



July 30, 2021

The Honorable Patty Murray, Chair
U.S. Senate
Health, Education, Labor, & Pensions Committee
428 Dirksen Office Building
Washington, DC 20510

The Honorable Frank Pallone, Chair
U.S. House of Representatives
Energy and Commerce Committee
2125 Rayburn House Office Building
Washington, D.C. 20515

Submitted via publication@help.senate.gov and publicoption@mail.house.gov

Dear Chairs Murray and Pallone:

The National Association of Health Underwriters, (NAHU) is pleased to respond to your request for Information (RFI) on the development of a Public Option. NAHU is a professional association representing over 100,000 licensed health insurance professionals. Our members work with millions of individuals and their employers all over America, whether they are seeking coverage in the individual market or seeking to offer coverage for their employees. They seek coverage that is affordable and that provides coverage that will allow them to access high quality health care when they need it. They are located in bustling cities and rural areas. They are the face of America from every walk of life, and they depend on us to help them finance their health care needs.

When we look at options for the clients of our members, we look at several things. First we examine the viability of plan offerings available to them in terms of their ability to meet their health care needs. This means that the structure of their plan must include the ability to access actual medical care when they need it. These plans negotiate with health care providers and must include a network of providers that will be available and accessible to them. The plans' negotiated rates with providers must be sufficient to allow them to get the care they need when they need it. Whether they live in a rural area or a bustling city, and regardless of their race, ethnicity, or any other factor, the key consideration is whether the coverage they are obtaining will facilitate their ability to receive the health care they need.



A recent analysis¹ shows that an increasing number of individuals enrolled in a public option with the low provider reimbursement rates could have devastating results on providers. More than half of the hospitals in the analysis would lose significant revenue under a public option. Consequently, these higher risk hospitals would be forced to choose between reducing services and closing their doors. Both of these potential outcomes could make existing health disparities worse than they already are by reducing hospital access for low-income and racial and ethnic minority groups who rely on nearby hospitals as a source of care. While we know this is not the intention of lawmakers, a public option is likely to reduce access by removing the health care options it would be intended to finance.

An additional concern is the impact a public option would have on private health insurance markets. More than 180 million people have employer-sponsored coverage.² According to polling data from March, two-thirds of Americans with employer-sponsored coverage like and depend on the coverage they receive under their employer's current plan. Most of these people believe the coverage they are offered under their employer-sponsored plan is of high-quality.³

Employers and insurance carriers who offer private health insurance options spend enormous amounts of time and money negotiating payment rates with healthcare providers. Providers receive significantly more than they would receive under any public option proposal or under Medicare or Medicaid. Most public option proposals would pay rates similar to Medicare, too low to be sustainable for our healthcare system, as mentioned earlier. The American Hospital Association says that hospitals receive just 87 cents from Medicare for every dollar in cost they incur caring for its beneficiaries. In 2019, those underpayments amounted to nearly \$76 billion. Private plans pay hospitals nearly two and a half times what Medicare does for the same service, according to a RAND Corporation study.⁴

The biggest part of any health insurance premium dollar goes towards medical costs – in fact this is a requirement under the medical loss ratio provisions of the Affordable Care Act (ACA). Because of its artificially low medical cost structure, any public option would have a lower cost basis than that of private insurers. Whether using Medicare rates or not, as public plans, Public Option plans would have the power to dictate prices, provider networks, and provider reimbursements. This is different than the negotiation process

¹ FTI Consulting. “Ripple Effects: Potential Impacts of a National Public Option on Provider Viability and Disparities in Access to Care.” July 2021. <https://americashealthcarefuture.org/wp-content/uploads/2021/07/FTI-National-Public-Option-Report.pdf>

² Keisler-Starkey, K., and Bunch, L. “Health Insurance Coverage in the United States: 2019.” U.S. Census Bureau. September, 2020. <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p6i0-271.pdf>

³ AHIP, “The Value of Employer Provided Coverage.” March 10, 2021. <https://www.ahip.org/value-of-employer-provided-coverage>

⁴Whaley, Christopher. “Private Health in the U.S. Pay Hospitals 247% of What Medicare Would Pay.” Rand. September 18, 2020. <https://www.rand.org/news/press/2020/09/18.html>



that exists today. Additionally, a public plan could also potentially effectively indemnify itself for some administrative costs that could be assumed by other sections of government, allowing it to offer coverage at below-market costs. This would produce an unfair market advantage in medical loss ratio (MLR) calculation and as a result premium rate development as private insurers would not have this ability.

