

Sen. Susan M. Collins  
Statement on Stabilization Proposal  
March 22, 2018

Mr. President, today we have the opportunity to take immediate action to lower the cost of health insurance by as much as 40 percent and to increase the affordability of insurance for millions of Americans who purchase plans in the individual market. I want to commend Senator Alexander, the chairman of the Senate Health, Education, Labor, and Pensions Committee, for his extraordinary leadership and hard work in this area. I am also very pleased of the work that has been done by Representative Greg Walden, chairman of the House Energy and Commerce Committee, and Representative Costello. We have come together along with a substantial number of our colleagues, including Senators Graham, Rounds, Isakson, and Murkowski, among many others on this very important insurance stabilization and rate reduction package.

Let me begin by outlining the major provisions of what it is that we are proposing, because there has been, unfortunately Mr. President, a lot of misunderstanding, and, dare I say, misinformation.

First, our legislation based on the Alexander-Murray bill would fund cost-sharing reduction subsidies for three years. These are vital for Americans who have incomes that are below 250 percent of the poverty level. CSRs provide government assistance to help them pay for their deductibles and co-pays.

Second, our proposal also improves the ability of the states to take further steps to lower insurance premiums for their citizens. We provide meaningful flexibility for states by revising Section 1332 of the Affordable Care Act, which authorizes state innovation waivers.

Third, based on a bill I authored with Senator Bill Nelson, our proposal provides a total of \$30 billion over three years for states to have reinsurance or invisible high-risk pools by applying for a waiver under the Section 1332 program I just mentioned. Now Mr. President as I know you well know, reinsurance is a proven method of dealing with high-risk, expensive claims. It reduces uncertainty and has benefits for not only those who have pre-existing conditions and need expensive health care, but for the entire individual market. And it's been proven to work in states like Maine and Alaska. We have also included \$500 million to assist states with their planning for the design of their own reinsurance or invisible high-risk pools. And the Costello bill in the House also had a federal fallback, recognizing that we are late in the year and we want to provide help immediately, which we have included for 2019 to give states time to apply for waivers under Section 1332.

So what does our bill not do, Mr. President? Our proposal does not change the Affordable Care Act essential benefits requirements. It does not change the guarantee that an individual will be able to buy insurance. It does not change the protections for people with pre-existing conditions, and it ensures that the federal funding directly benefits consumers and not insurance companies.

In considering this plan, Congress faces a fundamental question: do we want to take action to reduce significantly the cost of health insurance for millions of Americans, or are we going to just sit back, say no, and let this opportunity pass us by? And time is short, Mr. President. If Congress fails to act, insurance rates in the individual market will skyrocket this fall. This will directly harm the nine million Americans who pay for their own insurance without government or employer assistance. That is, for example, the fisherman in my state who is self-employed, the electrician, the plumber, the carpenter. There are so many. The hairstylist. They are already paying far too much for their health care costs. All of them will be facing another double-digit premium increase if they are to be insured. And rates are only expected to continue to climb.

Health care premiums are already too expensive under the Affordable Care Act. That is one of the problems with the Affordable Care Act that I have been committed to fixing. Last year the average price of the Affordable Care Act silver plans, which are the most popular plans, increased, on average, by 34 percent. A growing number of counties in our country are at risk of having no insurer or only one insurer, leaving hard-working individuals with few or no choices for health insurance coverage. Inaction will only exacerbate the premium spikes and market instability that we have already experienced.

Mr. President, when our country is confronted with such a serious problem -- I mean what is more important than health care to people -- Americans expect us to come together. They expect us to work constructively. They expect us to provide real relief from the rising cost of health insurance that makes health insurance unaffordable to far too many Americans. And that is precisely what our plan would do. Let me be crystal clear: our proposal is the last opportunity, the last opportunity, to prevent these rate increases, which will be announced on October 1st. And our package will help to stabilize the insurance markets and make them more competitive. Every study has shown that our bills would make health insurance more affordable.

According to the leading health care experts at Oliver Wyman, our bills would lower individual health insurance premiums in the individual market by as much as 40 percent compared to what people will otherwise pay if Congress fails to act. According to Oliver Wyman, it would also expand coverage to an additional 3.2 million individuals.

