eHealth

# Plans to Repeal & Replace Obamacare: eHealth Answers Questions About Proposals by President-Elect Trump's Nominee for Secretary of Health and Human Services, Representative Tom Price, MD

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MOUNTAIN VIEW, Calif.--(BUSINESS WIRE)--Nov. 29, 2016-- Today eHealth, Inc. (NASDAQ:EHTH) (www.ehealth.com), the nation's first and largest private online health insurance exchange, released answers to questions about proposals to overhaul the Affordable Care Act (ACA, also known as Obamacare) supported by President-Elect Trump's nominee for Secretary of Health and Human Services, Representative Tom Price, MD.

In 2013, in partnership with Senator John McCain, Dr. Price introduced a first draft of legislation in the House of Representatives called The Empowering Patients First Act - Senator McCain introduced it in the Senate. While the final Republican plan to replace the Affordable Care Act may or may not be similar to Dr. Price's Empowering Patients First Act, the draft legislation provides valuable insight into how Republicans might change the Affordable Care Act in a Trump administration.

"Doctor Price's draft legislation, The Empowering Patients First Act, addresses many of the top concerns raised by our customers whose health coverage is directly affected by the Affordable Care Act," said eHealth CEO Scott Flanders. "Our customers are concerned first and foremost about the cost of coverage, and Dr. Price's plan targets costs in very specific ways – addressing medical malpractice, physician shortages, and making tax credits available to reduce monthly costs."

Mr. Flanders continued, "Another top concern for our customers is access to health coverage for those with pre-existing medical conditions. We're encouraged to see that Republican proposals to replace the Affordable Care Act would guarantee access to health insurance for consumers who have maintained continuous coverage, regardless of their personal medical history."

**Consumer Questions and Answers on The Empowering Patients First Act**

After reviewing the "section-by-section" overview provided by Representative Price on his website, eHealth has put together a summary of what the company likes about the proposal, and areas where it would like to see more detail. eHealth has also compiled questions and answers for consumers interested in how the Empowering Patients First Act, as currently drafted, may affect their health coverage and their finances.

**Question: What's new or interesting?**
Answer: There are two ideas in this plan that jump out as new and creative ways to lower health care costs.

1. There is a section of the plan titled, "Lawsuit Abuse Reforms" that aims to reduce the burden of medical malpractice claims by creating "best practice" guidelines for treatment of medical conditions to provide more legal protection for doctors who follow best practices, even if they unfortunately result in a poor health outcome for a particular patient.
2. There is a section of the draft legislation (not included in the summary provided by Dr. Price's office) titled "Incentives to Reduce Physician Shortages" that aims to increase the number of medical doctors practicing in the United States through a series of incentives including increased student loans for prospective doctors and debt forgiveness programs for practicing primary care physicians.

Here are three other things we like about Dr. Price's plan:

1. **Tax credits –** The Empowering Patients First Act makes tax credits available to all citizens and lawful residents, regardless of their income. We like this because it levels the playing field for almost everyone who buys their own health insurance. Today, people who get health insurance from an employer pay for it with pre-tax dollars. People who buy their own health insurance only get a similar benefit if their income falls below 400% of the Federal Poverty Level (FPL). We think this is unfair to people who earn above 400% of FPL or whose employment is sporadic, which makes it hard for them to confidently forecast their income. Under the current system, persons who underestimate their income when applying for tax credits are at risk of owing the IRS money at the end of the year.
2. **Benefit flexibility –** Dr. Price's draft legislation defines qualified health coverage as major medical insurance but allows the state where the plan was purchased to define the benefits that should be included under major medical coverage. It also excludes from the definition of major medical coverage any "wrap-around plans," vision-only plans or disease-specific plans.
3. **Enrollment expertise –** It makes it clear that "state transparency portals," which we assume could be based on existing exchanges, cannot assist with direct enrollment in health plans. Presumably this means enrollment must occur directly through an insurance company or with a licensed insurance agent or broker. We believe this is critical because unlicensed navigators – under existing law – cannot make plan recommendations or explain plan benefits. It's critical to have knowledgeable, licensed experts involved in the enrollment process.

