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The Health Wonk Shop: What's Next for the Affordable Care Act?

Larry Levitt: Hello, I'm Larry Levitt from KFF. Welcome to the latest episode of The Health Wonk Shop. About once a month we dive into timely and complex health policy topics with experts from a variety of perspectives. As President Trump takes over from President Biden, he inherits Affordable Care Act marketplaces that have seen record enrollment growth in recent years, driven in large part by increased premium assistance. But that enhanced premium aid expires at the end of this year. Extending the enhanced subsidies would preserve enrollment and avoid big out-of-pocket premium increases, yet it would also cost the federal government a whole lot of money. Debate over premium subsidies and other ACA issues is likely to swirl in the background of a big tax and spending cut debate this year. We have three of the nation's top experts on the ACA here today to discuss all of this and more. Brian Blase is president of the Paragon Institute and a former Trump administration health official. Sarah Lueck is Vice President for Health Policy at the Center on Budget and Policy Priorities. And Cynthia Cox is Vice President at KFF and director of our program on the ACA.

A little bit of housekeeping before we jump in. If you have questions, submit them at any time through the Q&A button in Zoom. We'll get to as many of them as we can. Also note that this session is being recorded and an archived version should be available later today. Cynthia, let me start with you. First, just set the stage. Describe briefly what these enhanced ACA premium subsidies are, and in what way did they enhance what existed before?

Cynthia Cox: Sure. So these enhanced tax credits basically lower the cost of what people pay each month for their premium on the ACA marketplaces. There were already tax credits or subsidies on the ACA as part of the original ACA, but these enhanced tax credits across the income spectrum lower how much people pay each month, and it also made some people newly eligible for financial assistance. Whereas before, they may have had an income that was too high to qualify for subsidy, now they do qualify for one. And these subsidies were passed first as part of a Covid relief package. They closely mirror what Biden had campaigned on as a primary candidate and then as a candidate in 2020, but the vehicle through which they passed was kind of a temporary Covid relief.

Then they were extended again temporarily with the Inflation Reduction Act and they are set to expire at the end of this year. If they do expire and if Congress does not renew the subsidies, then what each person pays each month is going to increase significantly. Some people will still be eligible, probably most people will still be eligible for a subsidy, but less of a subsidy. And some people will lose subsidy eligibility altogether. But it would take an act of Congress to extend this. The default is that they will expire at the end of this year. And the CBO has projected that it would cost about $335 billion over the next 10 years to pass a permanent extension.

Larry Levitt: And Cynthia, quantify the amount of these subsidies, on average, how much extra help are people getting?

Cynthia Cox: Yeah, on average it's over $700 per year. It really varies a lot by a person's income. So a lower income person is basically paying nothing each month. At the lower end of the income spectrum, they will have a $0 or near a $0 premium because the subsidy pays for the full cost of their premium. At the higher income levels, the subsidies gradually phase out. And so how much more each person will pay will vary depending on how much their income is, what their family size is, where they live in the country too.

Larry Levitt: Brian, let me bring you in. So you've expressed some concerns about these enhanced premium subsidies. Describe for us what those concerns are.

Brian Blase: Hey, and thank you for the invitation on this glorious day after the Super Bowl. So the subsidies, one, they're very expensive. Two, I would say, ACA, the exchange plan enrollment was well below expectations prior to the enhanced subsidies. So the plans were very narrow network and a lot of enrollees just didn't get much value from the plans worth parting with their own money on them. The key driver of the increased enrollment has been around the zero cost or fully subsidized plans. So half of all enrollees are claiming income that qualifies them for a fully subsidized plan premium now. And that has several problems. One, it discourages insurers from actually designing plans that people value. If the government is paying 100% of the expense, people will enroll in the coverage up to the point that they don't have to pay anything. Two, it really does set conditions to make it very conducive for a lot of fraud and bad actors. Insurers benefit when they get enrollees, and they prefer now getting money directly from the treasury. Brokers are doing a lot of things to take advantage of these free plans and enrolling people often without their consent, and are really engaged in lots of misleading marketing.

