

## President-Elect Biden Can Take Administrative Action To Dramatically Cut Consumers' Health Care Costs And Cover Millions of Uninsured

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The Biden administration can make important progress by using its administrative authority to make individual health insurance substantially more affordable while extending health care to millions of hard-working families who are uninsured today.

In his first press conference as President-elect, Joe Biden reminded the nation of his commitment to “do everything we can to ease the burden of health care on you and your family.”<sup>1</sup> Although the Congressional outlook for comprehensive health legislation remains uncertain, President-elect Biden doesn’t need to rely on Congress to pursue his pledge to finish the job our nation started a decade ago when it passed the Affordable Care Act (ACA).<sup>2</sup>

Without a doubt, the law greatly improved US health coverage. From 2010 to 2016, the number of people without any insurance fell by 20 million, the number of people with preexisting conditions who bought individual-market plans nearly doubled, and coverage gains saved lives while strengthening families’ financial security.<sup>3</sup>

That said, our country remains far from completing its decades-long journey<sup>4</sup> toward ensuring that everyone gets the health care they need to thrive. Even before the pandemic hit, racial and ethnic disparities in

health coverage were severe, despite narrowing since 2010;<sup>5</sup> more than half of all remaining uninsured qualified for Medicaid or federal financial assistance but were not enrolled, including roughly two-thirds of all uninsured children;<sup>6</sup> and the high cost of coverage remained the most common reason people decided not to obtain insurance.<sup>7</sup>

These problems worsened under the Trump administration. The number of uninsured children<sup>8</sup> and adults rose each year from 2016 through 2019, causing at least 3,000 estimated deaths.<sup>9</sup> Coverage losses were particularly steep in immigrant communities, including among the many U.S.-citizen children whose parents were born outside this country.<sup>10</sup>

Since the coronavirus pandemic reached America’s shores, our coverage challenges have grown. Real-time surveys of insurers<sup>11</sup> and households<sup>12</sup> show that, by July, 10 million fewer people had employer-based insurance—the largest such coverage drop in our nation’s history.<sup>13</sup>

The fate of dramatic measures to solve these problems, such as giving everyone the option to buy a Medicare-like plan outside the control of private insurance companies, will depend on which party controls the Senate, which in turn hinges on the outcome of January's run-off elections in Georgia. However, the Biden administration can make important progress by using its administrative authority to make individual health insurance substantially more affordable while extending health care to millions of hard-working families who are uninsured today.

Such administrative reforms go beyond reversing harmful Trump administration policies.<sup>14</sup> They take affirmative steps that enable new progress in three areas: encouraging state and local innovation; fine-tuning individual-market rules; and modernizing eligibility for Medicaid and advance premium tax credits.

## State and Local Innovation

The Biden administration should give states and localities new tools to lower costs and cover people who lack insurance:

- » **Authorize waivers that let Medicaid programs provide continuous, 12-month coverage for low-income adults**, with enhanced federal funding that makes such waivers fiscally feasible for states. This would build on states' current flexibility to provide children with 12 months of continuous coverage, even if family circumstances change. The Trump administration describes this option as "a valuable tool" that helps families "stay enrolled in the health coverage for which they are eligible and have consistent access to needed health care services."<sup>15</sup>
- » **Let states implement private coverage waivers<sup>16</sup> that increase the number of eligible people who obtain insurance.** As with waivers under Medicaid<sup>17</sup> and the Supplemental Nutrition Assistance Program (SNAP),<sup>18</sup> private insurance waivers should provide full federal funding for additional enrollment by people who already qualify for assistance. Until now, private state innovation waivers have been effectively limited to policies that do not significantly increase the number of eligible people who receive federal financial assistance to buy coverage through health insurance exchanges.
- » **Authorize comprehensive waivers for localities to offer their residents universal health care** through services furnished by either public providers or private providers contracting with the locality. Longstanding federal policy lets states claim federal funds by sampling representative enrollees.<sup>19</sup> The Biden administration could thus authorize local health systems to serve any resident who lacks private insurance. Retrospective samples of people who actually receive care would determine the share who qualify for standard Medicaid matching funds, Medicaid emergency-services dollars, and federal advance premium tax credits (APTCs) for low- and moderate-income consumers with incomes too high for Medicaid.
- » **Let other states implement Medicaid waivers like those the Obama administration granted to Massachusetts and Vermont.** Federal matching funds helped those states supplement APTCs to make private insurance far more affordable for low- and moderate-income people.