Three things that we'd like to know more about regarding Dr. Price's plan:

1. **Maternity coverage isn't called out as a mandatory benefit –** Dr. Price's overview of the draft legislation does not

indicate whether maternity coverage will be guaranteed accessible in every market. Prior to the passage of the Affordable Care Act, individually-purchased health insurance plans with maternity coverage were not available in every market. It's critical that plans that cover maternity benefits be available as an option to consumers everywhere.

2. **We'd like more specifics about prescription drug coverage –** The overview does not mention whether or not plans sold to individuals would be required to cover prescription drugs. eHealth research from 2015 found that 35% of people who bought their own health insurance from eHealth had unexpected drug costs[1]. eHealth would like to see more detail about the availability of prescription drug coverage under any proposal.
3. **We'd like more specifics about open enrollment –** The overview does not mention how or when people who buy their own health insurance would be allowed to change their coverage, which eHealth believes is a critical detail. People must have the option to review their coverage each year and, if necessary, change plans. Under the ACA, the open enrollment period occurs at the same time for everyone. eHealth supports a revised open enrollment period that would be tied to an individual's birth month each year.

**Q: Would the Empowering Patients First Act repeal the Affordable Care Act?**
A: Yes, it would repeal the ACA in full, if it is passed as currently proposed.

**Q: Would I lose my current health insurance plan under the new proposed law?**
A: The proposed legislation does not automatically cancel your current plan. However, health insurance companies are likely to change or replace the current ACA-compliant plans they offer if the ACA is repealed and replaced by this or other proposed legislation.

**Q: Will the tax penalty for going uninsured go away under this plan?**
A: Yes. This plan would remove the Affordable Care Act's individual mandate – that is, the requirement for most people to purchase health insurance or face a possible tax penalty.

**Q: Will there be a specific open enrollment period when I can get a new plan?**
A: The answer is not clear to us in the overview provided by Dr. Price's office.

**Q: What happens if I lose my job, move, get married, or start a business?**
A: It's not clear to us in the overview what would constitute a "qualifying life event" that might make one eligible to change plans. However, it does make it clear that when changing jobs or moving into the individual insurance market, a person would not have their coverage options limited by pre-existing conditions. We believe that the proposed legislation would let you apply for a new plan of your liking when you have a life change and that you could not be declined or charged more based on your health history.

**Q: Will I have to pay more for health insurance if I have a pre-existing medical condition?**
A: Possibly. In this plan you would not face medical underwriting or higher monthly premiums based on your health as long as you don't have a gap in coverage before enrolling in a new plan. In other words, you won't get charged more based on a health condition as long as you don't ever go uninsured. If you do go without health insurance for a period of time, you can be declined coverage or charged more when you try to get health insurance again.

**Q: What happens to people whose application for coverage is declined?**
A: The proposed legislation would create high-risk pools for people who are declined or for whom coverage purchased on their own is more expensive than coverage available through the high-risk pool.

**Q: How long can I go without insurance before being considered uninsured under this proposal, and how much more can I be charged for insurance if I do have a gap in my insurance coverage?**
A: Those specific details were not available in the overview of the draft legislation.

**Q: Will I be able to purchase health insurance from a state where it's more affordable?**
A: Yes, if such a plan becomes available. The draft legislation would make it easier for states to enter into interstate compacts that may allow the sale of health insurance across state lines. It is still uncertain if these proposed changes would actually result in insurance companies offering more affordable plans in many states or regions.

**Q: Would health insurance benefits be the same as those under Obamacare-compliant plans?**
A: The proposed legislation would allow health insurance companies to offer plans with more varied ranges of benefits. So, for example, new plans may be allowed to exclude coverage for things like maternity care or brand-name prescription drugs. It's possible that coverage limits may also apply under new plans.

**Q: Would Obamacare subsidies (also called advanced premium tax credits) go away under this plan?**
A: Yes, but they would be replaced with new tax credits based on your age rather than your income.

**Q: How much are these new proposed tax credits?**
A: The value of these new tax credits would increase as you age:

- For people ages 18 to 35 the annual credit would be $1,200
- For people ages 36 to 50 the annual credit would be $2,100
- For people ages 51 to 64 the annual credit would be $3,000
- For people under age 18 the annual credit would be $900

**Q: How would I use the tax credits?**
A: You'd have the option to have the tax credit applied on a monthly basis when you pay your premiums or you could take it retroactively when filing federal tax returns at the end of the year.