The Wall Street Journal had a story in the fall that was titled people thought they were getting a free cash gift card and they got signed up for health insurance instead. The brokers, these lead generators are advertising cash gift cards with phone numbers to call. People call the phone numbers, they ask about their cash gift cards and they get asked if they want to enroll in health insurance. In addition to getting their cash gift card, they get enrolled in a health insurance plan. Many of them will never use these health insurance plans. Obviously, they're not getting their cash gift cards out of it. We at Paragon estimate that the amount of fraud just last year in the exchanges because of these enhanced subsidies is exceeding $20 billion a year.

The subsidies also... Two other drawbacks. They're inflationary. When the government is picking up the entire cost of the premium and the premium increase over time, it's giving insurers pricing power, and that means they can price in an environment where the consumer isn't sensitive to the prices and is going to lead to upward pressure on premiums. Finally, I think a very real concern is if these enhanced subsidies are continued, small employers will drop coverage in mass, and that has potentially large fiscal impacts because of how large the premium tax credits are.

Larry Levitt: So you raised a lot of issues that I think we're going to want to come back to and unpack. Sarah, let me bring you in. And first this question of fraud. I'm interested in what your perspective is on the degree of fraud that there is in the ACA marketplaces and whether those enhanced premium subsidies are what's leading to it?

Sarah Lueck: Well, I think there has indeed been a huge growth in enrollment. We're at record levels of enrollment in the marketplaces and the growth has happened among low-income people, black people, Latino enrollees. Also, huge growth for people who are self-employed or have small businesses. So lots of different types of groups are represented in terms of who's benefiting from these enhanced subsidies. And there were these cases, as Brian mentioned, of brokers committing fraud and switching people or enrolling people into plans without their knowledge. Look, every time there's an opportunity, there will be opportunists that try to take advantage of that. I would just say that health coverage is super valuable to people. It's a way that people feel that they can safely access healthcare that they need, and it also brings them financial security and they actually do value their marketplace coverage in high numbers.

So I would just say that knowing that, knowing how important health coverage is to people and how affordability continues to be such a barrier for folks who are still uninsured, that if there's fraud out there that needs to be dealt with,

there's ways of directly dealing with that. And in fact, the federal government had been taking steps all during last year to deal with those broker-initiated fraud instances that happened on a pretty large scale in terms of people not knowing what was happening. But that doesn't mean that we need a tighter system or less affordable coverage. And I would say that that's definitely not what the enrollees have been asking for.

We have a project at the Center on Budget that has been talking directly with marketplace enrollees over the past year and continues to do so. And when they understand that the enhanced premium tax credits could go away, they're very concerned, they're worried, they're frustrated, they want to know what they can do about it, and they definitely think about how those increased costs, even though if they might seem small, those additional increased costs can really cause them to have to make really hard decisions and trade-offs about what healthcare they can receive.

We heard from people who have chronic conditions and feel like they're not going to be able to go to all the specialists that they need to see. We've heard people talking about the way that it puts pressure on their budgets in terms of other things that they might need. So I would just say the people in the marketplace are really benefiting from the enhanced premium tax credit. It's a way for people to get coverage when they don't have other options and other affordable options. And I think that's good news.

Larry Levitt: Cynthia, let me bring you back in. So both Brian and Sarah have talked about the enrollment growth. Give us a sense, how fast has enrollment been growing since these enhanced subsidies were put in place and where is that enrollment growth happening?

Cynthia Cox: Sure. So just as some background, the ACA marketplace enrollment had been pretty steady basically since the first year or two that the marketplace has launched. Enrollment hovered around 11 to 12 million people per year. Even when there were some pretty significant changes happening either in policy or the raw premiums changing before accounting for the subsidy, even with huge changes in the environment around the marketplaces, enrollment was basically 11 to 12 million people each year. Until 2021 when the enhanced subsidies were first passed, and then especially 2022, which was the first full year that they were enacted. That's when you started seeing marketplace enrollment growing by three or four million people each year on average up until the point that the marketplaces have now doubled in size just in the last four years.