Now Mr. President, I want to touch on a complicated but important issue that some of my colleagues on the other side of the aisle have raised as a reason not to pass this bill. There have been two reasons. One is the application of the Hyde Amendment, which has been law for decades, which I will talk about subsequently. But the first has to do with what is referred to as "silver-loading" and "zero-premium" bronze plans. First, a little background: the Affordable Care Act is designed to provide two key subsidies for enrollees who purchase coverage on the exchange and qualify from an income standpoint. The first is premium tax credits to help cover the cost of premiums for individuals earning between 100 percent and 400 percent of the Federal Poverty Level. The second are "cost sharing subsidies," or CSRs, to help cover the cost of deductibles, co-pays, and other out-of-pocket expenses for individuals who are very low income. They are earning between 100 percent and 250 percent of the Federal Poverty Level. Now, despite the fact that Congress never appropriated the funds to pay for the cost-sharing reductions, the Obama Administration paid them anyway. The House sued to block this strategy, and won in federal district court. Lacking an appropriation from Congress, President Trump

stopped making these payments last year. That concerned many of us, but let me make clear, he was following the court's decision.

In response, insurers came up with the “silver loading” strategy, under which they increased the price of their silver plans to compensate for the CSR payments that they were no longer receiving. In essence, the insurers have created silver plans that mimic CSRs for low-income enrollees. Because the ACA's tax credits are tied to the silver plan premium, the tax credits ballooned in size, producing credits so large that they are often sufficient to fully cover the premiums on bronze plans for lower-income enrollees, and by the way, greatly increased the cost to federal tax payers, which is why that the bill that we put together, by right-sizing the marking and avoiding the games that were played, actually pays for itself.

We all remember the old saying that “If something sounds too good to be true, it probably is.” Well free bronze plans for low-income individuals sound too good to be true – and they are. And I really hope my colleagues on the other side of the aisle are listening to this explanation. The fact is, free bronze plans are only a good deal for low-income Americans who never get sick, who never get hurt, and who never need to sue their insurance. If they do, they will pay hundreds or even thousands of dollars more out of pocket. While these plans might have lower monthly payments or even be free, they have much higher deductibles and copays.

Based on publicly available data pulled from the Maine exchanges by an insurer, I'm going to describe an example illustrating that individuals with free bronze plans will face much steeper costs when they try to access care than if they paid the small premium for the silver plan.

Let's take the example of Chris and Caroline, ages 34 and 32 living in Portland, Maine. They bought coverage on the exchange for themselves and their two young children for 2018. They make about \$34,500 a year, that's about 140 percent of the Federal Poverty Level. They saw they could get a “free” bronze plan, or they could choose to buy the cheapest silver plan for \$54.83 a month. They chose the free bronze plan, not realizing that the silver plan would have given them access to subsidies, which provide lower deductibles and co-pays to low income people. Now if Caroline gets pregnant this year and they are under the “free” bronze plan, guess what they are going to pay out of pocket? \$7,350, and they make \$34,500 a year. Had they picked the least expensive silver plan, they would have to pay \$500.

Or consider a hypothetical couple in the early thirties, Jacob and Emma, with two young children, living in Seattle, Washington. They're making just under \$35,000 a year. When they were shopping for coverage on the exchange, they too saw they could get a “free” bronze plan, or they buy the least expensive silver plan for about \$84.00 a month. Jacob and Emma chose the “free” bronze plan, which doesn't come with the subsidies included in the silver plan to help low-income families with deductibles and co-pays. If someone in this young family faces a serious illness this year, the silver plan in Washington State would cap Emma and Jacob's additional expenses at \$660, but unfortunately they have the so called “free” bronze plan that some of my colleagues have touted. They would face up to \$7,210 in out-of-pocket expenses – hardly an “affordable” option for this low-income family.

Now, it used to be well-understood by the “affordability” advocates in and out of the Senate that low-income Americans struggle to meet deductibles and out-of-pocket expenses. Just one year ago today, the Kaiser Family Foundation issued a report arguing against a House reform bill because it did not contain CSRs, noting that “cost-sharing reductions are a key part of the financial support currently provided to low-income enrollees,” and that without such support, deductibles “are often out of reach for people with lower and modest income.”

