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February 2, 2024

Representative Lori Houghton, Chairwoman of the
House Committee on Health Care
115 State Street
Room 42
Montpelier, VT 05633

RE: AHIP Comments on H.721, An act relating to expanding access to Medicaid and Dr. Dynasaur

To Chairwoman Houghton and Members of the House Committee on Health Care,

America's Health Insurance Plans (AHIP) and our members appreciate the opportunity to comment on H.721, which would not only expand Medicaid coverage for children and young adults, but also directs the Agency of Human Service to develop a proposal for a public option for small businesses in Section 11.

AHIP believes that all Vermonters should have both high-quality and affordable health insurance coverage choices. We do not believe – and facts do not support – that a public health insurance option would produce such coverage. Instead, it would ultimately deliver higher taxes and fewer choices. It would harm the people who rely on the insurance coverage they have today, and providers that serve them, to access high-quality care.

Favorability for our current health care system has improved since the passage of the Affordable Care Act (ACA), which built on an existing health care system to lower costs and expand access to high-quality care.[1] A recent poll shows that an increasing majority of voters prefer building on what's working in health care, earning more support than any government-run health care proposal.[2] Even more voters report they are unwilling to pay more for health care to create a new government health insurance system. Further, data shows that consumers were most concerned that government-run health care proposals would limit access to quality care.[3]

AHIP recognizes that there are opportunities to improve parts of our health care system. Instead of developing a public option proposal, we urge you to advance policies that build on what works by strengthening the Affordable Care Act (ACA) to lower health care costs, increase coverage choices, and encourage competition and innovation to make coverage more affordable for everyone. Therefore, we oppose Section 11.

A public option decreases access to health care and raises costs for employers.

A public option program would destabilize the existing insurance and provider markets, risking health care access for all. Health insurers develop networks and negotiate reimbursement rates with providers in the current system, which allows competition and choice for subscribers. Insurers are incentivized to create networks that meet the needs of patients to be able to get the care that they need at prices that they can

[1] KFF Health Tracking Poll: The Public's Views on the ACA. Kaiser Family Foundation. October 15, 2021.
[2] Voter Vitals December 2022 Edition – National Tracking Poll. Partnership for America's Health Care Future. December 14, 2022.
[3] Voter Vitals: A Health Care Tracking Poll – November 2022 Edition. Partnership for America's Health Care Future, Prepared by Locust Street Group. November 2022.

afford. In a public option health program, those market forces cannot adequately work because government rate setting effectively imposes limits on insurers bargaining power. Insurers that are able to build networks and negotiate reimbursement at government set rates may be reluctant to offer traditional market plans in markets that are unable to compete on price. Pulling competition out of the private market does not result in a more stable, cost-effective, high-quality care market.

Another potential area for instability is the potential harm that Medicare-based reimbursement rates will cause to smaller and rural hospitals, and the physicians serving those communities. These providers are unlikely to be able to sustain a large influx of patients at below-commercial market levels of reimbursement. The reimbursement rate of government public option plans may push providers to require higher reimbursement rates in their contracts for other products. To make up for increased volume at lower reimbursement rates, providers may increase rates for non-governmental health plans, including individual plans.

That is why federal price-cap proposals, such as a public option, have repeatedly been dismissed, because they pose too many risks to the health care delivery system.

Furthermore, for several years now, Connecticut has contemplated, and rejected, a public option proposal that would allow nonprofits and small employers to buy into the state employee plan, called The State of Connecticut Partnership Plan 2.0 (Plan). The state has ultimately rejected such a proposal for two key reasons:

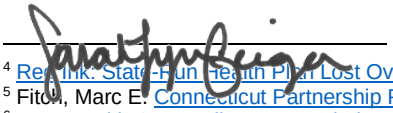
1. Reviews showed that from 2018[4]-2022[5], the Plan paid more in claims than it collected in premiums; and
2. As result of the state assuming the risk for all the people enrolled in the Plan, allowing new enrollees to buy into it meant that taxpayers ultimately would assume the risk for thousands of more people, thereby causing taxes to skyrocket to fund the Plan.

Vermont has done a tremendous amount of work to ensure patients get access to quality care in a timely manner. Implementing a public option for small businesses could harm these existing consumer protections and destabilize the small employer commercial market. Creating a new set of health plans that look identical to other plans but with capped reimbursement rates moves us in the wrong direction of rewarding volume over value.

We must focus on filling the gaps in the current health care system, including investing in workforce development, and increasing access to care in rural areas. We must also hone our efforts on underlying cost drivers and market dynamics driving premium increases including prescription drug pricing, which represents the largest segment of health care spending, making up more than 23 percent of commercial premiums;[6] predatory hospital contracting; third party payments and other tactics that game the system to drive up costs, and overly restrictive market rules inhibiting innovation and value-based insurance designs.

Thank you for your consideration of these comments. AHIP stands ready and willing to work with policymakers in Vermont and we look forward to more opportunities to provide input in this area. If you have any questions or concerns regarding our comments and would like to discuss these matters further, please contact Sarah Lynn Geiger at slgeiger@ahip.org or by phone (609) 605-0748.

Sincerely,



[4] Redlink: State-Run Health Plan Lost Over $10 Million in 2018. CBIA. April 5, 2019.
[5] Fitch, Marc E. Connecticut Partnership Plan loses money, partners in 2022. Connecticut Inside Investigator. November 3, 2022.
[6] Your Health Care Dollar: Vast Majority of Premium Pays for Prescription Drugs and Medical Care. America's Health Insurance Plans. September 6, 2022.

Sarah Lynn Geiger, MPA
Regional Director, State Affairs

AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit www.ahip.org to learn how working together, we are Guiding Greater Health.