Federal Priorities
115th Congress

The National Association of Health Underwriters is the leading professional association for health insurance agents, brokers, general agents and consultants. NAHU members work every day with individuals, families and employers of all sizes to help them purchase health insurance coverage and use that coverage in the best possible way. We are a dedicated group of more than 100,000 benefits specialists across the nation who advocate on behalf of our clients – American health insurance consumers.

The professional health insurance agent and broker community looks forward to the potential opportunities of working toward healthcare insurance stability. To make the healthcare insurance market more efficient and more responsive to American employers and individual health consumers, we believe some changes need to be made to ensure access, choice and affordability. As the 115th Congress commences, we anticipate that a reconciliation bill will be debated to repeal budget-relevant provisions of the Affordable Care Act and that further legislation will be drafted to replace pieces of the ACA. We would like to respectfully recommend following items:

<u>Individual Market</u>

- **Keep premium tax credits, cost-sharing tax credits and tax credits to territories until an alternative is available.**
  - A repeal of the ACA tax credits is likely to be included in a reconciliation bill. We suggest delaying the effective date to at least January 2019 in order to allow time for a new form of tax credits to be put in place.
- **Allow tax credits to be used outside of the Marketplace if fewer than two choices are offered in a state.**
  - Consumers currently are not able to utilize the tax credit they qualify for because of lack of options in the Exchange. This provision would allow for these consumers to purchase coverage with a tax credit only if there are fewer than two options for coverage in the exchange in their state.
- **Replace the ACA tax credit with an age-rated flat refundable and advanceable credit.**
  - Tax credits should be advanced to carriers as they are today or through tax return at taxpayer's option. Tax credit eligibility should be based on age for those not eligible for employer sponsored coverage. The amount of the credit will be based on age in one of five age categories, with a slight weighting toward younger individuals. Coverage can be any state-approved individual-market policy available inside or outside an exchange.
- **Allow any person to purchase catastrophic category coverage regardless of age or income status**.
  - Allow tax credits to apply to this type of coverage. Right now only those who are exempt from the individual mandate and those under 30 are allowed to purchase and tax credits can't apply to this category of coverage.
- **Stabilize the market.**
  - Tighten both open enrollment and special enrollment periods to reduce adverse selection and require documentation relative to special enrollment period eligibility.
  - Reduce the number of special enrollment opportunities to lifestyle changes such as marriage, divorce, birth or adoption of a child, or loss of coverage not due to policy lapse due to non-payment of premiums.
- **Adjust open enrollment rules.**
  - After an extended new enrollment period, open enrollment can be at any time for those who experience one of the lifestyle changes outlined above as long as they have not gone more than 60 days without

coverage. Those who have exceeded 60 days would be subject to a late enrollment penalty and delayed enrollment effective date similar to the penalties for Part B for a five-year period regardless of health status.

- **Allow states to be eligible for funding for new hybrid high-risk pools.**
  - The new pools would not issue coverage but would be available as a reinsurance mechanism to insure risk above certain levels for high-risk individuals who were enrolled after going longer than 60 days without coverage. Individuals would still be insured by the health insurance carrier of their choice and would not pay a higher premium because of their health status.

Employer-Based Market

- **Allow the small business tax credit to continue for two years.**
  - Since budget reconciliation is likely to include repeal of the small business tax credit, we suggest a delay of the effective date to at least January 2019 to allow for any businesses currently qualifying from the small business tax credit to receive the benefit through the two-year maximum allotted time period.
- **Increase flexibility for HSAs.**
  - For example, allow contributions equal to the out-of-pocket maximum and a limited number of office visits to be covered before the deductible each year. Other important changes could also be included but should be considered after other market-stabilization mechanisms are in place.
- **Preserve the employer exclusion.**
  - The employer-based system is highly efficient at providing American workers and their families with affordable coverage options through group purchasing and its associated economies of scale by spreading risk and avoiding adverse selection. The success of this system is possible because of the preferential tax treatment of employer-sponsored insurance coverage, where employer-paid contributions for an employee's health insurance are excluded from that employee's compensation for income and payroll tax purposes. Proposals that would cap the maximum value of the exclusion or eliminate it altogether would be detrimental to the stability of the employer-based market and would negatively affect middle-class Americans who currently benefit from this provision.

Tax and Other Repeals

- **Repeal the Health Insurance Tax (H.R. 246).**
  - Permanently eliminate the national premium tax (HIT) that will add more than $500 annually in costs to a typical family policy, with the total cost in 2016 of $11.3 billion.
- **Repeal the Excise/Cadillac Tax (S. 58 and H.R. 173)**
  - Permanently repeal the "Cadillac Tax," which will impose a 40% excise tax on health plans that exceed certain cost thresholds beginning in 2020, following the two-year delay passed in December 2015.
- **Repeal the medical loss ratio requirement.**
  - There should be a full repeal of the medical loss ratio requirement that carriers must abide by. Lifting the restriction that 80% of premium dollars must be spent on medical costs and 20% on administrative costs will provide relief to health insurance carriers struggling to meet the current restrictions, which will result in lowering premium costs and encouraging carriers to remain in the health insurance market. Since health insurance plans have already been approved for 2017, we suggest an effective date of January 1, 2018.