As California moves forward with significant changes in its health care system, CAHP wants to ensure we bring you the focal points of the conversation and help to advance the discussion. The On Target series highlights noteworthy information we believe is valuable to the ongoing California health care dialogue.

Recently, President Obama announced that states will have the option to extend non-grandfathered insurance plans, which do not meet the requirements of the Affordable Care Act (ACA), through 2014. Reversing course now could mean significant market disruptions which have the potential to undo work done to prepare for the ACA and ultimately could undermine the premise of the law. The latest On Target features remarks from stakeholders nationwide reacting to this announcement:

What Others Are Saying – President Obama’s Announcement Extending Policy Cancellations

November 14, 2013

“…it is unclear how, as a practical matter, the changes proposed today by the President can be put into effect. In many states, cancellation notices have already gone out to policyholders and rates and plans have already been approved for 2014. Changing the rules through administrative action at this late date creates uncertainty and may not address the underlying issues. We look forward to learning more details of this policy change and about how the administration proposes that regulators and insurers make this work for all consumers.”

National Association of Insurance Commissioners

“Finding an appropriate balance between allowing consumers to maintain current coverage and ensuring a sustainable insurance market requires carefully weighing the potential costs as well as the potential benefits of proposed fixes.”

“Changing the ACA provisions could alter the dynamics of the insurance market, creating two parallel markets operating under different rules, thereby threatening the viability of insurance markets operating under the new rules.”

Cori Uccello, Senior Health Fellow, American Academy of Actuaries

“…as tempting as it may be for lawmakers to delay or reverse some of the changes set in motion by the law, they should give the administration more time to get HealthCare.gov back on track and consumers more time to learn about their options.”

“…Such a step could wreck havoc for insurers and regulators forced to revive policies that had been abandoned. More important, it would likely keep younger, healthier people out of the new pool the law is trying to create in the individual market, causing premiums there to rise sharply. Rather than abandoning one of the fundamental principles behind the 2010 law, Washington should look for more ways to help those with canceled policies sign up for a new plan by Jan. 1. As bad as things may seem, lawmakers shouldn’t lose sight of what the law has accomplished already, or what it’s trying to achieve.”

Los Angeles Times Editorial Board

“…I have serious concerns about how President Obama’s proposal would be implemented and more significantly, its potential impact on the overall stability of our health insurance market. I do not believe his proposal is a good deal for the state of Washington. In the interest of keeping the consumer protections we have enacted and ensuring that we keep health insurance costs down for all consumers, we are staying the course. We will not be allowing insurance companies to extend their policies.”

Mike Kreidler, Washington State Insurance Commissioner

“California needs to stay the course and transition people into the more comprehensive policies that meet the requirements of the Affordable Care Act.”

“Reversing course now could cause a significant disruption in the marketplace, given that rates and benefit plans for 2014 have already been set by Covered California. Allowing for extension of polices that are not compliant with ACA guidelines has a
twofold impact. Consumers could see rate increases for extended policies that won’t have the added value of ACA required benefits. And, the exchange would be unbalanced with a pool of older, sicker people, causing additional increases in rates. The entire underlying premise of the ACA – balancing costs of the young, old, sick and healthy – has been left adrift with this announcement.”

Patrick Johnston, President & CEO, California Association of Health Plans

“There is less reprieve here than Mr. Obama claims. It’s hard to un-cancel insurance. The rules Mr. Obama is repudiating were written in 2010, and insurers have been adapting to them for years. They will now have to scramble to revive the policies they can while throwing all of their actuarial assumptions out the window.”

“The faux reprieve also lasts for only one year and applies only to anyone who was covered in 2013. The insurers are essentially being asked to agree to accept losses on behalf of a rump group of policy holders in a legacy business that would then turn into a pumpkin in 2015.”

Wall Street Journal Editorial Board

“This is actually a pretty tricky decision for insurers, especially for those that are selling in the health insurance law’s new marketplaces. Months and months ago, they submitted the insurance premiums they planned to charge on the exchanges. These premiums assumed that some of their current customers would move into those new policies.”

“The people in the individual market right now tend to be relatively healthy—that’s the whole reason that insurers decided to offer them coverage in the first place. One senior White House official estimates that one-quarter of these subscribers are under 25. They are, in other words, the nice young gentlemen (and ladies!) who put the proverbial “bro” in “brosurance.” If insurance companies leave all the bros and younger women in these old products, then that likely means average health care costs among their exchange population will go up.”

Sarah Kliff, Columnist, Washington Post

“California is working hard to continue to implement the market reforms and goals of the Affordable Care Act, and we are leading the nation in enrollment. Today’s announcement adds another wrinkle to the implementation, but will not slow us down in providing more Californians with access to quality, affordable health care.”

Speaker John A. Pérez, California State Assembly (D-46th District)

“... People in the individual market now tend to be healthy because insurers typically reject applicants with pre-existing conditions or other health risks. Premiums for the new health marketplaces were based on the expectation that those healthy people would move to the exchanges.”

“If, however, many healthy people elect to keep their existing policies, premiums could spike next year. The White House insists the law provides two separate funding streams to help offset insurer losses and keep the exchanges sound, but the insurance industry doesn’t seem to be buying it, probably because when the price increases come, insurers will unjustifiably get the blame.”

USA Today Editorial Board

“This decision continues different rules for different policies and threatens to undermine the new market, and may lead to higher premiums and market disruptions in 2014 and beyond.”

Jim Donelon, President, National Association of Insurance Commissioners

“The president’s fix, then, would merely ease the pressure Democrats are feeling and shift blame onto state and insurance-company officials.”

“That would be a better outcome, though, than if companies take full advantage of Mr. Obama’s new policy and extend many plans that were set to end, draining the new system of enrollees it needs to function well. Insurers who decided to act would try to hold onto their healthiest customers — those who don’t make many claims, if any. But the Obamacare marketplaces need those relatively healthy customers. If the system struggles in its opening years, the pressure to pull the plug will only grow. This outcome
is unlikely, but anything that poses a threat to the integrity of the system’s risk balancing rightly worries health-care policy experts.”

Washington Post Editorial Board