



## Ted Cruz's healthcare proposal faces cost concerns

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A proposal from Sen. Ted Cruz may lower premiums for healthy people but could spur more federal spending on tax credits, experts say.

Conservatives have cheered an amendment from the Texas Republican that would let insurers sell plans on the individual market that don't comply with Obamacare's coverage requirements, as long as they sell some plans that do. However, the measure is prompting questions about whether it would increase federal spending on tax credits since sicker people would face higher premiums.

Cruz has said that tax credits and a stability fund of \$50 billion over four years would defray higher premiums for sicker people in the Obamacare pool.

Cruz said last week that if sick people were subsidized, it could be "far better for that to happen from direct tax revenue rather than forcing a bunch of other people to pay much higher premiums."

Some experts question if that could lead to more federal funding since tax credits rise to meet any increases in premiums.

"People eligible for tax credits would be protected from rising premiums under the Cruz amendment. But would Congress allow costs to soar?" tweeted Larry Levitt, senior vice president for the Kaiser Family Foundation.

The credits and the stability fund could help the Obamacare-compliant risk pool from unraveling, said Matthew Fiedler, a fellow at the Center for Health Policy with the Brookings Institution.

But Fiedler noted that the credits and fund wouldn't "prevent premiums from rising dramatically."

That means that people who wouldn't receive tax credits would feel the brunt of higher premiums, although the stability funding would defray some of the costs.

Under Obamacare, anyone who meets the income eligibility can receive a tax credit for a plan on the individual market.

The Congressional Budget Office is scoring the amendment to determine how much federal funding it would require and its impact on insurance coverage.

Republicans are trying to use a pathway called reconciliation to get the bill passed in the Senate by only 51 votes instead of the 60 needed to break a filibuster. To use reconciliation, a bill has to reduce the deficit and focus only on budget and spending levels.

Republicans have to save at least \$111 billion in the bill to meet the rules.

The noncompliant market, which likely would cost consumers less, could help ease some of the costs, Fiedler said.

"If a large number of people leave the compliant market for noncompliant market, then that will help offset some of those costs," he said.

The reason is the government wouldn't have to pay as much in tax credits since the plans on the noncompliant market would be cheaper, or the government wouldn't pay any credits at all. It is not clear if someone who bought coverage on the noncompliant market would be eligible for tax credits under the Cruz plan.

Fiedler is skeptical there would be enough of an offset, though.

"Anyone who stayed in the [Obamacare] compliant market would get a larger tax credit because premiums would be higher," he said.

But a reasonably healthy person eligible for a smaller tax credit "may be better off" going to the non-compliant market since the premiums in the Obamacare market would be higher. That person would be required to shoulder the part of the premiums the tax credit doesn't cover, which could be high.

Other experts doubted that the plans would cost more than Obamacare, which has faced double-digit premium increases. Obamacare plans in 2017 rose by an average 25 percent for the most common level.

"It would require no more funding than Obamacare does now," said Michael F. Cannon, director of health policy studies for the libertarian think tank Cato Institute.

Outside conservative groups such as Club for Growth and FreedomWorks are coalescing around the Cruz amendment, as are conservative lawmakers in both the House and Senate.

But some of Cruz's colleagues remain skeptical.

Sen. Chuck Grassley, R-Iowa, said on Iowa Public Radio that the amendment seemed like "subterfuge to get around pre-existing conditions."

"If it is subterfuge and it has the effect of annihilating the pre-existing condition requirement that we have in the existing bill, then obviously I would object to that," he said.