State Health Exchange LEADERSHIP NETWORK
A PROJECT OF NASHP
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September 25, 2017

The Honorable Mitch McConnell, Majority Leader
The Honorable Charles Schumer, Minority Leader
The Honorable Orrin Hatch, Chairman, Senate Finance Committee
The Honorable Ron Wyden, Ranking Member, Senate Finance Committee
The Senate of the United States of America
Washington, D.C., 20510

Dear Leaders McConnell and Schumer and Senators Hatch and Wyden,

As front-line implementers of state-based health insurance marketplaces, the 10 state-based marketplaces write to express our serious concerns about the ramifications of the Graham-Cassidy-Heller-Johnson amendment on our states and the nation. Since opening our doors, the key mission of our marketplaces has been to develop and apply state-based solutions to provide quality and affordable coverage to more than 3.4 million consumers that enable us to bring choice and value to the citizens of our states. Based on our experience and analysis of the funding and structure of Graham-Cassidy-Heller-Johnson we want to highlight two primary areas of concern.

Potential Collapse of Individual Health Care Markets

Over four years of operation, we have learned many valuable lessons about our health insurance markets and the needs of our consumers. We know that two policies provide the predictability that is a necessary component of stable and affordable insurance markets: (1) moving the health insurance markets to ones that no longer screen for pre-existing conditions and promote a common risk pool with a broad mix of enrollees; and (2) providing financial support to consumers to make health care affordable and support a stable risk pool. While we encourage opportunities to innovate within our markets, this proposal dramatically changes current policy and the likelihood that consumers will get financial assistance, which risk wide-scale market disruption, including issuer exits, dramatically escalating prices, loss of coverage, and/or elimination of consumer protections**.** Graham-Cassidy-Heller-Johnson's time–limited and greatly reduced funding for both the current Advanced Premium Tax Credit and states' Medicaid programs will challenge the ability of our states to effectively provide our consumers with sustained, affordable, and value-based coverage options without risking deep cuts in coverage or significant tax increases. With greatly reduced funding, states will confront difficult choices. If they protect low-income residents

through their Medicaid program, the likely reduction of tax credits for the individual market could trigger the collapse of individual markets – health plans will not participate in markets in which they must take all comers without financial protections. This collapse would mean not only that those who currently benefit from subsidies would no longer have coverage, but that the millions in the individual market who pay for their own coverage would face the prospect of losing the possibility of getting any coverage. For states that opt to protect their individual markets, they would do so at the direct expense of those who are enrolled in Medicaid programs. In addition, the broad discretion given to the Secretary of Health and Human Services to adjust the financing formula increases the unpredictability and instability of the market.

Implementation of Effective State-Based Solutions Would Be Impossible in the Two-Year Window Provided

To the extent a state has the resources and wants to support an individual market, Graham-Cassidy-Heller-Johnson requires each state, most of which now operate under the federal marketplace, to convert current programs and policies in just two years. During implementation of our marketplaces, we witnessed firsthand the practical realities and challenges of implementing statewide insurance programs. Drawing from this experience, we know it is critical that any reforms have sufficient time and resources built in for states to develop efficient programs that are informed by evidence and best practices and are transparent to consumers. For us, we had a broad road-map, substantial federal financial support and a four-year lead time to launch our individual marketplaces. Given the great complexities related to information technology systems, eligibility and enrollment processes, developing marketing and outreach and health plan contracting – the struggles in meeting a four-year launch timeframe were huge (as evidenced by the well documented challenges facing healthcare.gov in 2014). The two-year timeline – calling for full state-based responsibility of programs to be created out of whole-cloth by 2020 – does not take into consideration the policy, administrative, legislative, financial, operational and regulatory hurdles that each state would need to navigate. While Graham-Cassidy-Heller-Johnson provides the appearance of state-based autonomy, even those states that have established state-based marketplaces would be greatly challenged to convert to a purely state-operated system absent core federal administrative and technology infrastructure supports, such as the administration of risk adjustment processes and the operation of the "federal hub" for managing eligibility and enrollment processes.

Representing diverse states, consumers, and political leadership, we encourage a return to the development of bipartisan solutions to stabilize our markets. In the short-term, financing of cost-sharing reduction payments and establishment of a federal reinsurance program will accelerate stability and help drive down costs in our markets. We encourage additional flexibility for states under ACA section 1332 waivers, while also ensuring all consumers continue to receive comprehensive and affordable coverage and protection for pre-existing conditions as in the ACA. Additional flexibility could clarify: 1) the ability to meet deficit neutrality requirements over the lifetime of the waiver, not year by year, thus allowing states the flexibility to invest in initial years and ramp up to savings in later waiver years; and 2) flexibility to establish open enrollment periods that are more suitable to meet local needs.

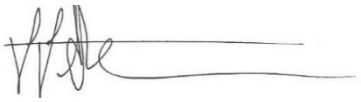
Beyond additional flexibility, we believe that the creation of planning grants and establishment of expedited federal processes for review and approval of waivers (without diminishing public

comment opportunities) could provide states with heightened opportunity to appropriately innovate in consideration of timely and local factors.

Long-term, we are committed to working with you to better understand key cost-drivers of our health insurance markets and develop solutions that will lead to lasting cuts in health care spending across the country.

We would be pleased to provide any additional information to assist in your important deliberations

Sincerely,



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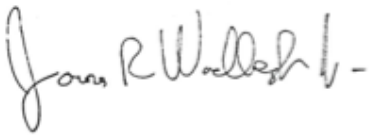

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