



# Improving the Health Insurance Marketplace

## *Strategies to foster healthy markets*

To foster strong health insurance markets, the AMA recommends the adoption and implementation of the following actions: provide tax credits or other subsidies to individuals and families for the purchase of health insurance; establish open health insurance exchanges; support key interrelated market reforms, including individual responsibility, coverage of pre-existing conditions with guaranteed issue and renewability, and modified community rating; maintain a strong medical loss ratio standard; continue the operation of high-risk pools; appropriately define essential health benefits; and encourage the appropriate use of patient navigators.

The American Medical Association (AMA) proposal for expanding health insurance coverage and choice supports the development of strong and competitive health insurance markets through which individuals and families can purchase health insurance that is affordable and meets their health care needs. Accordingly, the AMA has supported key market reforms and regulations that advocate collectively financing the medical expenses of people with predictably high costs, without unduly driving up premiums for the rest of the population. In addition, the AMA believes that innovation and experimentation in the health insurance marketplace are critical to finding attractive combinations of plan benefits, patient cost-sharing, and premiums. Finally, to make patient choice meaningful, health insurers must operate on an even playing field that has all insurers and plans playing by the same rules.

Such strategies to foster a strong health insurance marketplace that benefits patients and their physicians should be implemented to strengthen the impact of reforms in the Patient Protection and Affordable Care Act (ACA), Public Law 111-148, as well as other state-level reforms. Provisions of the law include the establishment of health insurance exchanges, financial assistance for those who most need help buying health insurance, personal choice of coverage and fair health insurance market rules.

### **Patient Protection and Affordable Care Act provisions**

The ACA contained several provisions aimed at improving the health insurance marketplace. Effective

six months from enactment, the ACA prohibited pre-existing condition exclusions for children in all plans. Pre-existing condition exclusions are now prohibited for adults. Also, the legislation requires guaranteed issue and guaranteed renewability. Along with guaranteed issue and renewability, the ACA requires modified community rating in the individual and small group markets and health insurance exchanges. The ACA requires guaranteed issue, guaranteed renewability and modified community rating along with a requirement that individuals obtain minimum acceptable coverage or pay a tax penalty.

In order to facilitate the purchase of health insurance coverage, the ACA calls for the establishment of health insurance exchanges—a new form of marketplace through which individuals, families and small businesses can purchase health insurance coverage. The legislation stipulates that patient navigator programs should be created to help individuals and businesses make informed decisions about enrolling in health insurance through the exchanges.

To ensure that the coverage available through health insurance exchanges is affordable, the legislation provides refundable and advanceable premium credits and cost-sharing subsidies to eligible individuals and families with incomes between 100 percent and 400 percent of the federal poverty level (FPL). Eligible individuals and families include those with incomes between 100 percent and 133 percent FPL who reside in states that do not implement the Medicaid expansion outlined in the ACA. The ACA requires health insurers to meet a medical loss ratio to ensure affordable premiums and patient value. The ACA also calls for

the creation of an essential health benefits package to assure the adequacy of health insurance coverage available to individuals, families and small businesses.

### Strategies to foster healthy markets

The AMA has identified a list of specific crosscutting, synergistic actions to help foster healthy markets. Additional pieces in this series provide further details on the following actions:

- **Provide tax credits or other subsidies to individuals and families for the purchase of health insurance.** Promote individually selected and owned health insurance using refundable and advanceable tax credits that are inversely related to income so that patients with the lowest incomes will receive the largest credits. Ensure that tax credits or other subsidies are large enough to enable recipients to afford health insurance.
- **Support the establishment of health insurance exchanges.** Support the open marketplace model for health insurance exchanges. Ensure physician representation in health exchange governance, development and operation. Promote network adequacy in plans participating in exchanges. Manage patient churn between public programs and private health plans. Ensure that health insurance exchanges are financially self-supporting to be able to successfully operate in the long term.
- **Require individual responsibility to obtain health insurance.** Those earning greater than 500 percent of the FPL should obtain a minimum level of catastrophic and preventive coverage. Only upon implementation of tax credits or other coverage subsidies would those earning less than 500 percent of the FPL be subject to the requirement to obtain coverage.
- **Assure health insurance coverage of pre-existing conditions.** Health insurance coverage of preexisting conditions can be assured with guaranteed issue within the context of requiring individual responsibility, and guaranteed renewability.
- **Support modified community rating.** Support the replacement of strict community rating with modified community rating, risk bands or risk corridors. Although some degree of age rating is acceptable, an individual's genetic information should not be used to determine his or her health insurance premium.
- **Maintain a strong medical loss ratio standard.** Include appropriate quality improvement activities in any definition of "medical loss ratio." Continue to exclude agent and broker fees and commissions from the medical loss ratio.
- **Continue the operation of high-risk pools.** Subsidize the health insurance coverage of high-risk patients through direct risk-based subsidies such as high-risk pools, risk adjustment and reinsurance. Maintain state risk-pooling programs to provide adequate health insurance coverage to those who are unable to obtain such coverage because of medical considerations.
- **Appropriately define essential health benefits.** Ensure that the essential health benefits package for adults maximizes choice of health plans and benefit packages. Use the Medicaid program's Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit as the model for any essential health benefits package for children. Minimize state benefit mandates to assure the affordability of the essential health benefits package.
- **Encourage the appropriate use of patient navigators.** Establish the primary role of a patient navigator as fostering patient empowerment and providing patients with information that enhances their ability to make appropriate health care choices. Require patient navigators to refrain from any activity that could be construed as clinical in nature. Establish procedures to ensure direct communication between the navigator and the patient's medical team.

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