

Remarks on Market Stabilization and Lessons for Healthcare Reform

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September 27, 2018
Nashville, Tennessee

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As Prepared for Delivery

Good morning, everyone. I'd like to thank Lipscomb University for hosting us, and the Nashville Health Council for inviting me here today.

Across my two decades in HHS leadership, I have encountered the Nashville Health Council's members in all the far-flung parts of the world. It is a delight finally to encounter you here, on your home turf.

There's a reason that Nashville healthcare leaders have kept popping up throughout my career. It's because Nashville has become a thriving hub for healthcare innovation. The city is home not just to hospital companies and insurers but also firms at the cutting edge of American healthcare: wellness companies, makers of health IT apps, and more.

So much of what is great about American healthcare is in evidence here in Nashville: the zeal for innovation, the respect for patient choice, and the harnessing of market forces to improve care.

It's not just the private sector that's innovating here in Tennessee.

I'm grateful that Governor [Bill] Haslam has joined us here today, because he has been a leader in using Tennessee's Medicaid program, TennCare, to leverage the best ideas from the private sector and to improve healthcare for Tennesseans. Your insurance commissioner, Julie McPeak, has also worked to sustain a thriving market for private insurance here in Tennessee.

Unfortunately, this approach has not always been pursued at the national level.

The previous administration's major healthcare achievement, the Affordable Care Act, was an attempt to use more government regulation and intervention to improve American healthcare.

As we all know, the results were disastrous, with skyrocketing costs and disappearing choices.

But today, I am here to share with you some good news.

Following President Trump's election, he took decisive action to stabilize insurance markets and expand choices for American consumers.

This fall, we have seen these efforts begin to bear fruit, in the form of stable premiums and growing choices.

The failure of the ACA and the success of these stabilization efforts should be a lesson for all future efforts at reforming American healthcare. I want to lay out those stabilization efforts, and then discuss the lessons they hold for our healthcare system—and the misguided ideas some are now considering to create a single, government-run healthcare system under the guise of “Medicare for All.”

First, let's return to the initial implementation of the ACA and consider all the broken promises it involved.

Americans were promised that if you liked your plan, you could keep your plan. If you liked your doctor, you could keep your doctor.

Very quickly, as the law was implemented, we found out that the new system wasn't up to fulfilling these promises.

Millions of Americans didn't get to keep their plans.

By one estimate, during the first year of ACA implementation, more than 4.7 million Americans had their insurance plans canceled. That's 4.7 million Americans, with a letter in their hands from their insurance company, attesting to the broken promises of government control.

And that was just the individual market. The ACA put new regulations on employer-provided insurance as well. Just this week, I heard how a national restaurant chain found that these new regulations outlawed the kind of insurance they had offered their employees, forcing them to drop their coverage and leave their employees to buy unaffordable exchange plans.

So no, you didn't get to keep your plan—and many Americans found they couldn't keep their doctors or their hospitals, either. Many of the new insurance plans under the ACA covered a narrower range of doctors and hospitals.

People should always have the option to save money by buying a plan that contracts with a certain set of providers. That choice can make sense for many. But under the ACA, Washington made these decisions for us, forcing Americans into plans with a narrower set of options because they were now unable to afford anything else.

Year after year, up through the year President Trump took office, ACA insurance premiums rose dramatically. From the first year the ACA's main regulations took effect, 2013, through the final

year the previous administration oversaw the program, premiums on the federal exchange more than doubled.

Here in Tennessee, they rose 176 percent.

This took place after President Obama had promised his plan would save Americans money, an average of \$2,500 per family.

But in just the final year he was in office, benchmark premiums for a family on the federal exchange increased an average of \$2,600. We ended up with pretty much the exact opposite of what they promised.

Much of this had to do with the law's structure, which imposed unprecedented government control on insurance markets. You could no longer buy insurance that met your needs. All individual insurance was subjected to a one-size-fits-all national model.

But some of the failures of the Affordable Care Act were also driven by uncertainty.

Americans who work for themselves or don't have access to an employer plan have to rely on the individual market for insurance. This was never a perfect market, but it was thrown into complete chaos by the way that the ACA was rolled out and enforced.

Right after President Trump's inauguration, he took swift action. On his very first day in office, he signed an executive order to run the ACA as efficiently as possible, give states more flexibility, and minimize the costs the law imposed on Americans.

Within a month of the President's inauguration, HHS proposed a national "market stabilization" rule. That was actually its title.

Literally, one of the first significant actions by the President elected to repeal and replace Obamacare was stepping in to help the American people by stabilizing the market as best he could, within the law's broken confines.

Following the recommendations of private-sector experts, we cut down on ways people could game the system and drive up premiums for everyone else. We broadened the array of plans allowed and we gave states flexibility to repair their insurance markets.

We took bold action to fix a lawless situation in which the previous administration made payments to insurers that Congress never funded. President Trump supported a bipartisan deal to fix this situation and stabilize the market further, which was sponsored by Tennessee's Sen. Lamar Alexander and would have cut premiums for Tennesseans by up to 40 percent.

