

December 14, 2016

Dear Director Dowling:

Thank you for your quick reply and your willingness to discuss the request for information to states from Representative McCarthy on the potential for a repeal of the ACA. First, we commend the Department of Insurance and the other state agencies on the substantial progress the state has made in the past three years to reduce the rate of the uninsured by 44% through the creation of a strong partnership Marketplace, support for a robust in-person assistance network, and a very successful Medicaid expansion program. To preserve the coverage gains that Illinois has made and to continue to make progress towards reduction of the uninsured:

- **We urge you to strongly recommend that Congress not repeal the ACA without an adequate replacement that protects the gains Illinois has made--especially insuring over 1 million previously uninsured residents since 2013.**
- **We also strongly urge that you and Governor Rauner recommend that Congress maintain consumer insurance protections; continue to provide financial assistance to make coverage affordable; maintain the Medicaid Expansion for adults; and oppose the creation of a Medicaid block grant or per capita cap.**

The Affordable Care Act (ACA) has ushered in social, economic, and healthcare achievements of historic proportions across the United States and in Illinois. Over 22 million people in the United States, including over 1 million Illinoisans, have gained high quality, affordable health care insurance - 650,000 through the Medicaid expansion and 388,179 through the Marketplace.

The ACA has helped ensure that millions receive the services and care they need to be healthy. Approximately **5.9 million** Illinoisans with private health coverage (including **1.2 million children**) and **2.1 million Illinois seniors** on Medicare have gained access to free preventive care, like blood pressure screenings, immunizations, and cancer screenings. An estimated [91,000 young adults in Illinois](#) have been able to stay on their parents' health insurance up until age 26.

The ACA has also helped protect millions against discrimination based on their health status; [roughly 4.7 million Illinoisans \(including 1.2 million children\)](#) saw lifetime limits on coverage disappear thanks to the ACA's ban on these practices.

The ACA has made coverage more affordable for millions. Marketplace enrollees in Illinois have received over [\\$700 million in premium tax credits](#) (on average \$233 per person) to offset the cost of the plans. Due to the ACA, the number of people whose families are struggling to pay medical bills fell by 22 percent, or 13 million people, in the last five years.

Our understanding of the reconciliation process that will likely take place in early January is that Congress can use this process only to repeal the provisions of the ACA that impact tax, spending and debt limit legislation. Using [HR 3762](#) as a blueprint for what could be repealed through reconciliation, we are very concerned that the Medicaid Expansion, Individual & Employer Mandates, and Premium Tax Credits to Marketplace enrollees could be eliminated immediately. [Recent estimates](#) of the impact of these proposals show that **1.2 million Illinois residents would lose coverage** if these provisions are repealed. Eliminating subsidies and reducing Medicaid enrollment would hit low- and moderate-income families in Illinois the hardest. In addition, **the economic loss for the state, especially at a time when our budget is stretched due to the budget impasse, would be devastating.** Illinois would lose [\\$50 Billion in federal funding](#) for Medicaid, CHIP and financial assistance for marketplace coverage. The human toll would be huge: the now-historically low rate of uninsured people will spike, with the number of uninsured in Illinois increasing [128 percent by 2019](#). This will reverse the tremendous progress that has been made in Illinois to expand coverage. Between 2013 and 2015, the number of uninsured in Illinois declined 44%; the uninsured rate among working Illinoisans saw a 40% decline.

Even though many of the market reforms – pre-existing condition protections, essential health benefits, ban on age and gender rating - would not be directly impacted by a reconciliation bill, industry experts agree that taking away the premium tax credits and the individual mandate, while keeping provisions like the pre-existing condition policy, would [destabilize the insurance market](#). Without financial incentives to encourage young and healthy people to enroll in the Marketplaces, left with the older and sicker enrollees, the risk pools will quickly deteriorate. Even a delayed implementation of the repeal will create mass confusion and uncertainty in the insurance markets and will most likely cause insurance companies to stop offering coverage on the Marketplaces before the end of the delayed period. This would be exceedingly harmful to both insurers and consumers alike.

Another potential threat that would cause immediate harm is if the incoming federal administration decides to drop the House v. Burwell appeal. This would immediately endanger billions of dollars in Cost Sharing Reductions (CSR) which [45% of Illinois Marketplace enrollees](#) depend to afford their plans. We strongly urge you to recommend that Congress maintain financial assistance provisions and the CSRs (at a minimum through plan year 2019) so as not to cause immediate harm and avoid immediate disruption of coverage and insurance plans leaving the market.

