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**Comments Submitted on  
Governor Brian P. Kemp's Proposals for  
Section 1115 Medicaid Waiver for Georgia Pathway and  
Section 1332 ACA Waiver on Innovative Health Insurance Solutions for Georgia Access  
Pursuant to The Patients First Act**

**Overview of Comments**

As a contributing scholar to the Georgia Center for Opportunity or "GCO," I am pleased to submit comments on the Governor's proposals for Sections 1332 and Section 1115 waivers to improve health coverage in Georgia. This topic is multifaceted and complex and intersects many problematic areas of public policy, health care, economics, and demographics. Moreover, federal laws and regulations further confine states with their options in Medicaid and in the regulation of health insurance, making the current task at hand more difficult. In the case of health insurance, regulation was exclusively reserved for the states just ten years ago.

Given this background, the Governor's team, in my opinion, has navigated the political and regulatory landscape to provide Georgia with two viable, interlocking proposals with great potential to improve health coverage and begin a process to fix a dysfunctional system. In general, the proposals promise to lower health insurance costs, increase coverage, and integrate with broader welfare strategies that will benefit the citizens of Georgia. They propose a safety net for adults in poverty currently not covered by Medicaid but in a manner to help those adults escape poverty. They also are crafted in a way that heightens the chances of securing approval by the federal government.

I am pleased to see that the emphasis of the proposals is to fix the individual markets, and they do not fall into the trap of expanding traditional Medicaid in line with the original intent of the Patient Protection and Affordable Care Act, the "ACA," commonly called ObamaCare. The data in the environmental scans provided as background material by the Administration are consistent with research sponsored by the Georgia Center for Opportunity and show the importance of the proposed approach. Before I comment on the proposals themselves, I believe it will be helpful to review some facts that give context as to why the Governor's proposals are responsive to the crisis facing Georgia.

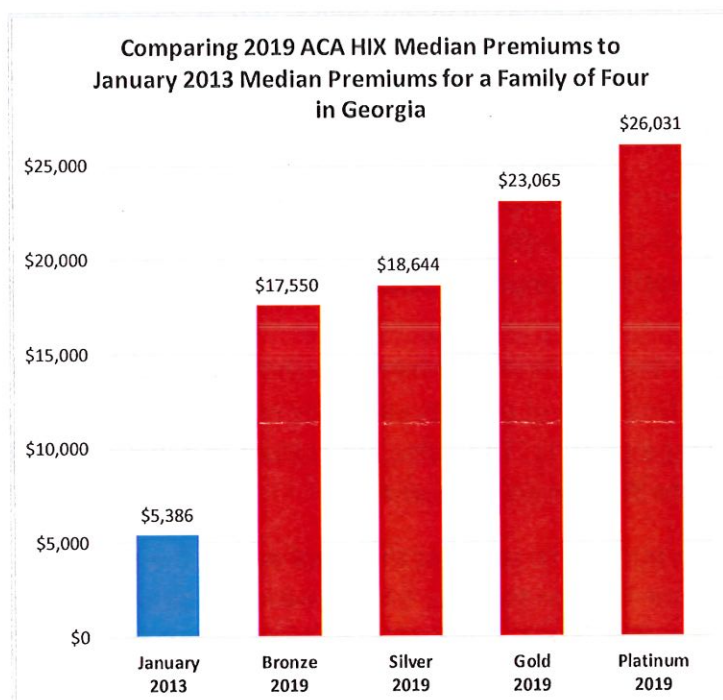
## Background to Give Context to the Crisis

Georgia's experience is consistent with the rest of the nation's. The system of the federal government defining what constitutes an insurance policy and forcing individuals and families to purchase them through ACA health insurance exchanges has unequivocally failed to control costs, attract insurance companies to offer plans, and penetrate the market.

The immediate implementation of the ACA exchanges came with a price sticker shockwave in the waning months of 2013 when ACA compliant plans and prices were finally revealed to the public. According to the Manhattan Institute for Policy Research, the five cheapest post-ACA insurance plan prices were significantly higher than the five cheapest pre-ACA insurance plans. The Institute's calculations showed that the price increases varied over a range of 64.5% for a 40-year-old female to a 178.8% increase for a 27-year-old male.<sup>1</sup> The American Action Forum (AAF)—a non-partisan organization dedicated to educate the American public on economic and fiscal issues and led by a former Congressional Budget Office director—released calculations showing even higher disparities between post-ACA and pre-ACA prices.<sup>2</sup> After the price sticker shockwave of 2013, GCO's analysis shows that premiums in Georgia from 2014 to 2019 increased 17 times faster than the general rate of inflation. On average over that time period, Georgians have suffered price increases of 70.7% for bronze plans, 77.3% for silver plans, 70.4% for gold plans, and 121.4% for platinum plans in those few counties where platinum plans are available.