Now that growth is not even. The places where we see the most growth... And I'll say first that there's a lot of overlap in these factors, so it's hard to disentangle which is driving things the most. But states that had high uninsured rates to begin with in 2020 have seen a lot of growth. States that did not expand Medicaid have seen a lot of growth, and also states that use Healthcare.gov as opposed to state-based exchanges have seen a lot of growth in the last few years. What that means politically too is that a lot of southern red states are where you've seen some really significant growth in ACA marketplace signups.

Larry Levitt: So Brian, Sarah talked about ways of addressing fraud, short of necessarily pulling back on the enhanced subsidies. I mean, what's your take on some of the steps the Biden administration took to address some of the fraud issues you raised?

Brian Blase: So let me start, Larry by just giving you a magnitude of the extent of the fraud. And Cynthia's right. I mean there are some places in the country... I live in the state of Florida. Nobody does healthcare fraud like the state of Florida. Our ACA exchange fraud is unparalleled in the country. What we did was compare the number of signups in this range between 100 and 150% of the poverty line. And these are individuals in households because of the enhanced subsidies that qualify for a zero premium plan that has a 94% actuarial value, which means it has very low deductibles and very low cost sharing. So we compared the signups in that category with actual number of people in the state who would be eligible for coverage that have income in that category. And there were nine states where there are far more people enrolled in the exchanges in that income than live in the state that have income in that range. In Florida, we have four times as many people reporting income in that category has had signups than have income in that category.

Healthcare.gov is a real problem. Cynthia mentioned it. One of the problems with the Biden administration's oversight of the exchanges over the last couple of years is not doing income verification, so doing self-attestation. That is just, again, it's a policy decision that exacerbates underlying incentives that insurers, brokers and enrollees have to commit fraud. The real problem... So to go back to if we undid the enhanced subsidies, enrollees would still qualify for a very large premium tax credit that would cover the vast majority of the cost of a plan. The issue is, for some of these low-income enrollees, do they value the coverage enough at 30 or $40 to pay for a premium that... A plan probably costs $600. So that the taxpayer is still going to be on the hook for most of it. Do they value it enough to pay a small fraction of the premium? And I think that's a reasonable question, given the US budget issues... Which we have $2 trillion budget deficits... Should we have people demonstrate that they obtain at least a

modicum of value to enroll? And that modicum of value is really the check against fraud. Because if the enrollee is paying a premium contribution every month, really regardless of what it is, they have some incentive to make sure that they're enrolled in the plan, that they don't have other coverage that would make them ineligible for this plan, and really be the check.

Now there's other things that could be done as well, to your question, like we could verify people's income. We don't have to accept self-attestation. Another problem is that the ACA subsidy structure is complicated. People estimate their income and the insurer is then advanced a monthly subsidy based on that estimated income. And then there's a reconciliation process at the end that brings in harmony, or supposed to bring in harmony, the estimated advanced amount and the actual amount the person was entitled to. But there's severe limits on how much the government can recapture if the individual mis-estimated income. So you could increase the amount of the subsidy that the IRS would recoup if income was underestimated and the insurer got too much subsidy to them in advance.

Larry Levitt: So Sarah, I'm guessing you have some thoughts on all that. One question. You said you've been talking to exchange enrollees. Paint a picture of who those enrollees are, particularly these enrollees who are receiving the full premium subsidy. What kind of incomes they have, what kind of volatility they have, and what it would mean, as Brian suggested, if people were paying 30, $40 a month for insurance.