**Q: Who would be eligible for these new tax credits?**
A: The tax credits would only be available to persons who purchase major medical health insurance coverage on their own, rather than obtaining coverage through an employer. This proposal would also allow for people currently enrolled in employer-sponsored plans or government-sponsored plans (including Medicare) to opt out of those plans and purchase coverage in the individual and family market with the assistance of these tax credits.

**Q: How do these credits compare to the government subsidies available under Obamacare?**
A: The average individual Obamacare subsidy recipient received $3,528 in annual subsidies ($294 per month) in 2015[2].

**Q: If the subsidies/tax credits are smaller, doesn't that mean prices would go up for everyone?**
A: The authors of this proposal would likely argue that the plans will not cost more for the following reasons:

1. **Young people will pay less –** This plan allows insurers to charge older people up to six times more than younger people. By comparison, the current law allows insurers to charge older people up to three times more than younger people.
2. **Lower prices for the young could drive more young people to enroll –** Theoretically, with cheaper prices, more young people would sign up for health insurance. With more young people insured, the overall risk pools could improve and drive down prices for everyone else, or at least mitigate skyrocketing premium inflation.
3. **Easier access to tax credits could increase the use of them –** Under the current model, an estimated 2.5 million people who buy their own insurance today are choosing to forgo their ACA tax credits – presumably because they're too difficult to apply for. With the subsidy value tied to one's age instead of income, the tax credit becomes more accessible.

**Q: Does the proposed legislation make any changes to Health Savings Accounts (HSAs)?**
A: Yes, it would incentivize more consumers to enroll in HSA-eligible health insurance plans by allowing a one-time-only tax deduction of $1,000 for those who adopt HSA-eligible coverage and open Health Savings Accounts. It would also increase the maximum contribution limits for HSAs, bringing them into line with IRA (Individual Retirement Account) contributions.

**Q: Would new plans be more affordable than Obamacare plans today?**
A: Possibly. The proposed legislation seems designed to encourage insurance companies to offer new plans with lower prices. These new plans would not be required to provide coverage for all the same benefits, or at the same levels, as Obamacare plans. That means that new health insurance plans would likely have lower monthly premiums in some cases. However, there are many factors (such as age, personal medical history, etc.) that can influence the cost of coverage for any individual.

**Q: How would the proposed legislation affect people who get coverage through employers?**
A: It would enable employers to offer a "defined contribution" option to employees, allowing employees to opt out of employer-sponsored coverage and purchase coverage on their own with some financial assistance from their employer.

**Q: What would it mean for small business owners and other companies?**
A: With the repeal of the ACA, employers would generally not be required to offer group health insurance to workers under federal law. However, small employers (with fewer than 50 employees) may be eligible for certain tax credits when instituting a defined contribution option or a program that would automatically enroll new employees in the company-sponsored plan (employees could still opt out). It would also allow small employers to band together into association groups across state borders to purchase group health insurance coverage from a stronger bargaining position.

**Q: What would happen to online government-sponsored health insurance exchanges like Healthcare.gov?**
A: They would likely be replaced by state-based plan transparency websites where consumers could go to learn about health plans offered from different insurers, presented in a uniform manner. The proposal makes it clear that consumers cannot enroll in coverage through one of these sites.

**Q: Where would consumers go to purchase health insurance?**
A: Health insurance shoppers would still be able to purchase health insurance through licensed online brokers, agents and private exchanges, through local licensed agents, or through insurance companies.

**Q: Would the proposed legislation have any impact on Medicare enrollees?**
A: It appears that Medicare enrollees would be given the chance to opt out of Medicare and purchase coverage in the individual and family market while receiving the same tax credits as non-Medicare consumers. The proposal would also allow individuals to enter into contracts with medical providers that do not participate in Medicare, and to submit claims to Medicare for these services.

The information provided above is provisional only and based on eHealth's current understanding of proposed legislation, which is subject to change at any time and which may or may not become law at some time in the future. This information is not intended as advice about whether you should buy, maintain, or cancel any specific insurance policy. eHealth encourages health insurance shoppers and interested consumers to follow developments that may affect the future of the health insurance market in the United States, and to work with a licensed agent when investigating their personal coverage options.

*Notes:*

*[1] Source: eHealth's October 2015 Customer Satisfaction Index Report.*
*[2] Source: The Department of Health and Human Services ASPE Research Brief dated January 21, 2016.*

**eHealth**

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