THE ACA’S ‘THREE LEGGED STOOL’: IN REALITY

• Market reforms
  • Higher premiums
  • Adverse selection
• Subsidies (tax credits)
• Individual mandate
REBALANCING THE ACA’S ‘THREE-LEGGED STOOL’

- Democratic proposals
  - More regulations (limit cost sharing et al.)
  - Increase subsidies
  - (Strengthen individual mandate)

- Republican proposals
  - Reduce adverse selection
  - Reduce or reform subsidies
  - Replace individual mandate
REDUCE ADVERSE SELECTION

• Repeal **age-based community rating** (3:1 age band)
  • Means-tested (or age-adjusted) tax credit subsidizes coverage for near-elderly
• Reform **actuarial value** requirements (‘Copper’ plans)
• Return **essential health benefit** management to states
  • Consider subsidizing maternity coverage as a separate rider
• Repeal health insurance **premium tax**
REFORM PREMIUM AND COST-SHARING SUBSIDIES

• Preserve **means-tested** structure of ACA tax credits
  • This is essential for assisting those with high actuarial risk (aged, sick)
  • Improve administrative burden by using previous year’s tax returns
• Reform premium assistance structure
  • Incorporate age adjustment from BCRA to attract younger enrollees
  • Adjust sliding scale to account for premium cliffs
• Convert cost-sharing subsidies into **HSA deposits**
REPLACE INDIVIDUAL MANDATE

• Repeal individual mandate
• Limit ability to game the system
  • Six weeks open enrollment (instead of three months)
  • Documentation required for special enrollment periods
  • Longer time between open enrollment periods (2 years vs. 1 year)
  • Shorten grace period
  • Late enrollment fees
• Auto-enrollment?
THE RESULT: MORE COVERAGE, HIGHER QUALITY, LOWER COST

• Expanded coverage above ACA levels
  • 12 million additional insured due to exchange reforms
  • Reduces single commercial premiums by 25%

• Paired with broader reforms, can achieve significant savings
  • Deficit reduction of >$8 trillion over three decades
  • Reduction in net federal & state tax revenues
  • Medicare trust fund permanently solvent
  • Medicaid reform = improved state fiscal stability
  • Improved health outcomes for the poor
TRANSCENDING OBAMACARE

A Patient-Centered Plan for Near-Universal Coverage and Permanent Fiscal Solvency

SECOND EDITION
Avik S. A. Roy

The Foundation for Research on Equal Opportunity