Sarah Lueck: Yeah. To give a sense of that income range, I think that we're talking about for an individual, it's about $15,000 in income to about $22,000 in income a year I think. So we're talking about for an individual, so we're talking about people with very low incomes. Some of the folks that we've talked to in our project, they're gig workers, they're rideshare drivers, they have healthcare billing jobs. They don't have health insurance through their employer, they're not eligible for Medicaid. And I would just say that the system as it's built in terms of people projecting their income forward, it's meant to let people have coverage and to then not be overly penalized and punished when they make an error or if the income that they end up making at the end of the year is different than what they thought it was going to be. And that's really important because this is complicated stuff. It's very hard for a lot of folks, especially people with low incomes, but especially people in seasonal work and jobs that fluctuate in terms of hours and pay to know what they're going to make for the year ahead.

So is it unreasonable for somebody who is right around, "I think I'm going to make $15,000 next year, or $16,000 next year," but then I actually make

$13,000 next year. I don't want that person to not have coverage. I think they shouldn't be overly penalized and really money squeezed out of them that they don't have in terms of what would they be able to pay back to the IRS. So I think it's really important to think about... The point of this whole exercise is to make sure people have coverage. And a lot of the folks in that income band that we're talking about, in other states, they have coverage with no premium also. They have Medicaid because their state has expanded Medicaid.

And I would just say that $30 a month might not seem like much, but for people at that income range, it really is a big deal to have to deal with all the expenses that they have. These are families that would have, like I said, fluctuating income. They would have housing costs that are really high. People talk to us a lot about food costs being high and transportation costs being high and other things that come up for their families. So if we as a nation want to make sure that people have access to coverage, we have to think really seriously about how big, even a small [inaudible 00:20:34] barrier even a small premium amount presents. And if we're trying [inaudible 00:20:38] fraud, I would argue that raising people's costs isn't the way to do it.

So there is a lot of volatility at that income level. It's hard for a lot of us to know how much money we're going to make in the following year, and I don't think that charging people more upfront or trying to claw more back from people that don't have a lot of money is the right way to go.

Larry Levitt: Thanks. So I want to bring in some audience questions, of which we have many. A couple revolved around some things all of you touched on, which was how much effect the expansion of the subsidies has had on uninsured, on hospital uncompensated care. Brian, you talked about it leading to small businesses dropping coverage, which could offset some of that drop in people without health insurance. Question of how much that's actually been happening. Cynthia, let me start with you. What effect has all this had on the uninsured rate in the US?

Cynthia Cox: So with the combination of the enhanced tax credits on the ACA marketplace as well as some pandemic-era protections for people with Medicaid that kept them enrolled in coverage continuously without being dis-enrolled, the uninsured rate has reached record lows in recent years. A lot of that is the marketplace having doubled in size. So this has had a measurable effect on the uninsured rate. I would also point out that people who are getting coverage through the ACA marketplaces are getting access to healthcare too. We can look at claims data or insurer filings where they say how many hospitalizations or

doctor's visits they've paid for. And so this coverage is also translating to access to care as well.

Larry Levitt: And Brian, have we seen small businesses dropping coverage? We had a similar question about the uninsured. Would you advocate other ways of addressing people without health insurance or is that even not the right goal?

Brian Blase: Yeah. So if you go back to 2009 and 2010, the construction of the ACA, it wasn't just expanding health insurance coverage regardless of any fiscal cost. It was, "All right, we have a budget constraint. What can we do within a budget constraint?" And I think the costs of the expansion are pretty significant, and reducing the subsidy expansion combined with a lot of the Biden administration policies... I mean the Biden administration policies really juiced enrollment along with the expanded subsidies. So I mentioned not verifying income, which is one of the reasons why the fraud is so much worse in the healthcare.gov states then the state-based exchanges because they just didn't verify income. They also created a special enrollment period for anyone claiming income between 100 and 150% of the poverty line that could sign up at any point in time during the year.

