

HEALTH CARE: A TARGETED APPROACH



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With Congress poised to repeal Obamacare in the coming months, the focus now is on which policies President Donald Trump and Congress will implement in its place. But trying to replace Obamacare with another massive piece of legislation would be a mistake.

Freedom Partners believes the better path is to enact targeted reforms that solve specific problems in the health care system, with the goal of providing all Americans with access to affordable and quality health *care*, rather than merely health *insurance*.

This memo:

- lays out how Obamacare has failed in its core mission, and has instead left Americans with a broken health care system,
- explains why Freedom Partners supports the repeal of Obamacare and reform of health care through a step-by-step approach, and
- puts forth a series of targeted health care solutions that lawmakers can begin working on today that will lower costs, increase choice, and improve access to care for millions of people seeking relief.

The Real Impact of Obamacare: Higher Costs, Fewer Choices, and a Broken Health Care System

Obamacare's impact is being felt by millions of Americans. The law was passed with the promise of better access to quality, affordable health care but has instead led to higher costs, fewer choices, and a broken health care system in which a misplaced focus on mandated coverage has pushed care further out of reach.

Since Obamacare took effect, health insurance premiums and deductibles have soared. For example, premiums for Obamacare plans skyrocketed an average of 25 percent in 2017, and average annual [deductibles](#) totaled \$6,000 for the least expensive Obamacare plans and almost \$3,600 for silver-level plans – a roughly 15 percent increase from last year. These high deductibles leave many people with health insurance policies that they cannot afford to use.

And contrary to claims that Obamacare would lead to more consumer choice, residents of 974 counties across the United States – 31 percent of total counties nationwide – only have [one health care insurer](#) to choose from through Obamacare's exchanges in 2017. Moreover, in at least 18 states, 75 percent of Obamacare plans have [narrow networks](#) that severely limit a patient's ability to choose their doctors. The evidence is clear: Obamacare is crumbling. Millions of Americans are suffering as a result.

Congress must repeal this disastrous law as soon as possible and get to work enacting targeted health care reforms that will give patients greater control and more access to quality care at prices they can truly afford.

Repeal Obamacare and Reform Health Care

During consideration of Obamacare, then-House Speaker Nancy Pelosi [uttered](#) the now famous words that have come to epitomize her party's approach to enacting President Obama's health care agenda. "We have to pass the bill so that you can find out what is in it," Pelosi said.

The new administration and Congress should learn from Speaker Pelosi's comment, and the failed policies that followed on its heels. Like Obamacare, a second massive health care bill would not be fully vetted and understood by members of Congress and the American people, and would lend itself to cronyism and horse-trading that is easily buried in legislation that's thousands of pages thick. Even worse, a massive replacement bill could open the door to "Obamacare-lite," which would fail to fully undo the worst components of the current law and leave Americans with a still-broken system.

Freedom Partners supports the consideration and enactment of a series of targeted bills that each address specific problems in our health care system, and provide an orderly and transparent approach to health-care reform. Such an approach would allow Congress to thoroughly debate much-needed reforms and solutions, and put the interests of the American people ahead of special interests.

A Step-By-Step Approach with Built-In Accountability

Below are examples of positive, patient-centered reforms that will expand access to quality care at lower costs for more people. In addition to fully repealing Obamacare, Freedom Partners urges Congress to take up these targeted legislative solutions in a step-by-step approach that many lawmakers have already touted.

Votes on these and other reforms will give Americans a clear picture of where their elected officials stand on fixing health care: They can stand in the way of health-care reform, or they can work in a bipartisan way with the new administration to deliver results that help Americans secure quality and affordable care.

Obamacare supporters up for reelection in 2018 will have to decide whether they can afford to oppose reforms that would lower costs and give patients more control by empowering states to innovate without permission from Washington, reestablishing high-risk pools for people with pre-existing conditions, expanding pre-tax health savings accounts (HSAs), and streamlining the Food and Drug Administration's (FDA's) bureaucratic approval process, among others.

For lawmakers that oppose these reforms, Freedom Partners and others will work to educate their constituents and hold them accountable.

Key Policy Changes

The following policy reforms would improve health-care outcomes by increasing access to quality care at lower costs for all Americans.

High-Risk Pools for People with Pre-Existing Conditions

Before Obamacare, states ran high-risk pools that covered many individuals suffering from pre-existing conditions, and ensured that the least fortunate were able to afford care. It was not a perfect solution, but it was far better than a one-size-fits-all law issued from Washington, D.C. Under Obamacare, federal mandates distort the insurance market for everyone, making insurance unaffordable or unworkable for millions of Americans.

Use State Exchanges as High-Risk Pools: With minimal legislative change or transition costs, **Congress could let states convert** existing state exchanges into new high-risk pools by ending individual and employer mandates and "off-exchange" essential health benefit mandates (EHBs).

Re-Establish Prior High-Risk Pools: States could also quickly re-establish old high-risk pools that were funded by individual premiums and fees on insurance carriers, providing another affordable option for Americans with pre-existing conditions.

Eliminate Mandates and Regulations to Increase Options and Lower Costs for Consumers

Obamacare's top-down coverage mandates force consumers to buy insurance plans they neither want nor need. This drives up prices for everyone. Thus, Obamacare's mandates must be entirely removed to foster innovation that will lead to insurance policies designed to meet patients' unique needs at lower costs.

Americans should be able to buy health care coverage that works for them and their unique needs – period. Eliminating these unnecessary mandates and regulations would increase choices – both in types of plans and what would be covered – and spur competition to lower costs.

Restore Regulatory Power to the States: States are the proper regulators for health insurance, not politicians and bureaucrats in Washington, D.C. Before Obamacare, states used different strategies to protect people with pre-existing conditions, and Congress should restore their authority to innovate and improve options.