While we know that Medicaid is not in your direct purview, it is intertwined with the Get Covered Illinois marketplace; because Illinois has expanded Medicaid, it is estimated that [Marketplace premiums in Illinois are about 7 percent lower than non-Expansion states](#). We strongly urge you to include in your recommendations to Congress that the Medicaid Expansion be continued so as to avoid disruption in the coverage of over 650,000 adults in Illinois. The Medicaid expansion has a far-reaching impact beyond only the people covered. Over the course of a year and a half alone, the [Medicaid expansion brought \\$3.4 billion in federal dollars](#) into the state economy. The impact of that lost federal Medicaid funding will have a ripple effect

throughout the state economy, affecting hospitals, other health care providers, and businesses. In addition, if hospitals and other providers no longer have a solvent reimbursement system for over a half million adults, cost-shifting on the uninsured will rise and may cause increases in the costs for the insured population.

The letter specifically asks about what changes Congress should consider to grant more flexibility to states to provide insurance options that expand choices and lower premiums. We believe that there already is sufficient flexibility built into the ACA and the Medicaid program to allow states to design their programs to fit the needs of their residents. We believe that the following Republican proposals would, in fact, **not give the states more flexibility** – and instead would saddle Illinois with more debt and uncertainty.

- **High risk pools for people with pre-existing conditions:** These pools existed in [35 states, including Illinois, before the ACA](#), and they didn't work. They offered limited coverage, pre-existing condition exclusions (Illinois' high risk pool had a 6 month wait), lifetime benefit maximums, and premiums above standard market rates. Recent [Kaiser estimates](#) show that Illinois, alone, has over 2 million adults with pre-existing conditions and there are 52 million in the US. Historical experience with these high risk pools indicate that they are insufficient to adequately cover these individuals with the care they need and deserve.
- **Health Savings Accounts (HSAs):** These proposals offer few, if any, solutions to people losing coverage under an ACA repeal. Most people who were uninsured before the ACA were low- to moderate-income individuals – which is why the ACA tax credits are adjusted to income. As you know, 75% of Illinois Marketplace enrollees are eligible for tax credits. In contrast, HSAs are geared towards helping people with high incomes; most households making contributions to HSAs have incomes of at least \$100,000. People with low incomes usually lack the funds to make significant HSA contributions and they also generally lack the ability to afford the high deductibles that HSA-eligible plans carry.
- **Allowing Insurers to Sell Plans Across State Lines:** This proposal is already available under the ACA; however, no states have taken advantage of this and no insurers have asked for it. The proposal is problematic for several reasons – it would encourage insurers to engage in a “race to the bottom” in terms of avoiding consumer protections. In addition, rather than giving states flexibility, it would remove the power from state regulators to protect consumers from unfair and discriminatory practices.
- **Medicaid Block Grants or Per Capita Caps:** Under the guise of flexibility, when policymakers have proposed block grants in the past, they include huge cuts to the program. Block grants are a tool to cap federal Medicaid funding in order to achieve savings for the federal government. As a result, substantial cost-shifting to the states will occur. These cuts would be devastating. Medicaid is already both cost-efficient and innovative (with costs only rising because the number of enrollees has grown). In Illinois,

we expect that a Medicaid block grant would lead to draconian cuts to eligibility, coverage, and provider payment rates. In addition, Illinois has a pending waiver to transform the Medicaid Behavioral Health System which would bring more federal dollars to Illinois. The Illinois waiver would provide more mental health and substance abuse treatment, reintegrate people coming out of jail into their communities, reduce recidivism, provide supportive housing for homeless populations, and provide crisis intervention for youth and adults. **A Medicaid Block Grant would end waivers and cap federal funding.**

In order to keep the gains made under the ACA and improve upon existing structure, we would encourage you to consider the following principles:

I. Ensuring choice and affordability in the private insurance market.

Any effort to increase choice and make plans more affordable must build on the progress made and guarantee a base level of coverage and access to care that Illinois currently have. **Repealing the ACA without a replacement plan will only increase premiums and lead insurers to leave the market, undermining consumer choice and affordability.** Federal subsidies to help Illinois residents afford coverage are essential to the health of the marketplace and the ability for Illinois consumers to gain coverage. Reducing or repealing these subsidies and shifting costs to Illinois will not offer the type of flexibility that will allow us to increase consumer choice and affordability in the private insurance market.