Now if you combine that with the fact that they're also not checking income, I don't think that this is a well-run approach to a government program. And I think the fraud rates that we're seeing... A sensible, common-sense government program you don't want operating the way that this is operating. It is not operating by the rules currently in place. So it is not people with income above 100% of poverty line to 150% are getting these enhanced subsidies for the zero premium plans. You have so much overestimating income and underestimating income going on. I get that we don't want to significantly... To Sarah's point on the subsidy recapture, but right now there's no penalty. So there's no penalty for misstating income, for committing fraud. If anything, there's financial rewards that insurers are getting from these monthly payments for people that aren't eligible or that wouldn't sign up if they had to pay their own premium, and then the brokers are getting.

So extending this policy of the subsidies, I think does create problems. I think Larry, for small businesses, we know that the offering of small businesses has declined a bit since 2010. I think one of the issues with small businesses is whether these enhanced subsidies are made permanent or not. I think if they're made permanent, you'll have more action from small businesses dropping coverage because they will view it as a permanent change in government policy, which it would be. And if people get an offer of health insurance through their employer, they aren't eligible for the premium tax credits. So as the premium

tax credits get larger, that reduces the incentives for small employers and their businesses to offer coverage because they can drop coverage, they could increase wages and workers benefit because they get higher wages and then they also qualify for the larger subsidies to purchase in the exchanges.

Larry Levitt: I want to bring Sarah in. And I'll just note, there's a lot of controversy in the field about the relationship between wages and offering of health benefits. That may be a good topic for another day. We probably won't get back to that today. But Sarah, let me bring you in.

Sarah Lueck: Yeah. I didn't want people that are listening to leave a Wonk Shop podcast without making the wonky point that income actually is verified and information is verified from people's applications in healthcare.gov. So they don't just say it and then it's done, it's verified electronically in the system with available data. And that's a good thing. It's a good thing to do electronic data matching and let people provide the information that they have about their work and their household and all of the things that matter to eligibility. And then I guess the other point I would make is, just stepping back a little bit, we have made really great coverage gains. We're at record low on insurance rates in our country for a variety of reasons, including the Medicaid expansion. And we're really at the cusp now of, "Where do we go from here?" And I think there's such a strong case to be made, even just thinking about the last election, that people want more financial security. They want lower costs out of their pocket. They don't want to be paying more. They don't want their lives to become more complicated.

So I think we're at the cusp not only of what happens with these enhanced subsidies, but what happens to Medicaid? There are a lot of ideas floating around on Capitol Hill about cuts to Medicaid that would greatly shift costs to states and likely lead them to make huge eligibility cuts, leaving more people uninsured. That is related. These are all people that we're talking about. Low-income people, people who don't have other access to coverage. So cutting off affordability in the marketplace, making it harder for them to enroll, cutting off benefits and federal spending and support for Medicaid, those are huge changes from where we've been. And I feel like we're in a place where we've made a lot of progress. And we certainly have a lot of work to do, but I just think making more people uninsured and raising people's costs and reducing program eligibility and making people go through more red tape to get coverage is going to be the wrong direction.

Larry Levitt: Well, Medicaid cuts are probably another good topic for another day, but clearly, relate to all of this as well. So we talked a lot about this group under

150% of poverty, or I should say between 100 and 150% of poverty, since people under poverty are not eligible for ACA subsidies. We also had a question about the other end of the income spectrum, the people above 400% of poverty who were made newly eligible for the first time for subsidies with the enhancement. Cynthia, first just explain how that works, who these people are, how those enhanced subsidies work for that group.

Cynthia Cox: Sure. So the people who make over 400% of property, which for a family four I think is now about $120,000 a year or maybe about $60,000 a year for an individual. I'm probably getting that number wrong because pulling it off the top of my head, but it's not a high income by a lot of people's standards, but it's a good wage in most parts of the country. But it's also not enough to afford full-price health insurance in most part of the country too. Especially if you're buying coverage for a family for say, three or four people, that really adds up. And it can mean that without a subsidy, a family making just over four times the poverty level could pay upwards to 20% of their income before taxes on a premium, plus having to pay out-of-pocket costs too.