- » **Encourage states to claim additional premium tax credits that make coverage more affordable.** For example, an exchange could require a minimum spread between premiums charged by the two lowest-cost silver plans. Such a state would use competitive bidding to select the insurers awarded the least expensive slot in each geographic area. By increasing APTC values relative to the lowest-cost silver and gold plans, this approach could let almost all APTC beneficiaries buy low- or zero-premium plans with small or no deductibles. Attracting new, relatively healthy members who improve the risk pool would also lower premiums for people without APTCs.
- » **Set ground rules that let hospitals and insurers pay low-income consumers' private insurance premiums.** Done properly,<sup>20</sup> such initiatives could lower consumers' costs and increase enrollment while preventing industry abuses.

## Fine-Tuning Individual-Market Rules to Lower Consumer Costs

Selected technical refinements could yield major gains for consumers:

- » **Realign metal-level premiums to fit coverage generosity.** Following President Trump's elimination of federal payments for cost-sharing reductions (CSRs) that silver-tier exchange plans provide to low-income members, premiums for silver plans have covered CSR costs in almost all states. That means silver premiums should be higher than gold – but in most states, they are not.<sup>21</sup> This underpricing of silver plans cuts APTCs, which are based on the second-lowest silver premium.
- And the overpricing of gold plans puts coverage with relatively modest deductibles out of many people's reach. By updating risk-adjustment formulas and encouraging states to enforce basic requirements for setting premiums, federal officials can fix this misalignment and save money for the vast majority of people who are covered through the individual market.
- » **Cut out-of-pocket costs by adjusting the standard population used to calculate actuarial value.**<sup>22</sup> In determining whether plans meet standards for overall generosity at each metal tier, federal officials could focus on claims projected for the vast majority of people, disregarding the relatively few enrollees with unusually expensive chronic conditions. That would reduce deductibles, copayments, and coinsurance amounts at each metal level.
  - » **Use smart default rules that save consumers money.** Exchanges could present enrolling consumers with default options tailored to fit their circumstances, automatically suggesting plans likely to minimize each new enrollee's total health care costs.<sup>23</sup> After initial enrollment, consumers could also have the exchange automatically change their plan at renewal<sup>24</sup> if the enrollee does not select a plan during a later open enrollment period and if the enrollee is certain to save money by switching to a new plan. Cost calculations that identify default plan options would take into account both premiums and out-of-pocket costs.
  - » **Classify immigrants who are granted Deferred Action as Childhood Arrivals (DACA) as lawfully present and therefore eligible for APTCs.**<sup>25</sup> This step would also let Medicaid programs cover DACA children and pregnant women.

## Modernizing Eligibility, Enrollment, and Renewal

Several ACA provisions<sup>26</sup> require Medicaid programs and exchanges to base eligibility determinations on matches to reliable sources of data such as quarterly wage records and citizenship files maintained by the Social Security Administration. Regardless of the health agency to which consumers apply, they are supposed to obtain a prompt eligibility determination followed by enrollment, without being bounced between Medicaid and the exchange. This “no wrong door,” data-driven approach pursues a three-fold aim: reducing families’ procedural burdens; lowering agencies’ operating costs; and improving the accuracy of eligibility decisions, including by preventing procedural errors from denying health coverage to eligible people.<sup>27</sup> To renew our country’s progress toward realizing this vision, the Biden administration should:

- » **Beef up the data infrastructure that health programs use to determine eligibility.** In every state, data hubs should link<sup>28</sup> insurance affordability programs to public and private sources of information about income, insurance coverage, citizenship, and other facts that are potentially relevant to eligibility.
- » **Develop a federal repository of approved business rules for data-driven enrollment and renewal,** including Application Programming Interfaces.<sup>29</sup> Using both words and computer code,<sup>30</sup> such a repository would set minimum standards<sup>31</sup> while giving states additional eligibility options. Among other things, these standards could automate

enrollment, eligibility determination, and renewal based on SNAP receipt.<sup>32</sup> as proposed by President-elect Biden during the campaign.<sup>33</sup>

- » **Strengthen links between Medicaid programs and exchanges.** Applications should be processed in one step, in real time whenever possible.<sup>34</sup> Families should immediately receive coverage for which they qualify without agencies shuffling case files back and forth or delaying health coverage for people who have already been found eligible.

## Conclusion

Cutting costs for families with private insurance and bringing high-quality coverage to people without health care are critically important goals, especially during an historic pandemic and economic crash.<sup>35</sup> Here, we describe specific actions the Biden Administration can begin on “day one” to make a real difference for vulnerable families across this nation.

We would be remiss not to note that looming over all these issues is the possibility that the US Supreme Court could strike down some or all of the ACA. Despite oral arguments<sup>36</sup> suggesting a less disruptive result, federal and state officials must be prepared to respond quickly if the court overturns the health law.

That said, the risk of judicial reversal should not blind an incoming Biden administration to opportunities for major gains. With or without a fully cooperative Congress, the Biden administration can and should use its considerable executive power to lower health care costs for struggling families and extend the blessings of health insurance to millions more families in the US.

## Endnotes

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