



January 16, 2017

The Honorable Lamar Alexander, Chairman
United States Senate Committee on Health,
Education, Labor and Pensions
Washington, D.C. 20510-6300

Dear Chairman Alexander,

Thank you for the opportunity to provide input on potential Congressional policy changes related to the Affordable Care Act (ACA). The ACA has worked in Rhode Island and we have a remarkable story to tell. As Rhode Island's Health Insurance Commissioner, I am, indeed, on the front lines of ACA implementation in our state. I lead Rhode Island's Office of the Health Insurance Commissioner (OHIC). Affordability and consumer protection are my agency's top priorities. My agency conducts comprehensive reviews of insurance premiums and plan designs and oversees the ACA's valuable consumer protection provisions. ACA funding built our comprehensive rate review program which has saved Rhode Island consumers and businesses nearly \$220 million since 2012.

As I said, Rhode Island has a remarkable story to tell. Rhode Island has enjoyed market stability and has avoided dramatic increases in premiums seen in other states. Over the last three years premium increases in the individual and small group markets have been relatively modest. For plan year 2017, average premium changes in the individual market will range from a **5.9% decrease** to a 5.9% increase, based on issuer. In the small group market, average premiums changes in 2017 will range from a **decrease of 3.1%** to an increase of 3.6%, based on issuer. Despite these encouraging trends we still have much work to do to improve affordability.

The ACA has lead nearly 110,000 Rhode Islanders to gain access to health insurance through our state-based exchange (HealthSource RI) and Medicaid expansion. In fact, between the 2013 and 2014, the size of our individual market more than doubled. The low-income, and those without access to employer-sponsored insurance, are among our most vulnerable citizens when it comes to accessing health insurance. For these citizens, who live on tight family budgets in a region hard hit by manufacturing losses in recent decades, health savings accounts and age-adjusted tax credits will likely not provide enough financial support to purchase health insurance, especially for our citizens in low-income households. Every state is grappling with the same complex problem: that is, how do we make health insurance more affordable and increase the value of our health care dollar? The ACA is a key ingredient to our state's solution and we ask that the law be kept intact.

Health insurance is expensive because health care is expensive. The primary driver of health insurance premiums is the cost of medical care. A brief look at medical loss ratios in our state shows that, on average, 85 cents of every premium dollar funds the cost of medical care. The answer is not to make health insurance coverage less comprehensive by weakening the Essential Health Benefits covered or to throw people off the insurance rolls altogether, but to transform the health care delivery system and reconfigure payment methodologies to encourage more efficient, higher quality health care. We can't truly transform our health care system unless everyone has access to insurance, providers are being compensated for the care they deliver, and we have predictability in federal health care policy.

As I stated, Rhode Island is working on a solution to the problem of high health care costs. Our solution, and I believe that of every other state, requires a strong federal-state partnership. Our state Medicaid program is leveraging authority and federal financial support to transform care for Medicaid beneficiaries



to save money without cutting eligibility and benefits. We are aligning Medicaid and commercial insurance payment policies with those endorsed by the bipartisan Medicare Access and CHIP Reauthorization Act of 2015. We are empowering primary care providers to deliver patient-centered team-based care through the patient centered medical home. Our leading health systems and provider groups are organizing into accountable care organizations to manage the cost and quality of health care for their patients. These are community resources that serve patients across all payers. By working collaboratively with providers to improve care for our state Medicaid population and commercially insured population, we can improve care for the Medicare population. This saves our state and the federal government scarce taxpayer dollars to support infrastructure, education, housing, and other investments.

In response to the question posed regarding the 1332 State Innovation Waiver, the rigidity of the regulations as written posed administrative hurdles for states to be able to successfully utilize it to make improvements to health coverage at the state level. However, with added flexibility, particularly around the demonstration of impact to federal deficit, the 1332 waiver could prove to be a valuable tool to states across the country looking to lead and innovate.

Repeal of the ACA would harm our system transformation efforts and stall our momentum to make health care, and thereby health insurance, more affordable. Here are my specific concerns:

- **Loss of coverage:** For privately insured individual market consumers, the withdrawal of Cost-Sharing Reduction subsidies and Advance Premium Tax Credits would drive up consumer premiums and out of pocket costs. At the same time, withdrawal of federal funds for Medicaid expansion would leave our most socially and economically vulnerable residents without coverage and access to life-saving care.
- **Destabilized Risk Pools:** Healthier members of the pool may choose to drop insurance coverage with no individual mandate, thereby leading to significant premium hikes for non-group consumers who remain. Keeping healthy people insured is the best way to protect the health of risk pools.
- **Economic losses:** The health care sector is a core component of Rhode Island's economy, contributing over \$6 billion to our gross state product and employing thousands of Rhode Islanders. ACA repeal would increase the burden of uncompensated care and undermine the vitality of our local health economy.
- **Economic uncertainty:** Uncertainty regarding federal law may impel insurers to withdraw from the market, thus reducing choice and competition. Fiscal uncertainty around where the burden of uncompensated care will land may lead provider organizations to halt investments that are geared to creating a more efficient, patient centered health care system.

We are on the cusp of achieving unprecedented improvements in the quality and affordability of our state's health care system. I recommend that any policy changes to the ACA keep the existing financing structure intact, maintain the coverage gains of recent years, and preserve vital consumer protections to ensure financial stability and access to fair coverage for Rhode Island's families. I would be pleased to discuss any of these issues with you and your colleagues in the Senate.

Regards,

Kathleen C. Hittner, MD.
Health Insurance Commissioner