options -- including standalone prescription drug plans, private Medicare Advantage coverage and various types of traditional Medicare supplemental plan choices -- should be maintained. A vibrant long-term care coverage marketplace is also critical as our nation ages, and expanding access to this type of coverage through tax incentives, especially allowing pre-tax use of Section 125 for employer-sponsored long-term care plans, will help reduce public program cost burdens in the years ahead. Standalone vision and dental policies allow consumers access to targeted networks and often more robust services, and other excepted benefit plans also are an important way that many Americans choose to supplement their care needs and protect their financial security. It is also crucial to allow consumers the option of securing these types of policies through either workplace purchasing or on an individual level. With all of these coverage options, consumers should have the opportunity to seek the services of a licensed professional health insurance agent or broker for coverage support throughout the plan year.



Choice

Within health insurance marketplaces, it is critical that individual and business consumers of healthcare have many choices so that they may pick the type of policy that best suits their needs and budgets. For all insurance markets, this means government action that may limit health plan competition and innovation should be kept in check. On the individual side, the ACA creates several mechanisms for helping lower-income Americans better afford health insurance coverage, including allowing states to choose to expand their Medicaid programs and premium tax credits for eligible low-income individuals who purchase coverage through health insurance exchanges. The ACA's attempt to help more Americans afford health insurance premiums through tax credits is laudable. However, by restricting recipients of this premium support to only low-income individuals purchasing their coverage through health insurance exchanges, the ACA limits the choices available to these consumers. Tax credits should be available to all Americans who qualify; it should be their choice if they want to buy their coverage through an exchange or the traditional private market.

With regard to the employer-sponsored health insurance market, federal policymakers should avoid choices that could limit employer options in providing a wide range of coverage choices to their employees, including restricting plan-design and coverage-financing options. If an employer takes on the responsibility and cost of sponsoring a true employer group plan arrangement, then the employer should have a wide array of coverage options and plan-design tools to choose from and the ability to innovate. Over the last few years, a variety of ACA provisions, regulations and administrative actions have made employer plan-design options more rigid, restricted employer cost-reduction mechanisms and have resulted in fewer plan choices being available, as well as more limited provider networks. Additional rules could further limit an employer's ability to choose Health Saving Account options for employees, hamper their wellness program options and force them into selecting policies with higher deductibles and employee cost-sharing. Immediate action needs to be taken to provide relief and more choice at both the plan-sponsor and individual employee levels.

An alternative market design that is often heralded as a solution to current market trends is a single-payer system. However, single payer means limited choices for consumers, and that discourages creativity, efficiency, quality and innovation among providers. While single-payer plans can offer all citizens some type of health insurance policy, they cannot guarantee access to medical care, much less prompt delivery of quality care. The problem in the United States is that many Americans do not have access to affordable healthcare. However, in a single-payer system, not having access to the type of care a person needs when they need it can mean not having access to medical care at all. Implementing a single-payer model will cause radical changes to our current financing system and, in many of the reforms, completely do away with our current insurance system. It's important to realize that healthcare costs are not expensive because of insurance; rather, insurance is expensive because of rising healthcare costs. In government-run healthcare systems, there is never enough money to provide timely care and the latest technology. That's because healthcare funds have to compete with other claims on government funds, such as education, welfare and defense. NAHU urges the



DNC to preserve the current insurance market model, which combines both public and private delivery systems.

Another factor that limits choice is over-regulation of the insurance marketplace and the assumption that all state health insurance markets can be regulated identically. States need more flexibility in implementing ACA market reforms in order to ensure that they are appropriate for their residents and businesses. Areas where state flexibility is needed include establishing state-appropriate age rating bands for coverage, allowing for the ability for insurers and employers to use composite rates as determined by the state, and reviewing and approving the essential benefit and other coverage requirements to ensure that they allow individuals and employers the opportunity to buy affordable coverage. A workable waiver system and greater state regulatory control and flexibility whenever possible would help improve consumer coverage options.

Finally, while we should give consumers the ultimate choice of whether to enroll in health insurance coverage, NAHU suggests creating strong financial and insurance-related incentives for consumers to maintain continuous coverage – even when they are healthy. State-level insurance market innovation history shows that if you don't give consumers reasons to maintain coverage and don't allow health plans to evaluate for risk, the cost of coverage ultimately increases due to adverse selection. In the absence of medical underwriting, other risk-management methods such as risk adjustment and reinsurance would need to be employed. Penalties for late enrollment, used even in government programs like Medicare Part B and D, would also be useful to encourage enrollment.

Affordability

Affordability is the key to the success of health reform. Expanded access and choice will be a wasted effort if people are unable to pay for coverage. However, the simple truth is that we can't lower private insurance and public health coverage program costs until we first bring down the cost of medical care itself because that is what is making health coverage more expensive for individual consumers, employers and public programs. Making coverage affordable for everyone doesn't mean simply providing people with generous tax credits to help pay for coverage. It also means looking at what is causing the cost of coverage to skyrocket, and that means taking a hard look at the cost of medical care. To truly bend the medical cost curve in a downward direction, all of the stakeholders in the healthcare industry will have to step up and propose cost-containment ideas that fall under their areas of expertise. As a nation, we must stand back and take a hard look at our healthcare spending—how we are spending money, who is paying for what services and why.

