



Health Insurance Market Reforms

Market regulations must establish fair ground rules in order for the private health insurance market to function properly while also protecting high-risk patients. The sheer number and variety of state and federal market regulations make it unnecessarily costly to provide health insurance in many markets.

The AMA supports streamlined, more uniform health insurance market regulations in tandem with targeted government subsidies for coverage of high-risk patients. Appropriate regulations would permit market experimentation to find the most attractive combinations of plan benefits, patient cost-sharing, and premiums. Targeted subsidies would protect high-risk individuals without unduly driving up health insurance premiums for the rest of the population.

Health Insurance Exchanges

The AMA supports the creation of new opportunities to buy health insurance individually or as part of a group, such as health insurance exchanges modeled after the Federal Employees Health Benefits Program (FEHBP), small employer purchasing alliances, or health plans offered through professional, trade, religious or alumni organizations.

Modified Community Rating

Strict community rating should be replaced with modified community rating. By allowing some degree of premium variation based on individual risk factors, but limiting premium differences within specified risk bands, modified community rating strikes a balance between protecting high-risk individuals and the rest of the population. Some degree of age rating is acceptable, as are lower premiums for nonsmokers, but an individual's genetic information should not be used to determine premiums or eligibility for coverage.

Pre-existing Conditions

The AMA supports the replacement of guaranteed issue regulations with guaranteed renewability. Guaranteed issue requires insurers to accept all applicants regardless of pre-existing conditions, even if they are uninsured. Similarly, prohibiting insurers from imposing pre-existing condition limitations means that insurers must offer the same level of benefits coverage to all applicants. In the context of the current market, which does not have an individual mandate, these regulations permit people to "free-ride" by waiting until they need medical attention to buy health insurance, exposing insurers and all those who have maintained their insurance coverage to unfair risk.

As an alternative, the AMA supports guaranteed renewability. Once individuals have coverage, they should be protected from losing coverage or being singled out for premium hikes due to changes in health status. Once covered, individuals should also be able to switch health plans with limited underwriting and without facing preexisting condition limitations.

Individual Responsibility

The AMA also supports requiring individuals and families to obtain health insurance for those who can afford it on their own. Sliding scale subsidies should be provided to those with incomes below 500% of the federal poverty level.

Targeted Subsidies

The AMA advocates explicit, targeted government subsidies to help high-risk people obtain coverage without paying prohibitively high premiums. Risk-based subsidies make high-risk people more attractive to insurers without driving up premiums for the general population. Risk-based subsidies can take the form of high-risk pools, reinsurance and risk adjustment. For example, providing subsidized coverage through high-risk pools gives insurers reassurance that they are unlikely to insure an unfavorable selection of high-cost enrollees in the regular market, allowing them to offer lower premiums and making coverage attractive to the young and healthy. Financing risk-based subsidies with general tax revenues rather than through community rated premiums avoids the unintended consequences of driving up premiums and distorting health insurance markets.