

Here are 10 ways the Sessions/Cassidy reform legislation would affect the states.



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Why Republican Health Reform Would Be a Godsend for the States

After six years of living with ObamaCare, Republicans have finally produced an alternative. Other GOP proposals in recent years have been narrowly focused on the 20 million or so people who have been insured by ObamaCare. The new proposal is aimed at 250 million people. It will affect health insurance for the entire population not covered by Medicare.

Here is why the states should care. The legislation would give every state the power to:

- Avoid federal mandates that are increasing the cost of health insurance with few compensating benefits.
- Avoid the race to the bottom in which insurers are trying to attract the healthy and avoid the sick.
- Integrate the individual and small group markets so that people who get insurance at work and people who buy on their own could obtain insurance in one large, competitive market that is supported by a uniform subsidy and governed by one set of rules.
- Allow employers to buy individually owned, personal and portable insurance that employees can take with them from job to job

The Republican alternative to ObamaCare will affect health insurance for the entire population not covered by Medicare.

- and in and out of the labor market.
- Integrate Medicaid and private insurance, so that people who have a plan they like can stay in it as their incomes rise and fall.
- Eliminate regulatory barriers that prevent doctors from innovatively meeting the needs of their patients.

- Obtain federal funds based on need and have maximum flexibility over the use of those funds.

The legislation is sponsored by Rep. Pete Sessions (R-

TX) and Sen. Bill Cassidy (R-LA).

Here are ten ways the legislation would affect the states:

Opportunity No. 1: No federal mandates.

Other than a handful of restrictions (most of which predate ObamaCare), states would be free to make their own decisions. For example, a very

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controversial ObamaCare mandate entitles a woman with no symptoms to a free mammogram; but a woman with symptoms (who really needs the mammogram) may have to pay full price out of pocket. The states are free to avoid this and other cost increasing regulations that make no medical sense.

Opportunity No. 2: Same subsidies and same rules for the individual and small group markets.

A universal health tax credit would give everyone the same help to purchase health insurance, regardless of where it is obtained – at work, in an exchange or in the marketplace. Federal regulation would be minimal and it would be the same for all health plans sold in the individual and small group markets.

Opportunity No. 3: Personal and portable health insurance.

Under ObamaCare, employers are fined \$100 per employee per day if they buy individually owned insurance for their employees with pre-tax dollars. These and other federal restrictions on portable health insurance are repealed. Employers would be able to buy individually owned insurance in a state exchange if the state is willing.

Opportunity No. 4: Same subsidies and same rules for public and private insurance.

The universal tax credit is roughly set at the level of the federal government's contribution to a well-managed, privately administered Medicaid plan. If a state chips in its contribution, low-income families would be able to use Medicaid

funds to buy private insurance instead. Also, the private contractors who manage Medicaid would be able to include their plans as options on the state exchanges. This means that people could stay in their health plan (but without the state subsidy) if their income makes them ineligible for Medicaid. This will ensure continuity of coverage and continuity of care. States could also do something the left is clamoring for. They could let Medicaid compete with private insurance, provided that non-poor enrollees are charged actuarially fair premiums. Such competition would likely improve the quality of Medicaid services immensely and, if not, Medicaid would lose its enrollees to private sector competitors.

Opportunity No. 5: Real protection for people with pre-existing conditions.

In the ObamaCare exchanges, health plans are trying to attract the healthy and avoid the sick. Convinced that healthy people buy on price, they are trying to keep their premiums down with narrow networks, sky high deductibles and huge out-of-pocket costs for patients who need life-

saving specialty drugs. They are doing these things because they can currently dump their sickest, costliest enrollees on other plans. Under the Republican health reform, this will stop. States will be required to make sure that health plans get actuarially fair premiums for new enrollees. But they will have enormous flexibility in implementing their reforms, including what I call "free market risk adjustment." States will be able to encourage focused factories for specific diseases, such as cancer or diabetes,

Under the plan, states could let Medicaid compete with private insurance, provided that non-poor enrollees are charged actuarially fair premiums.



allow health questions to determine eligibility for these plans, and under new privacy rules, health records will automatically travel with the patient from plan to plan unless the patient objects.

Opportunity No 6: Better ways of insuring high cost patients.

States will be able to establish risk pools and/or reinsurance arrangements in order to financially segregate the most expensive cases from other buyers of health insurance. This will allow premiums charged to healthy people to much better reflect the true cost of their insurance.

Opportunity No. 7: Flexibility on preventing perverse buyer behavior.

Under ObamaCare, people are gaming the system by remaining uninsured while they are healthy and then enrolling after they get sick. Under the Republican plan there will be massive deregulation at the federal level and states will have great flexibility. For example, they may charge a higher premium to people who do not enroll when first eligible (as in Medicare Part B and D) or subject them to medical underwriting (as in Medigap).

Opportunity No. 8: Fewer regulations on providers.

Federal restrictions on doctor-owned hospitals, doctor-owned walk-in clinics and other

entrepreneurial activities may be waived. Also, federal restrictions on the use of telemedicine may be put aside. At their discretion, states will be at liberty to free the medical marketplace.

Opportunity No. 9: Safety net funding based on need, not regulations and politics.

Under this proposal there is no reason for anyone to be uninsured. But if some elect to do so, some portion of their unclaimed health insurance tax credits will be made available to local safety net institutions in the communities where they live. This replaces all current federal funding for “uncompensated care” and “disproportionate share” needs. The amount of funding for safety hospitals and other institutions will rise and fall with the number of uninsured. States will also be free to spend these dollars on

Under this proposal, a portion of the unclaimed tax credits from those who elect to remain uninsured will be made available to local safety net institutions.

non-hospital care and even on non-health care services (e.g., sanitation, nutrition, custodial care, etc.) if the overall effect is to improve the health of indigent patients.

Opportunity No. 10: Medicaid funding based on need, not regulations and politics.

In four categories (elderly, disabled, singles, and parents with children) states will eventually receive Medicaid funding based on the per capita need in each state and nothing more. As with safety net money, the states will have maximum discretion over the use of these funds.



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