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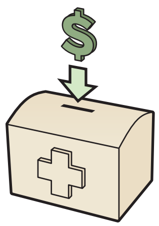
CMS Unveils New Policy Templates for ACA State Waivers

In a speech at the American Legislative Exchange Council Policy Summit, CMS Administrator Seema Verma announced that the agency is issuing guidance that outlines new ways states can seek Affordable Care Act waivers to reform their insurance markets. The proposals largely draw on conservative ideas for reallocating federal funds that several states first proposed during the first two years of the Trump administration.

The guidance affirms that these concepts can be approved without violating ACA provisions, which require waivers to uphold minimum standards for comprehensiveness, affordabilty, coverage and budget neutrality. However, a letter from two top House Democrats alleges that the proposals would violate existing law, and states seeking to implement these models are likely to face challenges in court.

Section 1332 state waiver concepts released by CMS



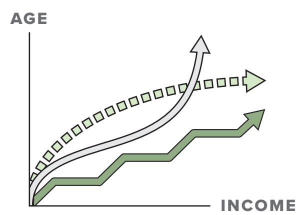
ACCOUNT-BASED SUBSIDIES

States could redirect federal funds that currently subsidize ACA premiums on the exchange, and instead put the funds in special health savings accounts.

Consumers could use the account funds flexibly, either to pay premiums or pay for out-of-pocket expenses.

Depending on which plans the account holder is eligible for, the funds could be used to purchase ACA exchange plans, employer-sponsored coverage or any other health expenses incurred.

Funding from other sources, including employer contributions, could be deposited in the account.

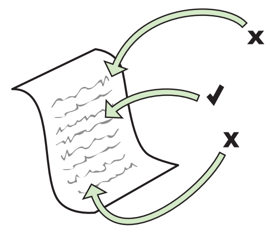


NEW SUBSIDY DESIGNS

In lieu of the existing ACA premium subsidies, states could use federal funds to establish their own subsidy systems with different eligibility rules.

For example, a state could address the “subsidy cliff” by offering subsidies to individuals with higher incomes who are not eligible for subsidies under the status quo. Or states could offer subsidies that increase with an enrollee’s age.

In 2017, Iowa asked CMS for a waiver with similar reforms, but later withdrew its request after delays. Trump reportedly urged the agency to reject Iowa’s waiver request.



ADJUSTED PLAN OPTIONS

Under this concept, states could allow consumers to apply federal premium subsidies to plans that do not meet the ACA’s minimum requirements.

For example, a state could expand the availability of low premium, high deductible catastrophic plans that are currently restricted to enrollees under age 30.

In its guidance, CMS suggests this concept could be used in conjunction with the account-based subsidy option.

Idaho asked CMS for a similar waiver in early 2018, but the request was rejected.

RISK STABILIZATION STRATEGIES

To lower premiums on the exchanges, states can create reinsurance programs or high risk pools that directly pay for the expenses of the most costly enrollees. Unlike other concepts, this proposal has had bipartisan support.

Beginning with Alaska’s request in early 2017, CMS has already approved waivers for reinsurance programs in seven states.

A report by the Georgetown University Health Policy Institute found that reinsurance programs in Alaska, Minnesota and Oregon reduced premiums by 10 to 20 percent.

Source: CMS

By Tucker Doherty, POLITICO Pro DataPoint