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The Stateline's Choice

Late Moves to Dump ‘Essential’ Benefits Could Strand Chronically Ill

Jay Hancock

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A last-minute attempt by conservative Republicans to dump standards for health benefits in plans sold to individuals would probably lower the average consumer’s upfront insurance costs, such as premiums and deductibles, said experts on both sides of the debate to repeal and replace the Affordable Care Act.

But, they add, it will likely also induce insurers to offer much skimpier plans, potentially excluding the gravely ill, and putting consumers at greater financial risk if they need care.

For example, a woman who had elected not to have maternity coverage could face financial ruin from an unintended pregnancy. A healthy young man who didn’t buy drug coverage could be bankrupted if diagnosed with cancer requiring expensive prescription medicine. Someone needing emergency treatment at a non-network hospital might not be covered.

What might be desirable for business would leave patients vulnerable.

“What you don’t want if you’re an insurer is only sick people buying whatever product you have,” said Christopher Koller, president of the Milbank Memorial Fund and a former Rhode Island insurance commissioner. “So the way to get healthy people is to offer cheaper products designed for the healthy people.”

Such a change could give carriers wide room to do that by eliminating or shrinking “essential health benefits” including hospitalization, prescription drugs, mental health treatment and lab services from plan requirements — especially if state regulators don’t step in to fill the void, analysts said.

As part of the push by House GOP leaders to gain more support for their plan, they amended the bill Thursday to allow states to decide, starting next year, what if any benefits insurers must provide on the individual market, rather than requiring health plans to include the law's essential health benefits, according to House Ways and Means Chairman Kevin Brady (R-Texas).

The Affordable Care Act requires companies selling coverage to individuals and families through online marketplaces to offer 10 essential benefits, which also include maternity, wellness and preventive services — plus emergency room treatment at all hospitals. Small-group plans offered by many small employers also must carry such benefits.

Conservative House Republicans want to exclude the rule from any replacement, arguing it drives up cost and stifles consumer choice.

On Thursday, President Donald Trump agreed after meeting with members of the conservative Freedom Caucus to leave it out of the measure under consideration, said White House Press Secretary Sean Spicer. “Part of the reason that premiums have spiked out of control is because under Obamacare, there were these mandated services that had to be included,” Spicer told reporters.

Pushed by Trump, House Republican leaders agreed late Thursday to a Friday vote on the bill but were still trying to line up support. “Tomorrow we will show the American people that we will repeal and replace this broken law because it’s collapsing and it’s failing families,” said House Speaker Paul Ryan (R-Wis.). “And tomorrow we’re proceeding.” When asked if he had the votes, Ryan didn’t answer and walked briskly away from the press corps.

But axing essential benefits could bring back the pre-ACA days when insurers avoided expensive patients by excluding services they needed, said Gary Claxton, a vice president and insurance expert at the Kaiser Family Foundation. (Kaiser Health News is an editorially independent program of the foundation.)

“They’re not going to offer benefits that attract people with chronic illness if they can help it,” said Claxton, whose collection of old insurance policies shows what the market looked like before.

One Aetna plan didn’t cover most mental health or addiction services — important to moderate Republicans as well as Democrats concerned about fighting the opioid crisis. Another Aetna plan didn’t cover any mental health treatment. A HealthNet plan didn’t cover outpatient rehabilitative services.

Before the ACA most individual plans didn’t include maternity coverage, either.

The House replacement bill could make individual coverage for the chronically ill even more scarce than a few years ago because it retains an ACA rule that forces plans to accept members with preexisting illness, analysts said.

Before President Barack Obama's health overhaul, insurers could reject sick applicants or charge them higher premiums.

Lacking that ability under a Republican law but newly able to shrink benefits, insurers might be more tempted than ever to avoid covering expensive conditions. That way the sickest consumers wouldn't even bother to apply.

"You could see even worse holes in the insurance package" than before the ACA, said Sabrina Corlette, a research professor at the Center on Health Insurance Reforms at Georgetown University. "If we're going into a world where a carrier is going to have to accept all comers and they can't charge them based on their health status, the benefit design becomes a much bigger deal" in how insurers keep the sick out of their plans, she said.

Michael Cannon, an analyst at the libertarian Cato Institute and a longtime Obamacare opponent, also believes dumping essential benefits while forcing insurers to accept all applicants at one "community" price would weaken coverage for chronically ill people.

"Getting rid of the essential health benefits in a community-rated market would cause coverage for the sick to get even worse than it is under current law," he said. Republicans "are shooting themselves in the foot if they the offer this proposal."

Cannon favors full repeal of the ACA, allowing insurers to charge higher premiums for more expensive patients and helping consumers pay for plans with tax-favored health savings accounts.

In an absence of federal requirements for benefits, existing state standards would become more important. Some states might move to upgrade required benefits in line with the ACA rules but others probably won't, according to analysts.

"You're going to have a lot of insurers in states trying to understand what existing laws they have in place," Koller said. "It's going to be really critical to see how quickly the states react. There are going to be some states that will not."