



# **REPLACING OBAMACARE AND INSURING THE UNINSURED**

By John C. Goodman, Pete Sessions, and Bill Cassidy

We believe the American health care system is desperately in need of reform. The Affordable Care Act has failed to achieve its goal of affordable, universal coverage. Instead it has forced people, especially those in middle-income households, to choose from insurance plans with deductibles that are unreasonably high and provider networks that are too narrow to adequately help many afflicted with serious health problems.

The following proposals would vastly improve coverage by making health insurance affordable for all and by ensuring access to reliable medical care. They are incorporated in bicameral legislation introduced in the House and the Senate by Rep. Pete Sessions and Sen. Bill Cassidy and in the Patient Freedom Act, sponsored by Sen. Cassidy.

## **REMOVE THE PERVERSE INCENTIVES FROM THE INDIVIDUAL MARKET**

Neither Republicans nor Democrats have been willing to face up to an obvious fact: In the individual (non-group) market, too many health plans are trying to survive by offering narrow networks that omit the best doctors and best hospitals and by saddling enrollees with high out-of-pocket costs. These unfortunate actions are predictable responses to economic incentives to attract the healthy and avoid the sick.

We propose breaking this vicious cycle by encouraging insurers to seek sick and healthy consumers alike. We believe part of the answer is “health status risk adjustment,” under which plans that send high-cost enrollees to other plans must top up the new premium to an actuarially fair level.

We must also prevent individuals from gaming the system by remaining uninsured while healthy and then enrolling after they get sick. We propose addressing this

problem the way Medicare has done for Parts B and D and Medigap insurance: by penalizing people with higher premiums if they do not enroll when they are first eligible.

## **OFFER A UNIFORM TAX CREDIT TO PEOPLE WHO BUY THEIR OWN HEALTH INSURANCE**

We propose a single tax credit for the purchase of private health insurance. That credit may vary by age and geography, but it should be independent of income. Like the Obamacare tax credit, our tax credit is refundable (you get it even if you don’t owe any taxes), advanceable (you don’t have to wait until next April to get it), and transferable (the money and the paperwork can be transferred to an insurance company or to an employer).

How generous should the credit be? Right now, no one knows. In our legislation, we chose a number for 2017 that we think will allow the average person access to a health plan that is similar to well-managed, privately administered Medicaid. If, over time, we judge the amount too high or too low, we could change it.

## **OFFER THE SAME TAX CREDIT FOR GROUP INSURANCE**

One way to help bring stability to the individual market is to have it compete on a level playing field with the group market. In many cases group insurance is less costly and more generous than what is being offered on the individual market. The group market would also serve as a refuge while we try to rescue the individual market.

In order for that to happen, employers need the op-

tion to take advantage of the same tax credit that is available in the individual market.

### LET EMPLOYERS CHOOSE BETWEEN THE INDIVIDUAL AND GROUP MARKETS

Almost all Republican plans to replace Obamacare make the same mistake that Obamacare makes: They steer new government spending for private health insurance into what has become the most dysfunctional part of the health care system—the individual market.

We propose giving employers the choice to use the tax credit to help employees enroll in a group plan that could give them access to lower premiums and better coverage. Because 85 percent of the uninsured live in a household with someone in the labor market, we believe this provision has great potential for moving the uninsured into the group market.

### LET EMPLOYERS CHOOSE THE EMPLOYEE'S TAX BENEFIT

Little progress has been made in increasing the number of people with employer-based insurance. One reason is that larger employers are meeting the Affordable Care Act's mandate by offering their low-wage employees Bronze plans with deductibles of \$6,000 or more and asking for premiums equal to 9.5 percent of the employee's wage.

These plans leave families exposed to pay out of pocket for 95 percent of all likely medical encounters. No wonder employees routinely reject these offers—thereby becoming ineligible for subsidies (in the exchanges) and subjecting themselves to annual fines.

To avoid such problems, we propose getting rid of the employer mandate and allowing employers to buy insurance for their employees in the individual or the group market. We also propose to give employers a choice of tax regimes: a tax credit or a tax exclusion.

### LET EMPLOYERS OFFER THEIR EMPLOYEES PERSONAL AND PORTABLE INSURANCE

Public opinion polls have consistently shown that employees strongly desire health insurance they can take from job to job. Many employers would like to accommodate that preference by giving each employee a “defined contribution” and letting them choose their own health insurance.

We propose that employers of any size be allowed to help workers purchase health insurance using pre-tax

dollars. In essence, this measure would do for all companies what the recently enacted 21st Century Cures Act does for small firms.

### INTEGRATE MEDICAID AND PRIVATE INSURANCE

Millions of low-income families become eligible and ineligible for Medicaid numerous times over the course of several years. This churning is expensive. Lack of continuity of care also increases health risks.

As an alternative, we propose to allow families to be able to leave Medicaid, claim the tax credit, and enroll in private insurance instead. They could remain there, regardless of how their income changes.

As incomes rise and fall, the help families get from the government may change; but they would not have to change health plans.

### CREATE AN EFFECTIVE SAFETY NET

No matter what we do, there will always be some people who are uninsured and not on Medicaid. To deal with this problem, we propose that a portion of unclaimed tax credits would be returned to communities where the uninsured live. Money follows people. If the number of uninsured rises, safety-net hospitals would get more funds. If the number falls, federal dollars would shift to support private health insurance.

Under the proposals outlined above, we can achieve a goal the sponsors of the Affordable Care Act promised to reach, but never delivered. Affordable access to reliable medical care will be available to all. And in case some fall through the cracks and remain uninsured, an adequately funded safety net will insure access to medical care.

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*This summary is an abbreviated and edited version of our article, “How We Can Repeal the ACA and Still Insure the Uninsured” (Health Affairs, January 18, 2017).*