



STATEMENT

Media line: (916) 206-7777

Twitter: @CoveredCANews

Email: media@covered.ca.gov

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Covered California Comments on Proposed HHS Changes to Benefit and Payment Parameters

SACRAMENTO, Calif. — Covered California provides early comments on today's release of proposed standards from the Centers for Medicare & Medicaid Services (CMS) for qualified health plans and exchanges.

After a preliminary review, it appears that some of the proposed rules aim to make important progress in key areas. However, Covered California is concerned that some of these proposed policies reinforce actions taken by the administration that threaten the stability of the individual market and hurt a consumer's ability to choose the right plan for themselves and their family.

Covered California will submit its full comments to CMS in March, but is making initial comments on the following four areas:

Keeping Federal User Fee Steady Without Investing in Marketing Will Continue to Deteriorate the Risk Pool

Federal and state-based exchanges collect user fees, which includes a requirement to support marketing and outreach, to promote a stable and functioning marketplace. Covered California assesses a 3.5 percent user fee on its 11 health insurance carriers and approximately one-third of that total, which amounts to \$121 million in plan year 2020 or 1.2 percent of premium, funds Covered California's marketing and outreach operations. Currently the user fee collected by the federal government to support those states supported by the federally-facilitated marketplace is 3.0 percent and the proposed regulations would maintain this amount.

"The question is not whether the federally-facilitated marketplaces should maintain or reduce their user fees, but rather what any exchange should be doing with the money it

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collects to create meaningful downward pressure on premiums,” said Covered California executive director Peter V. Lee. “The federal policy to not use funds collected from consumer premiums to promote enrollment and lower costs by improving the risk mix is costing consumers and the federal government billions of dollars by raising premiums.”

CMS estimated the federal government would collect \$1.2 billion in user fees for calendar year 2018, while maintaining the significant cutbacks in marketing and outreach seen in recent years. Based on CMS reports, total marketing and navigator funding to support enrollment in 38 states was \$20 million in 2019, compared to \$163 million in 2017.¹ During that time there have been dramatic losses at the federal level among new and unsubsidized enrollment due to higher than necessary premiums.

As Covered California noted in its report, “[Covered California's First Five Years: Improving Access, Affordability and Accountability.](#)” California’s healthier consumer pool resulted in likely savings of approximately \$12.5 billion for enrollees and the U.S. Treasury and showed that nationally savings would have been worth \$50 billion if the federal marketplace had invested in marketing at Covered California’s level.

“Investing in marketing is critical to encouraging new enrollment, retaining those already covered, and achieving a healthier consumer pool that lowers premiums for everyone in the individual market,” Lee said.

Value-based Insurance Designs Matter but Federal Proposals Do Not Go Far Enough to Help Consumers

Since first opening its doors in 2014, Covered California has focused on empowering consumers including having standardized patient-centered benefit designs. While the proposed standards included recommended “value-based” insurance designs to address the high costs of prescription drugs, these designs are optional and do not minimize the negative impact of consumers needing to meet deductibles before getting needed services.

“The administration continues to move away from requiring true patient-centered benefit designs such as those embraced by Covered California and other states. Benefit designs should be about encouraging people to get the right care at the right time and enabling consumers to make apple-to-apple comparisons when they shop,” Lee said. “The evidence is clear that the only winners in having a multiplicity of confusing benefit designs are insurance companies and not America’s consumers.”

Automatic Re-enrollment is a Best-Practice in all Consumer Markets and Should Remain In Place for All Consumers

The proposed rules seek comments on limiting the ability of low-income consumers to automatically re-enroll. Those consumers would lose their federal financial help unless

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they actively reapply each year. The Affordable Care Act already includes safeguards to ensure that consumers are receiving the proper amount of federal tax credits.

“Automatically renewing consumers in an insurance plan – whether it is health, home or auto – is a nationwide industry standard that puts consumers first and protects them from mistakenly becoming uninsured,” Lee said. “The fact that we are discussing placing an additional burden on low-income consumers, where they could lose their financial help entirely if they do not actively reapply, boggles the mind.”

Ensuring Effective Risk Adjustment is Integral to a Functioning Individual Market

The Affordable Care Act changed health insurance by enabling insurers to succeed without needing to avoid sick people. A key part of that is risk adjustment which protects against adverse selection by transferring funds from insurers with healthier enrollees to those with sicker enrollees.

“The proposed changes to the risk adjustment methodology recognize some of the concerns that insurers have, but they do not go far enough to improve the risk adjustment process and reduce the uncertainty of results,” Lee said.

About Covered California

Covered California is the state’s health insurance marketplace, where Californians can find affordable, high-quality insurance from top insurance companies. Covered California is the only place where individuals who qualify can get financial assistance on a sliding scale to reduce premium costs. Consumers can then compare health insurance plans and choose the plan that works best for their health needs and budget. Depending on their income, some consumers may qualify for the low-cost or no-cost Medi-Cal program.

Covered California is an independent part of the state government whose job is to make the health insurance marketplace work for California’s consumers. It is overseen by a five-member board appointed by the governor and the Legislature. For more information about Covered California, please visit www.CoveredCA.com.

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ⁱ <https://www.healthaffairs.org/doi/10.1377/hblog20190529.659554/full/> and <https://www.healthaffairs.org/doi/10.1377/hblog20170901.061790/full/>