When a court struck down an Obama administration regulation regarding another type of payment to insurers, it was President Trump who issued an emergency regulation to fill the void.

Finally, President Trump has approved a number of state reinsurance plans, an efficient solution that helps states pay for the sickest patients, allowing insurers to keep premiums lower.

It turns out, when you have a president who's willing to take decisive action, who understands business, who's willing to work with the private sector, you can find a way to help American patients, even within a failed system like the ACA.

We now have clear evidence that this is the case. You've likely already heard that the premium projections for the federal exchange next year are much more stable.

But we have new breaking numbers that are even better. We are announcing today that, for the very first time under the Affordable Care Act, the premium for a benchmark federal exchange plan is projected to actually drop.

Insurers have proposed to cut premiums for these benchmark plans by 2 percent nationally. Meanwhile, the number of federal exchange insurers will grow for the first time since 2015.

Let me repeat that: Under President Trump, premiums are dropping and choices are returning. Here in Tennessee, the proposed benchmark rate will drop by 26 percent—more than a quarter.

The President who was supposedly trying to sabotage the Affordable Care Act has proven better at managing it than the President who wrote the law.

The good news doesn't stop there. We are still approving measures to further bring down premiums.

In Maryland, for instance, rates had been projected to rise significantly. But in large part thanks to our approval of the state's reinsurance program, last week, Maryland's insurance commissioner announced that rates will now drop by 13 percent.

Despite these positive signs, we still face major challenges. Fundamentally, the individual market for insurance is still broken. The President has managed to stabilize rates, but the underlying premiums are still unaffordable for Americans who don't qualify for the law's generous subsidies.

The ACA is not "fixed" or even "fixable" without Congress's repealing and replacing it.

But President Trump has also been able to deliver new options for those Americans who have been priced out of the market.

In order to push Americans into the ACA exchanges, the previous administration sharply restricted access to an important alternative called short-term limited-duration insurance.

This year, President Trump significantly expanded access to these short-term plans, allowing them to last up to one year and allowing consumers to keep this coverage for up to 36 months.

These plans are dramatically more affordable than the plans regulated by the ACA, often 50 to 80 percent cheaper.

In one of the states suffering most under the ACA, Arizona, a 40-year-old single mom with two kids in Phoenix can purchase a short-term plan for under \$100 a month.

Meanwhile, the cheapest Obamacare plan available to her, if she makes too much to receive subsidies, would cost \$890 a month—about 10 times as much.

These plans aren't for everyone, and they don't always offer the same benefits as ACA plans.

But I want to be clear: Under President Trump, we're not going to tolerate a system that forces anyone to pay 10 times more for insurance than they need to.

We've also expanded access to association health plans. These can give Americans working for small businesses and those who are self-employed access to the kind of benefits that Americans working for larger companies currently enjoy.

For years now, the rate of small businesses offering any insurance coverage at all has been dropping—but President Trump is taking steps to reverse that.

Finally, the administration expanded Americans' healthcare freedom, by repealing the tax associated with the individual mandate, another failed piece of this broken law.

This tax fell heavily on Americans who could least afford it: In 2016, more than three-quarters of households paying the tax made less than \$50,000 a year.

The defenders of the Affordable Care Act said that undoing the tax would “gut” the exchanges and “destroy” the law, claiming it was a “life or death issue” for American families. In the same vein, they said expanding affordable short-term options would make rates “skyrocket.”

These architects of the ACA could not have been more wrong. At the same time we're removing the tax and expanding choices, the market is stabilizing and improving.

All the experts, the defenders of the ACA, told us that more choices and more freedom would hurt your access to care. They used that as a reason to wield more control over your healthcare.

But we know better. We know we can offer Americans real choices while fulfilling President Trump's promise to protect the most vulnerable Americans, like those with pre-existing conditions.

Now, they say that those who don't listen to history are doomed to repeat it. The ACA isn't even recent history yet.

But still, rather than reckon with the law's failures, the same suspects are proposing to repeat them—by imposing these failed ideas on all of American healthcare.

I'm referring to the various proposals to create so-called "Medicare for All."

It sounds like a nice idea. Medicare is a proud achievement of American healthcare. It provides financial security and quality care for nearly 60 million Americans.

Why not just offer it to everybody?

Well, when we were young, our parents taught us a good lesson: If something sounds too good to be true, it probably is. That's no less true in healthcare than it is anywhere else.

We learned that from the Affordable Care Act—and we should remember these lessons before contemplating an even bigger expansion of government control over healthcare.

When you drill down into the details, it's clear that Medicare for All is a misnomer. What's really being proposed is a single government system for every American that won't resemble Medicare at all.

Under the ACA, you were promised that if you liked your plan, you could keep your plan, and if you liked your doctor, you could keep your doctor.

But under Medicare for All, no one's even promising that you can keep your plan, or keep your doctor. The main thrust of Medicare for All is giving you a new government plan and taking away your other choices.