Therefore, any legislative or regulatory proposal to promote choice and affordability should:

- Protect current levels of marketplace coverage and financial assistance;
- Preserve the prohibition on insurance rating, exclusions and coverage denials based on pre-existing conditions and the prohibition on insurance companies from charging women more for coverage than men; and
- Retain state funding commitments to allow states to better serve consumers in their state.

Legislative proposals **should not**:

- Move us backward to a time that left people with pre-existing conditions with no guarantee of affordable, comprehensive coverage or that relied on high-risk pools to cover this population. High-risk pools are no substitute for the protections and coverage gains currently in place – they cover fewer people, do not provide the same level of coverage and are expensive for states.
- Undermine Illinois' ability to govern its insurance market, through allowing the sale of health insurance across state lines or other policies that could undercut state insurance standards.
- Address premium affordability by increasing consumers' cost-sharing obligations through higher deductibles and other out-of-pocket costs.

II. **Stabilizing the individual and small group markets.**

First and foremost, Congress must not repeal the ACA without a simultaneous replacement plan. **Independent insurance experts agree that “repeal and delay” could throw the health care system in chaos.** “Repeal and delay” will cause extreme uncertainty in the insurance markets and will likely result in skyrocketing rates, insurance markets collapsing, insurers pulling out of the marketplace and millions of individuals losing their coverage. **Lighting the fuse and walking away is not a plan, it’s a reckless idea that could leave thousands of Illinois residents without health coverage.** Long term, repealing the ACA will remove the core policies that promote a diverse, robust insurance pool and underpin marketplace stability. Any legislative or regulatory proposal to stabilize the markets should preserve these core existing policies and should include:

- A recommitment to the premium stabilization programs – risk adjustment, reinsurance and risk corridors – as a permanent fixture in the individual and small group markets.
- Increased resources to states to engage in outreach and enrollment and consumer assistance.

III. **Retaining the federal financial commitment to states, while promoting strategies that reduce costs and improve health outcomes in Medicaid.**

It is essential that Congress preserve the current funding structure of the Medicaid program – a state-federal partnership that guarantees when costs go up for Illinois, for example during an epidemic or an advance in medical technology, Illinois will not be at full financial risk for the additional spending. This partnership also forms the foundation for a number of promising strategies that improve health outcomes for the most vulnerable Medicaid enrollees while creating stronger efficiencies in Medicaid. These strategies depend on the federal government keeping its financial commitment to states, and they would be woefully inadequate in the face of coverage and benefit losses that would come from dismantling the current Medicaid financing structure, such as through a per capita cap or block grant. Cuts to the program through a per capita cap, block grant or other structural change would hurt seniors, families and people with disabilities who rely on Medicaid. These cuts would decimate Illinois’ budget, creating ripple effects throughout all state programs. Therefore, any legislative or regulatory proposals to reduce costs and improve health outcomes in Medicaid should:

- Protect the current Medicaid financing structure.
- Maintain current levels of Medicaid coverage and beneficiary protections so that all enrollees continue to have comprehensive coverage and promising delivery and payment reforms can reach the people who need them most.
- Support efforts to move to value-based models, creating care that is well-coordinated, integrated and consumer-centered. These models must be equipped to invest both in primary care and community organizations, in order to address the factors contributing to poor health and reduce health disparities.
- Ensure Medicaid programs have the funding and support necessary to address both the medical and non-medical factors that impact health outcomes.

We strongly urge you to tell Congress that we cannot go back to a time when people could be denied coverage for pre-existing conditions; where women could be charged more for insurance than men because of their gender; where low-income adults could not qualify for Medicaid coverage because they did not have minor children; and where middle income families could not afford to buy private insurance coverage. Illinois' public's health, fiscal stability, and economic wellbeing are all at stake. Illinois needs and deserves a health system that serves us all.

We stand ready to assist you and your department in whatever capacity we can. We need your leadership to protect the gains of the ACA and the communities who depend on them.

Sincerely,

AIDS Foundation of Chicago
EverThrive Illinois
Heartland Alliance
Health & Medicine Policy Research Group
Legal Council for Health Justice
Sargent Shriver National Center on Poverty Law
Thresholds