So this was a really vocal group. It's a relatively small number of people, but it was a group that was arguably harmed by the Affordable Care Act. Especially if they were relatively healthy before, they might've gotten a lower premium. And then with the protections that were put in place with the ACA that required that people with pre-existing conditions be able to get coverage, premium increases were probably fairly common for this group, and they didn't get a subsidy to offset it. So this was a really sympathetic group, especially in 2016 when we were talking about repealing and replacing the Affordable Care Act. It was often that news coverage would focus in on a really sympathetic group like a family, maybe a small business owner or a farmer or an entrepreneur who didn't get coverage through their job but did have a fairly good income, but it just wasn't enough to afford full-price insurance.

So with the enhanced tax credits, instead of having subsidies end really abruptly at four times poverty, now they phase out more gradually. So now somebody who may have otherwise had to pay 20 or more percent of their income for their family's premium, now pays eight and a half percent of their income. So it's a significant savings for this relatively small group of people. If the enhanced tax credits expire, then that means that people over 400% of poverty are no longer eligible for any subsidy at all. So they would face probably a very significant increase in their premium. They would not be eligible for any kind of free bronze plan most likely. So they will have to pay a significant premium if they want to keep their coverage. And so what would probably happen is that they would drop their coverage. Some of them, if it's a small business owner, an

entrepreneur may be able to get more traditional employer-sponsored insurance, but that would mean maybe sacrificing their business to do that.

Larry Levitt: So Brian, you talked a lot about the potential for fraud among the very low-income group. That presumably is less of an issue among this high-income group. I mean, do you think there's some arguments for keeping those subsidies for these folks above 400% of poverty or do you have other concerns there?

Brian Blase: So I think we need to look at the underlying program, and I think there's policies that can be put in place to reduce premiums. I think we have a problem with a program that made coverage so expensive that people with an income four, five, six times the poverty line still need large subsidies enabled in order to afford it. The ACA significantly increased premiums. It was compounded problem for unsubsidized enrollees' silver loading. I think that... And this is a little wonky and I won't get into the details, but I think we should appropriate the cautionary reduction subsidy program prohibit silver loading to lower some of these premiums for higher income households. I think we should expand alternatives to the ACA that could benefit many of these upper/middle income households. The Trump administration expanded some of these alternatives during the first term. I think they should expand them again during the second term.

We should have unsubsidized options for upper/middle income people to choose. I do think if I was going to keep any portion of the enhanced subsidies, I would look at the area just above 400% of the poverty line, at least until there's some broader ACA reforms. Because in some parts of the country, premiums are really expensive and I think there would be an abrupt cut at 400% of the poverty line, and you could think about keeping a portion of those subsidies. That's not my preferred policy. My preferred policy is to eliminate the enhanced subsidies entirely and pursue regulatory changes to the ACA. But if Congress was looking to keep a portion of them, I think that is where they should focus.

Larry Levitt: So I'll first take the prerogative of the moderator and briefly explain silver loading for the uninitiated. The Affordable Care Act requires insurers to lower deductibles and copays for low income people. Originally, insurers were compensated directly for the extra cost of that. During the first Trump administration, following some lawsuits, the money that went to reimburse insurers for the lower cost sharing was stopped. And in response, insurers increased premiums for mid-level silver plans, which is often called silver loading. Sarah, Brian talked about some of these regulatory changes, and he may want to expand on that as well. But talk a little bit about some of the

changes we saw in the first Trump administration around regulation of insurance, particularly in the individual insurance market.

Sarah Lueck: Yeah. So there were a number of different changes that happened regulatorily while the Trump administration and Republican lawmakers were trying legislatively to repeal the law and also supporting court efforts and court legal avenues to repeal the law. There were a series of policy changes that really did result in big changes for the marketplaces on the individual market. A couple that I would highlight, the open enrollment periods were shortened by the first Trump administration. There were a lot of restrictions placed around special enrollment periods as well. The funding for navigators that help people enroll who are non-brokers, so don't make money off what plan you choose and that sort of thing, the money for that was greatly reduced. And then there were a bunch of technical changes as well that made coverage more expensive for people, that sort of thing.

