July 28, 2021

The Honorable Patty Murray
Chair
U.S. Senate
Washington, D.C. 20510

The Honorable Frank Pallone
Chairman
U.S. House of Representatives
Washington, D.C. 20515

Dear Chair Murray and Chairman Pallone:

Thank you for the opportunity to provide comment on legislation that would create a federally-administered public health insurance option. The Healthcare Leadership Council (HLC) welcomes this discussion and believes it is an opportunity to explore a wide range of viable options to strengthen the accessibility and affordability of health coverage for American consumers.

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 healthcare 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, laboratories, biotech firms, health product distributors, post-acute care providers, home care providers, and information technology companies – advocate for measures to increase the quality and efficiency of healthcare through a patient-centered approach.

We share your goal of achieving greater healthcare affordability so that every American has the opportunity to attain quality coverage. The good news is that, in terms of premium costs, the market has been exceptionally stable in recent years. 2021 is the third consecutive year with minimal change in average premium rates in the individual health insurance marketplace. Even in the shadow of the COVID-19 pandemic, the nation is not witnessing dramatic upswings in premium costs.

It is still essential, of course, to pursue consumer-focused improvements to our health insurance infrastructure. The Affordable Care Act (ACA) provides a stable (particularly following the recent decision by the U.S. Supreme Court) and increasingly popular foundation upon which to construct these enhancements. There is bipartisan support for transitioning away from the repeal-and-replace debate in order to develop and enact common-sense improvements to the ACA that will strengthen competition in the marketplace and provide support to those financially vulnerable consumers with the greatest need.

In this light, we believe that a government-run health insurance option is an unnecessary and potentially damaging policy alternative. A public option plan that could incur substantial taxpayer-subsidized financial losses inherently creates a distorted playing field on which
private health plans could not adequately compete. This would lead to a significant exodus of consumers from private plans to the public option and, with it, severe financial damage to healthcare providers, that would find their payer mix substantially changed and increasingly dominated by a public option that, presumably, would pay lower, Medicare-comparable reimbursement rates. It is, in short, a concept fraught with potential pitfalls and unintended consequences that is lacking a compelling need to fulfill.

Universal coverage can be achieved by building on existing healthcare coverage options without creating a new standalone public option. Medicare Advantage, Medicaid Managed Care, and the individual healthcare exchanges are three examples where the private sector is working in direct partnership with federal and state programs to provide healthcare coverage to millions of Americans.

We are happy to expand upon coverage access and affordability solutions that could achieve bipartisan support and make a significant difference in the lives of consumers and will do so within the context of the questions for which you have requested responses.

1. Who should be eligible for the public option? Should a federally-administered plan be available to all individuals or be limited to certain categories of individuals?

If a public option is able to offer lower, taxpayer-subsidized premiums and out-of-pocket costs with which private plans cannot feasibly compete, it is inevitable that there will be political pressure to make it available to all consumers. That will cause disruptive gravitation of consumers out of private individual plans and employer-provided insurance and into the public option – one study projects 123 million people would be enrolled in the public option by 2025 – destabilizing our current private health insurance system. That is not a policy alternative preferred by the American people, a majority of whom said in a November 2020 Gallup poll they prefer a healthcare system based on private insurance.

It is fair to say that the Affordable Care Act has never been provided the opportunity to optimize its value to American consumers. We support increased federal funding for outreach and awareness to encourage consumers to purchase and maintain health insurance coverage. It would be preferable to attract more consumers to our existing health insurance structure, creating an enrollee mix that will yield reduced costs in the long run, than to pursue extreme solutions that would fundamentally change the current system.

2. How should Congress ensure adequate access to providers for employees in a public option?

On this topic, it is extremely important to note the success of employer-provided insurance in providing health security and peace of mind for 160 million Americans. According to a recent analysis by the National Bureau of Economic Research, employer-sponsored insurance (ESI) coverage is providing $800 billion annually in personal value to American families and has a social value $1.5 trillion greater than the collective contributions of policyholders, employers and taxpayers. We are deeply concerned that the instability to private plans created by a public option would undermine this tremendous value and upend a system that is working for so many.
A 2019 KNG Health Consulting analysis of Medicare X Choice Act estimated that this type of public option proposal would barely reduce the number of uninsured individuals. Instead, around 90% of enrollment would comprise individuals who were either covered under ESI or on a commercial non-group plan. This analysis shows that a public option would only slightly reduce the number of uninsured while having a detrimental effect on the viability of the private and employer-sponsored insurance markets.

