



## HEALTH REFORM RECOMMENDATIONS

As the Senate considers healthcare reform, the Healthcare Leadership Council (HLC) welcomes the opportunity to share our thoughts on this important topic. HLC believes new reform efforts should build upon the most successful components of the Affordable Care Act (ACA) while also acting to improve the components of the ACA that need reform. The Senate has the opportunity to make sure that the promise of making healthcare accessible to all Americans is fulfilled.

HLC is a coalition of chief executives from all disciplines within American healthcare. Our members – the nation’s leading hospitals, academic health centers, health plans, pharmaceutical companies, medical device manufacturers, laboratories, biotech firms, health product distributors, pharmacies, post-acute care providers, and information technology companies – are committed to advancing a consumer-centered healthcare system that values innovation, accessibility, and affordability.

These health sector leaders strongly believe that all Americans need affordable coverage of high-quality healthcare. We urge our country’s leaders to work together towards this goal. While the ACA faces significant, potentially destabilizing challenges, the law has dramatically reduced the number of Americans without health insurance coverage options. It is essential that any Senate legislation on health reform maintain a similar number of insured Americans.

### Individual Market

The health insurance structure must bolster the stability of the entire health insurance market, encourage greater competition, and give all Americans enhanced choice and flexibility in their coverage.

To offset the costs of high-risk individuals, an effective insurance structure must include a viable and appropriately funded reinsurance program, which will in turn reduce premiums for all consumers and help stabilize the health insurance market. In addition, the cost-sharing reduction (CSR) subsidies must be fully funded. The CSRs keep healthcare affordable for low-income Americans and, even as premiums are reduced, these individuals will still need assistance with out of pocket costs. Failure to fund this important program will result in higher premiums and create uncertainty as health plans face the decision whether or not to remain in the market. We would also suggest providing low-income individuals with a pre-funded health savings account that incentivizes the use of preventive services and could be used for cost-sharing expenses.

Immediate steps are needed to help provide greater certainty for the 2018 market as state officials and health plans are finalizing decisions regarding their engagement in local markets and product offerings. We would highlight CSR funding and reinsurance as two policy provisions for which near-term action would benefit the market and consumers substantially.

We also believe that a premium tax credit that is workable for low-income families who are not eligible for Medicaid and who don't have access to employer-sponsored insurance should be tied to income and geography as well as to age and adequately funded. These premium tax credits should retain their value over time relative to premium growth to avoid a market destabilizing dynamic in which less healthy consumers would be the dominant population purchasing coverage in future years. HLC also believes that access to affordable health insurance should not be based on health status. This is essential to ensuring that all Americans have coverage to become and remain healthy and receive treatment when needed. Having a diverse group of consumers in the market also spreads risks and controls premiums and out-of-pocket costs. This is the reason that an individual mandate was first used in Massachusetts under then-Governor Mitt Romney. In the absence of an individual mandate in the future, then alternative policies, such as a continuous coverage requirement, must be enacted in its place to ensure a stable individual market. A limited waiting period before reinstatement of coverage, similar to what is required under Medicare, could be an effective way of preventing consumers from letting their health coverage lapse, and then buying coverage only when they get sick.

It is vital that the healthcare reform legislation provide meaningful safeguards for patients with pre-existing conditions and that there be no annual or lifetime limits on coverage. Consumers will be further empowered by restoring options and increasing flexibility on health savings accounts and a repeal of the limitations on contributions to flexible spending accounts and health savings accounts. This will provide middle-income consumers with better tools to manage funds to cover their healthcare expenses.

### Medicaid

As outlined in the attached principles, HLC's cross-sectoral membership strongly believes that Medicaid must continue to serve as an important and viable safety net for low-income individuals and families who do not have access to either employer-sponsored insurance or the individual market. There are ways to increase efficiency in the program, however such policy changes should maintain access to the safety net for our most vulnerable citizens. In the event of cuts in federal funding, states that do not have the resources to meet their share of Medicaid costs will be forced to reduce funding for other state priorities, raise taxes, or scale back coverage of low-income populations. Healthcare costs will only rise for the government, other payers, providers, and beneficiaries alike, as without this safety net, patients delay preventive care and instead seek treatment in high-cost settings like emergency rooms. Further, evidence

has shown that, for low-income working poor Americans, Medicaid coverage is strongly associated with improved employment retention and attendance.

Furthermore, states that have already expanded Medicaid should not be penalized. An abrupt rollback of the expansion would be particularly damaging and disrupt health improvements that continue to take place under the expansion. Equitable treatment across expansion and non-expansion states will ensure the health of our country and its workforce.

In order to lower costs in the long run and thereby sustain the Medicaid program for current and future beneficiaries, states should be given incentives and flexibility to focus on value-based care, population health, and better outcomes. These models should recognize the needs of different segments of the Medicaid population, and states should be incentivized to develop programs that address the resource needs of these populations, including socio-economic challenges. Drawing from private sector progress in moving to paying for value, the Medicaid program should encourage the adoption of models, including Medicaid managed care, that move away from fee-for-service and reward population health outcomes and value. As part of this transition, there should be safeguards in place to ensure that Medicaid funds are used to provide services to beneficiaries, and not fund other state non-health priorities.

Given the significant amount of churn in and out of the program, Medicaid enrollment needs to be simplified and streamlined. This will promote continuity of coverage and ensure that eligible beneficiaries are able to maintain consistent coverage that can lead to longer term improvements in their health.

### Taxes, Fees, and Payment Provisions

Other provisions to support the safety net are also needed. For example, Disproportionate Share Hospital (DSH) payments must be restored to preserve access to care for low-income beneficiaries.

In addition to restoring the DSH payments, Congress should repeal the ACA's burdensome taxes and fees on providers, plans, and manufacturers. For example, the health insurance tax, the medical device tax, and the tax on brand-name prescription medicines harm job creation, deter medical innovation needed to save and improve patients' lives, and inhibit economic growth.

HLC's membership of leaders across all healthcare sectors share the commitment to creating jobs and giving hope to patients through access to high-value, high-quality care. We look forward to continuing to collaborate with Congress to develop an optimal, 21st century healthcare system.