I don't want to see that happen again. I would just say that when the Biden administration came in, a lot of those policies were reversed and there were a lot of things changed for the better that have... I think Brian used the term juiced up enrollment. I mean, I think juicing up enrollment is a good idea, not in a way where ineligible people are enrolling, but we know that even with as streamlined a system as possible, it's very complicated to do these things and enroll in coverage. And often, it's healthy people that tend to not want to go through all the hoops.

So a couple of the things that were changed regulatorily when the first Trump administration was over and the Biden administration came in, the enrollment periods were lengthened once again, so people had more time to enroll. There was this low income SEP that Brian mentioned that gave lower income people an opportunity throughout the year to enroll even if they missed deadlines. And that had a really important impact actually. The deadlines and the knowledge of when open enrollment was and when you could enroll in a special enrollment period, those were very hard things for people to understand, especially at the beginning when the system was very new. So just opening the door and giving people more opportunities and time to enroll was extremely important. And then along with that, the legislative changes that Cynthia already talked about with the enhanced subsidies that made coverage so much more affordable for people.

So there's a path forward here I think, where we've heard Republicans on the hill talking about the concern of if the enhanced subsidies go away, like the coverage losses and the way that people in their districts or insurers in their

districts would be impacted by that. So I think there's at least a possibility that we'll see some movement in this area. What I would hate to see is either big Medicaid cuts that are way bigger than anything we would see in terms of coverage losses and problems for people in the marketplaces. And I would also hate to see regulatory changes or other things done to make it harder for people to get into coverage.

The argument about fraud is always raised as a reason to tighten up programs. It's also raised in the context of trying to cut spending by the federal government. And I think now we're in a larger context of how are Republicans on the hill going to pay for tax cuts that they want to make and how are they going to pay for border changes that they want to make? And they're looking at health coverage programs and they're looking at food assistance and other things that people use. So I'm hopeful that we can continue to maintain a system that maximizes coverage, maximizes affordability, and look at ways to move forward.

You guys mentioned the cost sharing, that is something that marketplace enrollees talk about a lot. Deductibles, for a lot of folks, even at the lowest incomes who are getting the most help. The deductibles are still really high for them. So I think we need to be thinking about how to make the coverage more affordable going forward even. And I don't think that subpar plans like short-term plans or the alternatives that Brian mentioned are the vision that I would have for folks that are small business owners or have an income over 400% of poverty. I have employer coverage that's good, knock on wood, and that lets me take my kid to the doctor when I need it and it doesn't break the bank. If I, knock on wood, had a really big health problem and had to go to the hospital, I would be able to handle it because I have good coverage. And I just think that the vision that I would have is that that is available to everyone. And even if your employer isn't giving it to you, you're able to get something that's comprehensive that covers essential health benefits that doesn't underrate you or treat you differently because of your health history. That's where I think we need to go, and we're really, really close. So I would just hate for us to go in the wrong direction.

Larry Levitt: Brian, you look like you wanted to jump in.

Brian Blase: Yeah. I'd say several comments there. One on the short-term plans. So short-term plans, insurance plans, they tend to have much broader provider networks than ACA plans. So ACA plans are predominantly very narrow network cover few doctors and hospitals and regions. And KFF has put out good research showing how narrow network ACA plans are. Short-term plans tend to have much

broader provider networks. Now a difference between the two is that people use their own money to pay for short-term plans. I myself, my family was covered by a short-term plan for a year when I lost COBRA 18 months after I left the White House. I researched the ACA plans in Florida, I researched the short-term plans in Florida. I was not qualifying for a subsidy for an ACA plan. It wasn't even a close call which product to go with. It was a much lower premium for a much better insurance plan. Going with a short-term plan was ideal for my family, and I think Americans should have the right to spend their own money financing healthcare as they think best meets their needs.

