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A Chance to Overcome ObamaCare

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Alex Azar will soon make his most consequential decision as health and human services secretary. President Trump has asked HHS to expand health-insurance protections in a way that could make coverage more affordable and improve the outlook for Obama Care's risk pools. Whether Mr. Azar will oblige is uncertain. Some officials don't understand that Mr. Trump's request would expand consumer protections, or mistakenly believe HHS lacks the authority to grant it.

The need for action is clear, as ObamaCare premiums keep skyrocketing. Rate hikes as high as 91% will hit many consumers just before Election Day. Maryland insurance commissioner Al Redmer warns ObamaCare is in "a death spiral."

So-called short-term health plans, exempt from ObamaCare's extensive regulations, are providing relief. Such plans often cost 70% less, offer a broader choice of providers, and free consumers to enroll anytime and purchase only the coverage they need.

But there's a downside. When enrollees fall ill, either their premiums spike or they lose coverage, leaving an expensive ObamaCare plan as the only alternative. Markets solved that problem decades ago via "renewal guarantees," which allow enrollees who get sick to keep paying the same premiums as healthy enrollees.

In 2016, in an effort to force people into ObamaCare plans, the Obama HHS shortened the maximum duration for short-term plans from a year to three months and banned renewal guarantees. The National Association of Insurance Commissioners complained this reduced consumer protections and exposed the sick to greater risk, including the risk of having no coverage. Enrollment in short-term plans fell below 100,000 in 2017, from nearly 150,000 in 2015.

Last October Mr. Trump asked HHS to reverse the Obama rule. HHS proposed in February to allow 12-month terms and renewal guarantees. Earlier this month, it announced that a final rule could be put forth as early as June 1.

The benefits are clear. HHS's nonpartisan chief actuary estimates 12-month terms would provide year-round coverage for an average \$342 a month, vs. \$619 for ObamaCare plans, and thereby

reduce the number of uninsured Americans by 200,000. Even greater benefits, which the actuary ignored, would come from allowing renewal guarantees.

Prohibiting renewal guarantees hurts ObamaCare's risk pools by forcing enrollees who develop expensive illnesses to switch to ObamaCare plans. Allowing renewal guarantees would improve ObamaCare's risk pools by giving expensive patients an affordable, secure alternative—just as renewal guarantees kept expensive patients out of state-run high-risk pools before ObamaCare. The cost of a renewal guarantee would average roughly \$86 a month, bringing the total premium for the average short-term plan to \$428—still 30% less than the average ObamaCare plan.

It gets better. If Mr. Azar does as Mr. Trump suggests, consumers could purchase health-insurance protection for 90% less than the cost of the average ObamaCare plan. In 2009 regulators in 25 states approved the sale of renewal guarantees as a stand-alone product. For one-fifth the cost of a health plan, consumers buy the right to enroll in that plan whenever they want, at a healthy-person premium rate. Allowing renewal guarantees could therefore reduce the average cost of insurance protection to a mere \$86 a month—keeping even more expensive patients, including those who lose employer-sponsored plans, out of ObamaCare's risk pools.

Allowing these consumer protections is within HHS's authority. For two decades presidents and Congresses of both parties accepted 12-month contract terms as a reasonable interpretation of federal law. The law authorizes HHS to do no more than set a maximum contract duration. It does not authorize HHS to restrict renewal guarantees, nor to prohibit consumers from purchasing the consecutive short-term plans a renewal guarantee would govern.

Mr. Azar's greatest test will not be whether he saves the government a few billion dollars on prescription drugs. It will be whether he seizes this opportunity to foster something better than government-run health care.

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