



December 21, 2016

Dear Mr. President-Elect:

On behalf of the members of the Healthcare Leadership Council (HLC), congratulations on becoming the 45th President of the United States. As our chief executive, you will have the opportunity to oversee a profound transformation of the U.S. healthcare system. We are prepared to assist you in this endeavor.

HLC is a coalition of chief executives from all disciplines within American healthcare. It is the exclusive forum for the nation's healthcare leaders to jointly develop policies, plans, and programs to achieve their vision of a 21st century health system that makes affordable, high quality care accessible to all Americans. Members of HLC—hospitals, academic health centers, health plans, pharmaceutical companies, medical device manufacturers, 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, affordability, and accessibility.

Below, we have outlined steps that we believe will bolster the stability of the health insurance marketplace, encourage greater competition, and give all Americans enhanced choice and flexibility in their coverage.

#### Immediate Actions Necessary to Stabilize the Health Insurance Market

- You have pledged to work with congressional leaders to repeal the Affordable Care Act (ACA) and replace it with a better system for patients and consumers. Realizing, as you have made clear, that repeal will need to be phased in, immediate steps are needed to maintain stability in the market and protect current coverage for consumers during this transition. These include:  
Maintaining current premium and cost-sharing subsidies for the 2017 benefit year and through the entirety of any transition period.
- Stabilizing the risk pool through the use of a congressionally directed fund to help offset the costs for consumers with serious health conditions. This will lower premiums for all consumers.
- Reducing the cost burden on consumer premiums by repealing the health insurance tax (HIT).
- Modifying the Medical Loss Ratio (MLR) provisions for health insurance plans so that quality improvement measures, fraud prevention and detection, broker

commissions, and federal and state employment and unemployment taxes are not considered administrative expenses.

- Restoring regulatory oversight to the states for insurance market rules, rates, network adequacy, and benefit design. States have traditionally been the primary regulators for their local markets and they understand how best to meet their consumers' needs. For example, the varying geographies and demographics across states make it difficult to apply uniform network standards nationally. Restoring regulatory oversight to the states will also lead to more flexible benefit designs and more choices for consumers.
- Ensuring funds for the temporary reinsurance program are disbursed to insurers. Insurers were required to reduce their 2016 benefit year premiums by factoring in these payments that will be disbursed in 2017. Without these funds, many insurers will likely have to leave the market and consumers will be faced with premium increases from those insurers that are able to remain in the market.
- Deferring to state law in the area of grace periods and requiring payment of outstanding premiums before re-enrollment in coverage. The current three-month grace period for nonpayment of premiums has resulted in a growing number of consumers who receive healthcare services while electing not to pay grace period premiums, which increases costs for everyone.
- Ending third party premium payments that incentivize consumers eligible for Medicare and Medicaid to enroll in the Marketplace instead.
- Reducing the number of Special Enrollment Periods (SEPs) and requiring pre-enrollment verification for the SEPs. Under the current process, the exchanges handle SEPs and enrollments without verifying whether SEPs are valid, yet insurers are required to accept these enrollment decisions. This permits abuse of SEPs, which worsens the risk pool and results in higher premiums for consumers.

### Longer-Term Actions Necessary to Ensure Flexibility and Affordability in the Health Insurance Market

Over the longer-term, and should the new post-ACA health insurance structure not include an individual mandate, the health insurance market should be made more flexible and affordable by:

- Guaranteed issue of health insurance and without pre-existing coverage limits, but in conjunction with continuous coverage requirements and/or other critical safeguards against adverse selection. Creating a permanent high risk pool with broad-based and stable funding.
- Improving risk adjustment mechanisms to account for higher cost enrollees and to avert adverse selection across insurers.

- Providing advanceable, refundable tax credits to help purchase coverage in the individual market, whether off or on an exchange.
- Eliminating standard plan designs and encouraging innovative plan designs that attract new consumers and offer them affordable options as opposed to one-size-fits-all standardized benefit packages.
- Utilizing decision support tools—including out-of-pocket cost calculators, smart plan-finder tools, searchable provider networks and drug formularies, and clear cost information for common services—to better present plan options and ease comparison by consumers.

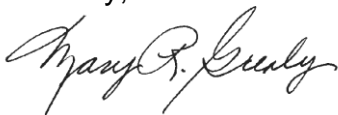
#### Opportunities for Regulatory-Only Action to Stabilize the Health Insurance Market

Some of the proposals outlined in this letter do require congressional legislative action, but many do not. Quite a few can be achieved solely through regulatory action – and we recommend that your Administration take the opportunity to seize such opportunities to provide immediate, real change. Specific areas in which we believe the Administration can act immediately using existing regulatory authority include:

- Restoring regulatory oversight to the states for insurance market rules, rate approvals, network adequacy, and benefit design.
- Ending third-party premium payments that steer patients away from public insurance programs.
- Reducing the number of SEPs and requiring pre-enrollment verification for the SEPs.
- Modifying the MLR.
- Eliminating standard plan designs and encouraging innovative plan designs.
- Utilizing decision support tools to better present plan options and ease comparison by consumers.
- Deferring to state law in the area of grace periods through temporary regulatory non-enforcement.

Again, we offer you our wishes for the greatest success in your presidency. HLC looks forward to working with you to ensure a high quality, affordable, and accessible healthcare system for all Americans.

Sincerely,



Mary Greal  
President

cc: Congressional leadership