

Blue Perspective



**BlueCross BlueShield
Association**

An Association of Independent
Blue Cross and Blue Shield Plans

1310 G Street, N.W.
Washington, D.C. 20005
202.626.4780
Fax 202.626.4833

BCBSA Position on Legislative and Regulatory Issues

An Effective Personal Responsibility Requirement is Critical to Ensure Everyone Participates in the System to Keep Coverage Affordable

A Weak Individual Mandate Will Result in Many Forgoing Coverage and Skyrocketing Premiums

Issue: Proposed health care reform bills include insufficient individual responsibility requirements. In particular, the Senate bill is a weak mandate by exempting entirely those whose premium costs are 8% or more of their income and phasing in a very nominal penalty up to \$750/person in 2016.

Position: BCBSA supports insurance reforms to assure everyone has access to insurance, regardless of preexisting conditions and to discontinue varying premiums based on health. However, to prevent unaffordable premiums, these reforms must:

- Include an effective individual responsibility requirement that ensures everyone obtains and maintains coverage, with subsidies to help those with low and moderate incomes.
- Allow age adjustments of “5 to 1” to assure younger people purchase coverage and cross-subsidies are available to make coverage more affordable for all.

Past state experience shows that enacting insurance reforms alone – without a personal responsibility requirement, subsidies, and adequate age adjustments – led to skyrocketing premiums, drastic increases in the uninsured (especially among the young and healthy) and fewer health plan choices.

Insurance reforms – if not done right – will significantly raise premiums for people who now have coverage, as well as make it even harder for the currently uninsured to afford insurance. With everyone having coverage, insurance will work as it should – spreading costs across a broad population and avoiding the risk that people will only purchase coverage when they are sick.

To prevent unaffordable premiums and assure universal coverage, insurance reforms must include:

1. An effective personal responsibility requirement and adequate subsidies

BCBSA strongly supports an effective personal responsibility requirement to maintain continuous health coverage and adequate subsidies for lower and middle income individuals as the critical foundation for proposed insurance reforms. BCBSA is extremely concerned that the Senate bill essentially guts the individual mandate by exempting many individuals entirely (if premiums are 8% or more of income). For others, the nominal per person penalty is \$95 in 2014, \$350 in 2015, and \$750 in 2016. This would mean a maximum penalty of only 16% of the annual premium cost – making it likely that individuals will forgo coverage altogether.

The combination of gutting the mandate and maintaining the insurance reforms (guarantee issue and community rating) will allow people to wait to buy coverage until they need it and drop it when they don't.

This is akin to buying homeowners insurance when you smell smoke. The result is clear: **skyrocketing insurance for everyone**. This is a recipe for creating a “New York-like” environment for our entire country: current guarantee issue/community rating requirements in a voluntary market results in the cheapest HMO policy available to a 23 year-old in Buffalo, NY costing nearly \$1,000 per month.

2. Appropriate (5 to 1) age discounts to ensure young people – who are most likely to forego insurance – buy coverage.

Young people’s participation is key to cross-subsidizing older members to ensure that everyone’s premiums are as affordable as possible. Young people generally use much less health care and are far less likely to value health insurance. Young people ages 18-30 are more than twice as likely (28%) as people ages 55-64 (12%) to be uninsured. Today, almost all states allow significant discounts to younger people so they purchase coverage.

BCBSA urges the Senate to restore the 5 to 1 age band included in the original Senate Finance Committee Chairman’s Mark so that young people purchase coverage. The House bill uses a 2 to 1 age band whereas the merged Senate bill is at 3 to 1. Data from the actuarial firm Oliver Wyman estimates that, in most states, premiums for the youngest one-third of the entire population would increase by 35% under the Senate’s 3 to 1 age band, compared to the 5 to 1 ratio common in many states today. The House’s 2 to 1 age band would lead to even greater increases for young people.

These increases are on top of other reform provisions that would increase costs for young people (e.g. prohibiting discounts for being healthy). State experience shows that young people will drop coverage if tight age bands are adopted. For example, Maine lost 90% of its individual market members under age 30 after the state implemented tight age bands during the 1990s. Currently in Maine, 60% of Blue Cross Blue Shield individual market members are over age 50 – compared to 35% of Blue Cross Blue Shield individual market members in Virginia, which permits age discounts.

The “young, invincible” catastrophic policy is not a substitute for a 5 to 1 age band. The combination of narrow rating bands and a “young, invincible” policy would simply mean young people pay more for less coverage, providing lower cross-subsidies for other people. Furthermore, allowing young adults to stay on their parents’ policies until age 26 does not change the underlying age bands used to determine their portion of their families’ premiums.

The Blue Cross and Blue Shield Association is a national federation of 39 independent, community-based and locally operated Blue Cross and Blue Shield companies that collectively provide healthcare coverage for more than 100 million individuals – nearly one-in-three of all Americans. For more information on the Blue Cross and Blue Shield Association and its member companies, please visit www.BCBS.com.