Think about that compared to the ACA market where the only people buying plans predominantly get subsidies that cover the vast majority of the cost, and that they don't have to personally get much value in order to sign up for the cost. I think there's a big philosophical difference there between which coverage is more meaningfully valuable for individuals.

On the broader ACA issues, look, the ACA contained guaranteed issue, which means insurers have to offer coverage to every applicant without being able to charge sicker applicants more. If you take that as a baseline, you need to have open enrollment periods, otherwise people will just wait until they're sick to sign up for coverage. So the fact that the Biden administration allowed a annual open enrollment period... And I disagree with Sarah, Healthcare.gov has not been checking income for people over the past several years. It's been self attestation, it's been estimates of income. It's been been very loosey goosey. You set a recipe for misspending. If you're going to have guaranteed issue and community rating... And I think we have decided that there's a political consensus to have a market that has guaranteed issue and community rating... You need to have an open enrollment period, otherwise you're going to have severe adverse selection forces that come in and disrupt that market.

So the Trump administration in 2017 confronted a deteriorating individual market, and as part of that in a market stabilization rule, took steps to reduce the gaming through special enrollment periods and to tighten the open enrollment period in an effort to protect the integrity of that market.

Larry Levitt: Sarah, you look like you wanted to jump back in.

Sarah Lueck: I would just say that the ACA and the marketplaces were lower enrollment, less stable at the time the first Trump administration started. The ACA had lower popularity among the public, I would say. Cynthia could check me on that. But we're in a different world now. We do have open enrollment periods in the marketplace. They're not as short as they were under the first Trump

administration. And the market's working pretty well. There's record enrollment. You don't see those huge drop-offs in enrollment during the year that you used to see.

The reason that first marketplace rule and President Trump's first administration was marketplace stabilization is because that's what everyone was talking about then, but that's not what we're talking about anymore. Now we're talking about we've created something. It has been there for a while. And the enhanced subsidies that we were talking about earlier, those have been there for four years now. People have been getting them. This is what we're used to. So anything that you come in and do now that reduces affordability, cuts people off coverage, makes it harder to enroll, that's going to come out in the numbers. I don't think that more uninsured people or higher costs are really what anybody's really looking for. And so I'm hoping that we can be very careful and really recognize where we are now and not think that we're just coming into the same kind of environment that it was back in 2017.

Brian Blase: I would say one of the areas of disagreement is clearly just the level of subsidization in this market. Insurers now make more money from government than they do from the private sector. And that's a function of the ACA has expanded, Medicaid managed care has really grown and Medicare advantage. So insurers are increasingly reliant on the federal government for their revenue. I think that's a problem. I think that that means that insurers aren't designing products that meet the needs and the value of the American people. But I do think in terms of the question, "What's the right level of subsidization in the individual market now?" That it's way over subsidized and that we have too much government financing. And in terms of affordability, you also need to look at how things are affordable to the American taxpayer. Are they getting a return? I think the right level of subsidization is to go back to the original, underlying Obamacare subsidy structure, and that we'll have a more valuable market if there is less subsidization in that market.

Larry Levitt: Well, unfortunately we're at time, but I think Brian framed the questions ahead quite well. The question of how much subsidization is appropriate for health insurance and necessary to get people coverage, how much that costs the federal government and taxpayers, and the political fight ahead. As Brian said, insurers have a big stake in this. Sarah talked about enrollees having a big stake in this. Obviously, hospitals and clinics and states as well. So I think we have definitely an interesting several months, if not more, ahead of us in this debate. So let me thank Cynthia, Brian, Sarah. Great discussion. If you're willing, love to think about having you all back later in the year as well [inaudible 00:47:38]. So

thanks again and thanks to all of you for joining us, and see you next time on The Wonk Shop.

Sarah Lueck: Thank you.