Putting these rate increases in perspective, we estimated that the median annual price for a pre-ACA insurance plan for a family of four in Georgia was \$5,386 in January 2013. For 2019, the median prices for a family of four rose to \$17,550 for a bronze plan, \$18,644 for a silver plan, \$23,065 for a gold plan, and \$26,081 for a platinum plan.

One way to measure affordability is to compare price to income. There is little doubt that health plans offered



<sup>1</sup> Manhattan Institute, The ObamaCare Impact Map, <https://www.manhattan-institute.org/knowyourrates>, accessed April 15, 2019.

<sup>2</sup> Sam Cappellanti, "Premium Increases for 'Young Invincibles' Under the ACA and the Impending Premium Spiral," AAF Research, American Action Forum, October 2 and 3, 2013: [http://americanactionforum.aaf.rededge.com/uploads/files/research/Premium Increases for Young Invincibles.pdf](http://americanactionforum.aaf.rededge.com/uploads/files/research/Premium%20Increases%20for%20Young%20Invincibles.pdf) and [http://americanactionforum.aaf.rededge.com/uploads/files/research/Premium Increases for Young Invincibles Under the ACA.pdf](http://americanactionforum.aaf.rededge.com/uploads/files/research/Premium%20Increases%20for%20Young%20Invincibles%20Under%20the%20ACA.pdf).



on the ACA exchanges in Georgia are simply unaffordable. The median family income for a family of four in 2018 was \$65,731. Our calculations show that the burden of affording health coverage in the individual markets more than *tripled* since the ACA was enacted, from 8.7% of family income in 2013 to 26.7% for a bronze plan in 2019 or 35.1% for a gold plan. Although the premium tax credit in the U.S. Tax Code mitigates these costs for qualifying families, the out-of-pocket costs are still expensive and the implementation of providing advanced tax credits does not always go smoothly. The weak market penetration rate of the exchanges, which is only 27% in Georgia, is a good indication that the system is not functioning properly.

A well-known problem with the exchanges is the lack of competition among participating insurance companies. Analyzing 2019 data, we found that Georgians in 45 counties with a total population of 1.7 million were stuck with monopolies—having no choice for their insurance company on the ACA individual market. Georgians in 75 counties with a total population of 2.3 million had the choice of only two providers. Georgians in the remaining 38 counties with a total population of 6.4 million had a choice of only three insurance companies.

Plan Type	Number of Insurance Companies Offering HIX Plans in Georgia in 2019							
	Not Available		Monopoly		Duopoly		Triopoly	
	Counties	Population	Counties	Population	Counties	Population	Counties	Population
Catastrophic	26	1,023,260	112	3,854,670	21	5,551,449	0	0
Bronze	0	0	45	1,736,906	75	2,276,790	39	6,415,683
Silver	0	0	45	1,736,906	75	2,276,790	39	6,415,683
Gold	0	0	45	1,736,906	75	2,276,790	39	6,415,683
Platinum	129	9,089,833	30	1,339,546	0	0	0	0

### Governor’s Proposals Are the Right Approach

It is good that the Governor’s proposals do not include Medicaid expansion as part of the solution. The majority of Georgia’s uninsured are outside of the reach of a traditional Medicaid expansion with incomes above the allowable thresholds. Furthermore, our analysis of Census data shows more than 60% of the uninsured between the ages of 18 and 65 are employed.

We believe the strategy adopted by the Governor’s proposals is the right approach. It relies on strategies to fix the individual markets, including using subsidies to make it more affordable, while providing adults in poverty with a safety net and a pathway to climb out of poverty and into the individual markets or employer-provided health coverage.

It is important to note that there is a contradiction in the federal legislation in regard to Medicaid expansion. The full ACA Medicaid expansion goes to 133% of federal poverty level (FPL) plus a 5% income disregard, but the individual market cost-sharing subsidies for insurers start at incomes at 100% of FPL, meaning that there is an unnecessary overlap between 100% and 133% of FPL, ignoring the income disregards. Therefore, it is reasonable that the Governor’s proposal uses 100% of FPL as the dividing line between its two approaches of Georgia Pathway and Georgia Access. The latter proposed program targets the crisis with the individual markets, and the



former proposes a modified Medicaid program as a safety net to put poor Georgians on a pathway to increase their incomes above the threshold necessary to participate in Georgia Access.

### Georgia Pathway Enhances Safety Net and Encourages Escaping Poverty

The population who will benefit from the proposed Georgia Pathway program are non-elderly (ages 19 through 64) adults without any disability and with incomes at or below 100% of FPL. Children do not need to be included in the proposal because they are already covered under Medicaid or PeachCare for Kids. Neither do adults with disabilities need to be included because they are covered by Medicaid. Nor do parents or pregnant women with incomes at or below 35% of FPL need to be included because they too are covered by Medicaid. The target population in the Governor's Pathway proposal appropriately targets these remaining non-elderly, non-disabled adults at or below the poverty level.