States May Choose to Implement Solutions That Best Meet the Needs of Their Respective Populations: Once freed from Washington mandates, states could:

- Form state compacts to allow individuals and businesses to buy insurance plans across state lines.
- Allow longer-term insurance contracts for more than one year with guaranteed renewability.
- Foster the creation of a market for lifetime health status insurance, where people insure against developing an illness that would cause a premium increase.
- Create continuous coverage provisions to prohibit charging higher premiums to anyone who has been continuously insured.
- Decide for themselves whether guaranteed issue, which forces insurers to offer coverage to anyone regardless of health, and community rating, which forces insurers to charge everyone in a given area the same regardless of health status, are good policies worth pursuing.

Give Patients More Control by Expanding Health Savings Accounts

Health Saving Accounts (HSAs) allow people to save and pay for their health care needs with pre-tax dollars. HSAs are not subject to taxes and accrue year over year. Because HSAs are also owned by individuals, they give patients more control while increasing awareness of costs. As such, they are an important tool for reducing market distortions caused by the current health-care system.

Only 10 percent of health spending is from patients, which means the vast majority of decisions are made in a situation where a third (or fourth) party is paying the cost. This takes control out of the hands of patients and families making health-care decisions and gives it to insurance companies and hospitals, which negotiate directly with each other to determine acceptable courses of treatment for various conditions, and their corresponding reimbursement rates. This results in higher costs for services with little to no accountability for outcomes and care.

Expanding HSAs to allow people to pay for health care needs with pre-tax savings will put patients back in control and allow individuals to seek the best care and treatment for them, rather than be subject to what insurance companies or the government approves.

Increase Annual Health Savings Account Contribution Caps and Repeal Restrictions on How Health Savings Accounts Can be Used: Current federal law restricts how much individuals and families can contribute

[annually](#) to pre-tax HSAs, what those dollars can be used for, and the type of plans they can be linked with. Congress should greatly increase these small contribution caps, repeal these other restrictions, and:

- Either eliminate or expand the current law, which allows for a one-time transfer of funds from an IRA into a HSA, to include annual contribution limits.
- Allow HSAs to pay for insurance premiums and direct primary care physician membership fees.

These reforms would help people responsibly save more money for unexpected health expenses, and will empower consumers to make decisions that best meet their needs.

Empower States to Reform Failing Safety Net Programs and Innovate New Ways to Deliver Quality Care

Medicaid was one of the biggest health-care programs in the country even before it was expanded by Obamacare. The program is operated by the states, but a majority of funding comes from Washington, accompanied by inflexible regulations. Furthermore, studies [have shown](#) that Medicaid enrollees are unable to get the care they need for a variety of reasons. Therefore, in addition to ending Medicaid expansion, the program requires fundamental reform.

Freeze Medicaid Expansion Immediately: Medicaid is already failing the people who truly need it, and using more taxpayer dollars to expand it under Obamacare is only digging a deeper hole. The Obamacare expansion of Medicaid should immediately freeze and no new enrollees should be added who didn't qualify under pre-Obamacare standards

Allow States to Design Innovative Medicaid Programs: The federal government should grant maximum flexibility to the states, either through a block grant or per-capita cap with broad instructions to improve health outcomes for the most disadvantaged. That means a fixed amount will be given to a state for each eligible enrollee, and the state can decide how best to improve the health outcomes of those enrollees.

Cut the Red Tape: Many states already have waivers to innovate in a limited way, but instead of states having to ask permission from Washington, they should be empowered to innovate without federal approval. One way to do this is by eliminating open-ended reimbursement of state spending by providing fixed amounts of money while freeing states from restrictive federal rules.

Remove Barriers to Supply to Produce More Competition, More Choice, and Lower Costs

Health care is about more than mere health insurance. Costs for services are going up because of pent-up demand, which government mandates stifle in a variety of ways. Removing barriers to allow a larger supply of doctors, hospitals, and other treatments will lead to more competition, more choice and lower costs. Congress should encourage state lawmakers to identify impediments, and work toward solutions that remove these barriers. Below are a few reforms that Congress and states should pursue.

FEDERAL REFORMS:

Expand the Current Number of Medical Residencies: Congress currently sets limits on the number of medical residencies nationwide. With studies showing that the United States is in the grips of a physician shortage, Congress should increase or lift the unnecessary and harmful regulations limiting the number of residencies.

Streamline Food and Drug Administration Approval Processes: Streamlining FDA approval processes would result in expedited treatments and medications reaching the people who need them most. This would cut

down on the investments drug companies need to make to bring treatments to the marketplace, increase competition and supply and lower costs.

STATE REFORMS:

Eliminate Certificate of Need Laws. Certificate of need laws essentially require medical practices to receive permission slips from state governments before building new facilities or purchasing new equipment. These mandates needlessly impose regulatory roadblocks on the establishment and expansion of new hospitals and other crucial medical services.

Reform Medical Malpractice at the State Level: Runaway judgements against medical providers have contributed to rising health care costs and increased practicing of defensive medicine. States should enact [tort reform](#) to limit frivolous lawsuits that line the pockets of trial lawyers while increasing costs for everyone else.

Expand Scope of Practice Laws: Currently, there are restrictions that prevent nurse practitioners, physician assistants, and other medically-trained professionals from performing the full range of practice privileges they are allowed through their certification and licensure. These restrictions should be removed so that more patients can have access to care in the absence of a physician.

Remove Barriers That Prevent Direct Primary Care Practices From Thriving: These barriers include regulations required by insurance companies, as well as rules on how primary care physicians can communicate with or collect fees from their patients.

Eliminate Regulations That Discourage the Use of Telemedicine: Regulations on telemedicine should be eliminated so that consumers in various states can use technology to access a wider variety of medical services.