As the ACA continues to be implemented, the cost of medical care itself needs to be addressed. The DNC must turn its attention to the issue of rising healthcare costs. To start, there should be federal incentives to encourage private-market investments in payment reform, such as bundled payments and value-based purchasing for employers and insurers that specialize in the under-65 market. This will begin to reduce the



healthcare cost-shift we see from government to private payers today, and will reduce the cost of health plans for employers and their employees. Prioritizing changes to the way providers are reimbursed under Medicare to incent quality of care over volume will also provide timely savings to our Medicare program, and could influence the private under-65 health insurance market's provider payment patterns.

Americans also need to examine and understand how personal choices are negatively impacting not only their own health, but also the physical and economic health of this country. Behavior is the most significant determinant of health status, and reducing overall healthcare costs through promoting and achieving a healthier lifestyle for all Americans should be a top priority. Along those lines, access to wellness programs should be incented at every turn, not discouraged. There is a wide degree of evidence that shows healthcare price transparency will encourage providers to deliver both greater healthcare innovation and increased value and quality for consumers. It is NAHU's view that the federal government does not need to legislate or regulate transparency requirements for the private market. Instead, we believe the federal government can lead by example through the commitment to greater transparency within its own systems and public-private partnerships to share data build transparency tools.

Given that the employer-based system is the coverage source for the majority of Americans under age 65, group coverage affordability needs to be a top priority. For small employers, many of the ACA's arbitrary provisions, such as narrow rating bands, limits on composite rating and new levels of minimum coverage, have resulted in higher costs that directly impact both the business owner and all of the employees. Larger employers are overwhelmed by plan-design changes and restrictions, as well as the cost and compliance burden of counting employees and documenting and reporting coverage options caused by the health reform law's employer shared responsibility provisions. They are also now subject to new fines, in some cases even when they do offer coverage, and employees are the ones who ultimately bear the burden of all of this increased expense. Accordingly, every effort should be made to make group health insurance coverage both less expensive and easier to administer.

Another factor that substantially increases health insurance costs for those doing the responsible thing by purchasing and maintaining coverage is the health reform law's growing tax burden, including the national premium tax that has made all fully insured benefit plans significantly more expensive, and the looming health coverage excise tax or "Cadillac tax" that could be applied to any employer-sponsored coverage arrangement. The 40% excise tax for high-cost employer-sponsored health plans was created as a means of controlling health plan costs and as a funding mechanism for the ACA. However, the cost of medical care is what truly drives health insurance premiums and this tax does very little to rein in healthcare costs. The Cadillac tax also does nothing to address excessively generous health plans, and disproportionately impacts regular plans that cover high-cost individuals like older and less healthy employees and those who live in more high-cost areas. The 40% tax has no benefit. Not only does it not actually identify plans with 'Cadillac'-type benefits, but it is structured in such a way that many employers, from the smallest employer to the largest corporation, may



have to reconsider their ability to offer coverage to employees. Those that do continue to offer coverage will be forced to drastically reduce benefits, which will impact the middle-class families the ACA was designed to protect. While NAHU recognizes that Congress needs to find a stable revenue source to subsidize costs for low-income Americans, such funding should not be borne on the backs of those individuals and employers who are already in the health coverage system.

Finally, the issue of affordability is critical for every stakeholder, including state and federal governments. NAHU recognizes that the success of a national health-reform effort depends on government providing some level of financial assistance to those who truly cannot afford to purchase private health insurance coverage. To protect our national economy, however, careful consideration should be given to the level of government intervention in our health insurance system required by the ACA and the costs required to support that level of involvement. Any health coverage program established must be well structured and adequately funded, and have long-term financial viability. Otherwise, we run the risk of creating unsustainable programs, failing to deliver on promises made to America's neediest citizens while increasing the federal deficit and potentially bankrupting our states.

Conclusion

NAHU sincerely hopes that the DNC will continue to build on the successes of the ACA to further deliver health reform that guarantees access and choice, lowers costs, improves healthcare quality and puts the needs of the American people first. America's health insurance agents, brokers and consultants stand at the ready to help the DNC with this process and look forward to continuing to provide needed, timely and accurate consumer assistance to employer and individual health coverage clients of all backgrounds. NAHU is grateful for the opportunity to provide testimony on the DNC 2016 Platform, and we look forward to working with the DNC to continue to implement healthcare reform. If you have any questions or need additional information about our suggestions, please do not hesitate to contact me at either (202) 595-0639 or jtrautwein@nahu.org.

Sincerely,

A handwritten signature in black ink, reading "Janet Stokes Trautwein". The signature is written in a cursive style with a large, looping initial "J".

Janet Stokes Trautwein
Executive Vice President and CEO
National Association of Health Underwriters