A prior Kaiser Family Foundation report, from 2015, showed that only one-in-ten individuals earning between 100-250 percent of the Federal Poverty Level – those are individuals who are eligible for CSRs under our bill – have savings or other assets large enough to cover a \$6,000 deductible. In other words Mr. President, without CSRs, 90 percent of these individuals would have to wipe out their savings to cover their medical expenses before they even meet their deductible. Those who can’t meet their deductible won’t get reimbursed. For these Americans, a “zero premium” plan will really be a “zero benefit” plan.

I do not believe “silver loading” and free Bronze plans is a credible long-term strategy for two reasons. First, I note CBO’s estimates from last year were that the “silver loading” strategy will cost the taxpayers \$194 billion over the budget window. Second, because low-income individuals will struggle to meet their deductibles, they will be unable to secure reimbursement of expenses. Sooner or later, the taxpayers will ask why they are paying nearly \$200 billion more for policies to subsidize policies that deliver such poor benefits.

To be clear – the amendment we are offering prevents this strategy, protecting the taxpayers and lower and modest-income enrollees, low-income families and individuals, and the tax payers.

Now let me discuss the Hyde Amendment. I am disappointed, to say the least, that Democrats who ought to have embraced this proposal have instead rejected it because its funding is subject to the Hyde Amendment. As a pro-choice Republican, I must say this puzzles me. The Hyde Amendment has prohibited the use of taxpayer dollars to pay for elective abortions for more than 40 years. It is not new policy. The entire Labor HHS Title of the Omnibus before us today is subject to the Hyde Amendment. There are variations of the Hyde Amendment in other Titles of the Omnibus spending bill. It applies to a long list of federal programs, including Medicare, Medicaid, CHIP, TRICARE, Veterans Affairs, Indian Health Service, the Peace Corps, Bureau of Prisons, and Immigration and Customs Enforcement. I’ve heard it said that it does not apply to commercial insurance that is offered by the federal government – that’s just not true. It also applies to the Federal Employees Health Benefits Program, through which 8.3 million employees, retirees, and their families get their health insurance coverage. I have not seen my Democratic friends make any effort to change the applicability of Hyde to that insurance program.

Together, these programs account for more than \$1 trillion in government spending each year – all of which is covered by the Hyde Amendment. That’s one hundred times the amount that we are proposing in our amendment. A trillion dollars of federal health care funding is already covered by the Hyde Amendment, which has been policy for 40 years. So how is this, in any way, a radical departure from current policy?

I find it frustrating that some on the other side of the aisle are choosing to block this important package that will provide relief to those who need it most because of the application of the Hyde Amendment. And let me say, they cite the Stupak Amendment, which is section 1303 of the Affordable Care Act. We leave that in place – we don't touch it. And, we do not change the Hyde Amendment's exemptions, found in section 507, which allows private entities, state governments, or individuals to use their own funds to provide coverage for abortion. In other words, this is nothing radical or new, and it is baffling and gravely disappointing that this should be used to block this package.

Dozens of health care consumer and business groups, as well as the National Association of Insurance Commissioners – those state commissioners whose job it is to look out for consumers – have called upon Congress to take action to lower premiums for millions of Americans and their families. These groups include the American Hospital Association, Blue Cross Blue Shield, the U.S. Chamber of Commerce, the American Medical Association, the American Cancer Association, the American Cancer Association, the American Academy of Family Physicians, the Federation of American Hospitals. A wide range of groups representing people with diseases such as arthritis, cancer, epilepsy, the United Way is backing this, the Cystic Fibrosis Foundation, the American Lung Association. Just today, the National Association of the Insurance Commissioners put out a new letter endorsing this package and I would ask unanimous consent that these three letters be entered into the record at the conclusion of my remarks.

How incredibly disappointing it would be if some members derailed this serious effort to reduce the cost of health insurance for millions of Americans. While members may disagree with certain provisions, the time has come for each and every Senator to decide: Are you for lower rates and more affordable coverage for the 18 million Americans who get their insurance from the individual market, or are you content to just sit back and let their insurance rates soar once again this fall, making health insurance even less affordable than it already is.

In my view, the answer is clear and obvious. We must not lose sight of our goal, and that is making health insurance more affordable for millions of Americans. Including our insurance package in the Omnibus funding bill is the right thing to do, and it is urgent that we do it now.