The threshold of 100% of the FPL means that a single person working full-time at minimum wage who makes about \$15,080 per annum can easily exceed his or her 100% FPL of \$12,490. A married couple where both spouses earn minimum wage means an income of about \$30,160 that approximates the FPL for a family of five. Therefore, the proposed emphasis on work makes sense because it establishes the goal of moving the target population out of Georgia Pathway to Georgia Access.

The Pathway goal appears to be, and we agree with this goal, to move as many individuals out of poverty as possible leaving only those individuals who are involved in vocational training, higher education, community service, or a job readiness program and who lack any other health coverage. These job training and community service activities are all acceptable activities in the proposal for these individuals to qualify for the safety net assistance.

If implemented well, the costs for the proposed Pathway may be even less than anticipated because most of the target population will be securing full-time employment that will come with either employer-based insurance or access to healthcare through Georgia Access. This strategy addresses two important policy goals of reducing poverty and helping increase the number of Georgians with health insurance coverage. It also dovetails well with our GCO's policy proposals on how to improve the welfare system.

The Governor's proposal also requires Pathway participants to share in the cost of the health care coverage with low co-insurance premiums based on a sliding scale and low copayments. Cost sharing is an important modification to traditional Medicaid because it changes the program from an entitlement to a program requiring recipient responsibility, which will aid in the transition to private insurance when individuals climb out of poverty.

A traditional expansion of Medicaid would make this transition more difficult. First, the expansion would capture all single adults earning minimum wage on a full-time basis. Second, the entitlement nature of traditional Medicaid does not help to prepare individuals for accepting the



responsibility necessary for overcoming dependency on government welfare programs. Third, the transition off and on Medicaid can be clumsy, and it is best to deal with the transition at lower income levels where the incentives are stronger and opportunities greater to seize higher paying jobs.

### Georgia Access Promises Lower Premiums and Higher Participation

The first phase of the proposed Georgia Access program uses the technique of directing government resources in the form of reinsurance to drive down the cost of insurance on individual markets. This approach is common among the eight states that already received approval of Section 1332 waivers, which increases the chance that the Governor's proposal will receive federal approval.

The general idea of reinsurance is for insurance companies to insure or share its risk of higher liability clients. In this context, the government is funneling resources to insurance companies to offset the cost of higher risk clients up to a capped amount to safeguard public funds. The implementation of the reinsurance program is important and promises to make premiums more affordable for persons and families. The estimates for the reduction in premiums and expansion in market participation—estimated to be 10% and 0.4%, respectively—may turn out to be conservative considering the experience of other states.

The second phase of the proposed Georgia Access program contains important features to begin the process of making the markets more functional, which are critical if we are serious about coming up with a policy solution. Escaping the federal definitions of and control over what constitutes an insurance policy is one of those important features. The way the federal government has defined Qualified Health Plans has been problematic from the beginning. Allowing Georgia to define plans outside of federal bureaucratic definitions and expanding the kinds of health plans available on the market promise to lead to more innovation and competition that will result in better policies at more affordable prices.

Likewise, the Governor's proposal allows Georgians to shop for health plans in normal ways as opposed to funneling them through the bureaucratic structure of the ACA exchanges. Individuals and families on the individual market should be allowed to shop as they please and, if they want, to hire brokers to search for the best deals. They should not be limited to a narrow timeframe to purchase insurance, as with the ACA exchanges, or prove to the government that they went through a life changing experience before they are allowed to purchase health coverage for their families. This feature of providing more shopping opportunities will incentivize insurers to compete for customers.

Another important feature in the Governor's proposal is the reduction of the ACA imposed rating areas from 16 to 3. This feature is a smart strategy. This consolidation will immediately increase the size of the risk pool and allow for more competition. As designed, it also allows government resources to target the regions in Georgia that have suffered the most during this crisis.

Taken together, the various aspects of the Georgia Access proposal should reverse the trend of increasing prices, giving Georgians more affordable and innovative choices available on the market.

### Laying the Groundwork for Future Advancements

Finally, I do not see the Governor's proposals as the final end product to solve the health coverage crisis. However, the proposals move Georgia in the right direction and lay the groundwork that will make it easier in the future to transition to an even better system. In this regard, the GCO has released publications explaining what this ideal system might look like. The next step could be initiating a system of risk equalization that promises universal coverage similar to the robust competitive and innovative market-based Swiss system. In other words, risk equalization takes the idea of reinsurance to the next level in an actuarially sound way where pre-existing conditions become irrelevant and universal coverage is achieved through reliance of market forces that encourage innovation and quality of care.

In summary, I whole-heartedly support the Governor's proposals for Section 1115 and Section 1332 waivers with the caveats that proper implementation will be key to their success and that these proposals will lay the groundwork for an easy assimilation to a more ideal solution that will achieve universal coverage and preserve quality of care through a robust and innovative market-based system.

Respectfully submitted,

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