Policymakers should be greatly concerned that a public option would decrease, not increase, patient access to healthcare providers. The recent efforts in Oregon to create a state public option are instructive in this regard. The current Centers for Medicare and Medicaid Services Administrator Chiquita Brooks-LaSure wrote, as managing director of Manatt Health Strategies, that “in order to reduce premiums, the public option presumes reduced provider payment rates compared with existing marketplace reimbursement rates.” Should this occur, as an August 2019 Navigant analysis points out, as many as 55 percent of rural hospitals would be at high risk for closure because of reduced revenues. Particularly at a time in which providers are still struggling with financial losses as a result of the COVID-19 pandemic, a public option would heighten their difficulties maintaining sustainability. For example, a KNG Health study estimating the effects of the Medicare-X Choice Act on healthcare coverage and spending found that it would lead to a $774 billion dollar cut for hospital services over a 10-year period and negatively impacted access to care and provider quality through elimination of healthcare services and reduction of clinical staff.

We can instead pursue policy alternatives that would give patients and consumers more access to health services. For example, it would make sense to allow flexibility for high-deductible health plans to offer coverage of certain services, treatments, or medications necessary to treat chronic health conditions before an enrollee has met his or her deductible. This would allow millions of Americans to better afford essential services.

3. How should prices for healthcare items and services be determined? What criteria should be considered in determining prices?

As noted above in our response to question #2, one of the greatest dangers posed by a public option is reduced reimbursement rates at Medicare- or Medicaid-levels that would put a significant number of providers at financial risk and limit access to quality healthcare for beneficiaries.

Rather than pursuing a public option system that bluntly cuts provider payments as a way to reduce costs, we believe targeted policies that address rising healthcare costs such as value based payments based on outcomes would be more effective in improving affordability and access to quality healthcare coverage.

4. How should the public option’s benefit package be structured?

Rather than determine the parameters of benefits for a theoretical public option, a far better alternative is to offer consumers a greater range of options within the current health insurance system. We recommend offering employers and consumers more choices for their coverage, with a focus on value-based insurance designs, which would increase competition within the marketplace.
5. **What type of premium assistance should the Federal government provide for individuals enrolled in the public option?**

There is a great deal that Congress can do right now in this regard to provide assistance to low-income individuals in the current health insurance market that would render the public option unnecessary.

Congress should revise federal assistance to help more people afford coverage through premium tax credits and cost-sharing protections to assist lower-income consumers with access to medical care. Further, lawmakers should establish a permanent health reinsurance program to help reduce premiums for all consumers in the individual insurance market by supporting the cost of caring for those with significant medical needs.

Congress should also make permanent the enhanced premium tax credits included in the American Recovery Plan Act and provide incentives for states to expand Medicaid eligibility to 138 percent of the federal poverty level to improve healthcare coverage and affordability.

Additionally, we recommend fixing the “family glitch” in which the cost to add family members to an individual’s employer-sponsored health insurance is not considered when determining affordability.

6. **What should be the role of states in a federally-administered public option?**

It can be reasonably assumed that the creation of a public option to compete in state health insurance marketplaces will re-ignite the ideological battles that have consumed much of the Affordable Care Act’s first decade, with multiple states pursuing political and litigious strategies to keep a public option from operating within their borders. This would distract policymakers from the important work of continuing to improve the ACA.

There is an important role for states in improving the current system. States should be encouraged to establish their own reinsurance program, perhaps through state waivers in which the reinsurance program is partially funded by federal pass-through savings.

It is important, as well, to continue deferring to states on “silver loading.” Silver loading refers to health insurers increasing premiums in the popular silver-level exchange plans to make up for losses of unsubsidized cost-sharing reduction payments. Removing silver loading would increase the number of uninsured and result in significant consumer premium increases for both those eligible and ineligible for Advanced Premium Tax Credits. State regulators are in the best position to identify which rating practices will best protect consumers in their states.

7. **How should the public option interact with public programs including Medicaid and Medicare?**

Independent of the public option, strengthening Medicare and Medicaid should continue to be a priority for policymakers. We support state efforts to implement newly federally-eligible Medicaid programs to cover additional low-income populations, including adults under the Affordable Care Act. We also encourage innovation in state Medicaid programs that emphasizes whole person and value-based care, service integration, and care coordination.
8. What role can the public option play in addressing broad health system reform objectives, such as delivery system reform and addressing health inequities?

It is important to note that a mechanism already exists, the Center for Medicare and Medicaid Innovation (CMMI), to test innovative delivery system and payment reforms, and it is unnecessary for a public option to be created to duplicate the efforts already undertaken by CMMI. We are very encouraged, in fact, that President Biden’s choice to lead CMMI, Elizabeth Fowler, has said that she intends to make health equity a priority in her administration of the agency.

Again, we appreciate the opportunity to provide these perspectives. While we believe the public option concept presents a number of significant challenges to the viability, accessibility and sustainability of our healthcare system, we look forward to working with you to continue improving our health coverage infrastructure to achieve greater affordability and accessibility. HLC looks forward to continuing to collaborate with you on this important issue. If you have any questions, please do not hesitate to contact Debbie Witchey at (202) 449-3435 or dwitchey@hlc.org.

Sincerely,

Mary R. Grealy
President