Given these facts, this is not true competition where all players in a market play by the same rules. In any market, if one participant has an unfair advantage, others are quickly pushed out of the market. Private plans would likely have more robust networks and better benefits than public option plans, as they do today relative to Medicare. Because of that, older and sicker patients would choose to remain covered by private plans, whose cost would be higher since their expenses for an older and sicker population would be higher, and the balance of risk in the private plan insured pool would deteriorate. Eventually, private plans would be unable to sustain the adverse selection and would be forced to leave the market. So, rather than enhancing competition it would eliminate it. By 2033, according to one study, there would be no private plans available on the exchanges in 14 states.⁵ The end result would be that the public option or buy-in would ultimately be the only option for consumers.

An underpriced public option plan offered on the individual market would also prompt some employers, particularly smaller employers, to drop the plans they sponsor for their employees. An analysis of one public option plan introduced in the House in 2019 found that nearly one in four workers would lose their health coverage through work by 2023, and by 2032, that figure would rise to one in three.⁶ With many more people using premium tax credits to offset the cost of their health insurance coverage, federal non-interest outlays would increase by more than \$1 trillion by 2050.⁷

Additionally, one of our most serious concerns about the Public Option as well as the buy-in proposals is their potential to further exacerbate the cost-shift that already drives up health care spending. Cost-shifting is effectively a hidden tax on private payers that occurs when government payment rates are too low and providers shift costs to the privately insured to make up the difference. The public plan reimbursement rates result in these costs being shifted onto private plans in both the individual and employer markets. The Congressional

⁵ FTI Consulting. "Assessing the Impact of a Public Option on Market Stability and Consumer Choice." November 19, 2019. <https://americashealthcarefuture.org/wp-content/uploads/2019/11/FTI-Public-Option-Issue-Brief-FINAL.pdf>

⁶ Saavoss, A., Koenig, L., Demiralp, B., Nair, J., and Sheriff, J. "The Impact of Medicare for America on the Employer Market." King Health Consulting. October 22, 2019. <https://americashealthcarefuture.org/wp-content/uploads/2019/10/KNG-Health-The-Impact-of-Medicare-for-America-FINAL-Report-Oct-2019.pdf>

⁷ Chen, Lanhee J., Ph.D., Church, Tom, and Heil, Daniel L. "The Budget and Tax Effects of a Federal Public Option After COVID-19." October 20, 2020. <https://americashealthcarefuture.org/wp-content/uploads/2020/10/Study-The-Budget-and-Tax-Effects-of-a-Federal-Public-Option-After-COVID-19.pdf>



Budget Office (CBO) found that the introduction of a public option would create pressure for cost shifting onto employer-sponsored coverage and private plans on the ACA exchanges in 2013.⁸

As your committees move forward with your work in improving access to health care for all Americans, we encourage you to reconsider development of a Public Option. While well-intentioned, the unintended consequences could be devastating to the choices in health care and coverage for that care that we have today. We look forward to working with you on other aspects of improving the ability of all Americans to access and pay for the health care coverage they need. Should you have any questions or you would like to discuss this further, I can be reached at jtrautwein@nahu.org, or (202)595-0639.

Sincerely,

A handwritten signature in black ink, which appears to read "J. Trautwein".

CEO

National Association of Health Underwriters

⁸ FTI Consulting. "Assessing the Impact of a Public Option on Market Stability and Consumer Choice." November 19, 2019. <https://americashealthcarefuture.org/wp-content/uploads/2019/11/FTI-Public-Option-Issue-Brief-FINAL.pdf>