



**CALIFORNIA
HOSPITAL
ASSOCIATION**

*Providing Leadership in
Health Policy and Advocacy*

January 24, 2019

Peter Lee
Executive Director
Covered California
1601 Exposition Boulevard
Sacramento, CA 95819

Subject: Working Draft Report – Options to Improve Affordability in California’s Individual Health Insurance Market

Dear Mr. Lee:

On behalf of the more than 400 hospital and health system members of the California Hospital Association, I appreciate the opportunity to provide feedback to Covered California on its draft *Options to Improve Affordability in California’s Health Insurance Market*. This report is of particular importance to hospitals as it offers paths to help more low- and middle-income Californians access health care coverage.

CHA supports and stands ready to partner with Covered California and the Legislature to implement the following policy options that build on elements of the Affordable Care Act:

- **Premium subsidies:** options to reduce the Affordable Care Act’s income-based premium contribution cap for individuals currently eligible for federal premium tax credits up to 400 percent of the federal poverty level (FPL) and/or extend the contribution cap to higher income levels
- **Cost-sharing subsidies:** options that enhance the value of cost-sharing subsidies for eligible individuals up to 250 percent FPL and extend eligibility for cost-sharing subsidies to individuals up to 400 percent FPL
- **Individual mandate and penalty:** option that considers the impact of a state-level individual mandate and penalty using the federal framework, restoring a significant share of projected enrollment loss in the individual market due to the federal Tax Cuts and Jobs Act that set the federal penalty to zero beginning in 2019
- **Reinsurance:** option that considers the impact of a reinsurance program funded at a level required to reduce individual market premiums by 10 percent per year

Together, these options could help California to achieve significant coverage gains, cap and reduce premium contributions, lower premiums, and make care more affordable for all. Before action is taken, however, in addition to considering implementation challenges ahead of the 2021 plan year, each option should be examined to determine their exact value and their impact on:

- Total enrollment

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- Coverage rates
 - Choice of “metal tiers” of coverage for benefits that vary by actuarial value (i.e., the portion of the total cost of a plan that is collected through monthly premiums)
 - New funding for proposed subsidies
 - Effect on federal premium tax credits

If implemented properly, these options hold the promise to enhance affordability for all individual market enrollees by:

- Eliminating the “tax credit cliff” for consumers who are abruptly cut off from federal assistance once household income exceeds 400 percent FPL; this “cliff” disproportionately impacts people 50 and older, as well as people with income between 400 percent and 600 percent FPL
- Significantly expanding cost-sharing subsidies
- Lowering premiums through reintroduction of an individual mandate to maintain health insurance coverage, as well as a penalty for noncompliance
- Implementing a reinsurance program that would lower plan costs, resulting in lower premiums for **all** plans sold in the individual market

Hospitals appreciate Covered California’s work on this report and the organization’s longtime planning and leadership to promote stability in the individual health insurance market — work that has directly benefited the 1.2 million people enrolled through Covered California. This work has also moderated premium increases for an additional 1 million Californians who purchase individual market coverage but earn too much to qualify for premium tax credits or cost-sharing subsidies.

Sincerely,



Amber Kemp
Vice President, Health Care Coverage

cc: Katie Ravel, Director, Policy Evaluation & Research Division
Kelly Green, Director, External Affairs