The problems don't stop there: As I'll explain, broadening the Medicare system would undermine the security and access seniors currently enjoy, come at a staggering cost to taxpayers, and ignore what seniors are showing they want from Medicare today.

Remember when I mentioned that 4.7 million Americans saw their plans canceled because of the ACA?

How about that kind of disruption for 40 times as many people—more than half of our country?

About 170 million Americans receive their insurance from their employers. Under some versions of Medicare for All, these plans would be outright banned, replaced with just one government option, overnight.

Under others, employer insurance could survive, but we'd see what happens in other countries: Private insurance and the access it provides to top quality doctors will be restricted to the elite few.

In many of these plans, there's no promise you'll get to keep your doctor under the new single government system because there's a reasonable chance he or she won't take your new insurance.

Today's Medicare payment rates vary, but they are universally significantly lower than what private insurance pays. Hospitals, for instance, are paid an average of 40 percent less by Medicare than private insurance.

The core financing of any Medicare for All plan is putting everyone on a plan that pays providers these lower Medicare rates.

Do you think the best doctors will stay in that new system—rather than moving to just accepting cash? Will the brightest Americans go into medical school, knowing they might make 40 percent less than they used to?

But this isn't just about pushing people from employer insurance to a government plan. A large private insurance market that rewards the best doctors is vital to sustaining the access seniors have under Medicare today.

It's simple math: Higher payments from commercial insurers help doctors take on seniors whose Medicare plans pay less.

It's far from an ideal set-up, but a single government system would completely unravel it, without a theory for how seniors' access would be protected.

The promise of Medicare for All is that every American could get high-quality care like seniors receive today.

But the reality of a single government system would be that no American gets that kind of quality—not the working Americans who lose their employer insurance and not the seniors whose program would now be altered beyond recognition.

Even with these fundamental flaws, the cost of a single government system would still be staggering.

By one recent estimate, a Medicare for All system would cost taxpayers \$32 trillion over a 10-year period of full implementation.

If the new system were fully implemented in 2022, the federal government would be spending \$2.5 trillion more that year on healthcare than currently projected.

Today, 28 percent of federal spending is on healthcare. Under Medicare for All, in 2022, 58 percent of the federal budget would be devoted to healthcare—dwarfing what any other major industrialized country spends.

Try fitting the Pentagon, Social Security and every other federal program into that remaining 42 percent—just see how that goes.

This represents almost a 50 percent expansion of the size of the federal government. Few concrete proposals have been put forth to pay for all this, but just consider that: a 50 percent increase in the national tax burden.

Let's remember that this is a new entitlement for working adults of all income levels—at a time when it's widely acknowledged that we are struggling to afford the promises we have made to our most vulnerable citizens.

The Medicare hospital insurance trust fund is projected to run out of funds in eight years, necessitating new revenues or efficiencies to sustain it.

It is reckless to propose more than tripling the size of Medicare, with no clear way to pay for it, when we haven't even agreed on responsible ways to maintain the current program our seniors rely on.

The final flaw of a single government health system I want to mention is that it ignores what seniors have shown they want.

Medicare for All advocates demonize private insurance and want one government plan for everyone. But the seniors actually on Medicare are increasingly choosing the private insurance available within the program.

Medicare beneficiaries today have the choice between two types of coverage: traditional Medicare and Medicare Advantage, where they purchase a plan, with government support, from a private insurer.

We've seen Medicare Advantage grow steadily more popular in recent years. When I came to HHS in the early 2000s, it made up just 15 percent of Medicare enrollees.

But today, about one-third of Medicare enrollees are on private plans. More and more Medicare beneficiaries each year enroll in them, typically choosing from more than 20 options.

One of the best things about American healthcare is that we believe if you don't like your plan, you don't have to keep it. And if you don't like your doctor, you don't have to keep him or her, either!

It's the polar opposite of Medicare for All, where if you don't like your plan, there's no way to leave—it's really the only option out there.

Seniors are showing with their own choices that they want to move forward, toward a system with lower costs and more choice.

Advocates of Medicare for All are looking backward—not just by repeating the flaws of the Affordable Care Act, but also by trying to impose a payment system designed in the 1960s on all of American healthcare.

Expanding Medicare as it is would take all the ways in which government pays to micromanage sickness and procedures, rather than offering choices and incentivizing health, and make them even more the foundation of our system than they already are.

There is a better way: sending power back to the American people—to states, to local communities, to your doctor, and to you, as American patients. Empowering the decision-makers closest to patients is both the way of the future and a return to what we love about American healthcare.

I want to conclude by emphasizing why I know this President takes this issue so seriously.

He has personally heard how high healthcare costs—whether it's drug prices, insurance premiums, or the cost of services—have burdened so many of the forgotten men and women of America.

He cares about this issue; he cares about the burdens it puts on the American people.

That is why he is intent on delivering the quality coverage and lower costs Americans deserve—not through government gimmicks or central control, but through sparking a new era of American innovation and choice.

Thank you very much for joining me today.

Content created by Assistant Secretary for Public Affairs (ASPA)
Content last reviewed on September 27, 2018