

A proposal for a 1332 waiver

Submitted to
the Colorado Health Insurance Exchange Oversight Committee

By Ryan Ross

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A waiver from what?: The employer mandate.

To accomplish what: Decouple health insurance from employment.

And adopt what in its place?: **Allow any Coloradan who purchases insurance through the exchange and who has a full-time job to get half of the cost on their monthly premium paid by their employer (and pro-rated amounts for those employed less than full-time), allow them to “opt-out” of any plan offered by their employer, and make any employee getting their employer to share the costs of their premium ineligible for subsidies.**

Why employers would like this: They get out of the business of having to purchase and administer health insurance for their employees, allowing them to use the savings to build their businesses by selling more products and services and hiring more employees. But those employers who want to continue to offer health insurance could do so, as long as the policies they offered were competitive with those in the exchange.

Why employees would like this: More insurance choices, the ability to purchase a plan more tailored to their needs and budget, the ability to benefit from the protections in the exchange (no exclusion or rate-setting for pre-existing conditions), and the ability to keep whatever insurance they purchase no matter who they work for (portability).

Why it's good for the economy: The discrimination against small businesses in which they are forced to pay higher health insurance premiums because they can't spread the risk is eliminated. Plus, employers focus more on their businesses, creating more jobs.

Why the federal government would like this: Those who have already purchased insurance in the exchange who are employed would migrate to policies in which their employer would share the cost of their premium because the cost savings would exceed the savings with the subsidy, reducing the number who receive subsidies and thereby saving millions that would be split with the states achieving the savings.

Why insurance companies would like this: Underwriting and marketing costs slashed as the number of policies is reduced as employers stopped offering plans.

Why health care providers would like this: Fewer plans means less paperwork.

What would happen to premiums? They would come down dramatically as millions of younger, healthier employees purchase in the exchange.

What about private health insurance exchange?: They would be allowed to sell ACA-complaint policies through their own web sites, reducing the reliance on the web site of the state's exchange.

What else:? Employers could offer more than 50 percent reimbursements as merit pay, or as rewards for senior employees or senior-level executives, and unions could bargain for more.

What do the experts say?: Center for Health Policy Research and Ethics director **Len Nichols** at George Mason University in Virginia: "This is the kind of creative "big idea" proposal that the waivers provision was intended to elicit. There are a few details to work out here, but that's what the waiver process is for. At a minimum, your proposal would move our insurance system in the right direction. I love the idea of employer-sponsored insurance dying on the vine, as long as we use the money saved smartly to hold us all in the same boat."

A Health Insurance Exchange That Energizes Health – and Colorado’s Economy

Making Insurance In the State’s Exchange Attractive to Every Coloradan –
Including the Employed – Would Open the Door to a Wide Range of Benefits

By Ryan Ross

In the realm of health care reform, the term “decoupling” refers to separating health insurance from employment. It’s an idea that gets almost no attention in DC, and not much outside. Pity. It’s the lynchpin of a plan that would dramatically lower insurance rates, generate more jobs, and super-charge Colorado’s economy.

Colorado’s health insurance exchange lays the groundwork. It sets-forth the minimum benefits that have to be offered, it prohibits rate hikes any more frequently than annually, rate-setting based on age, refusing to sell policies – or setting rates - based on pre-existing conditions, and cancellation of policies for any reason other than non-payment of premiums, it requires insurance companies to announce their premiums for the upcoming calendar year by a specified date every year, and gives everyone 60 days during annual enrollment periods to decide which plan to buy.

But these benefits are attractive enough for only a small segment of the population: the self-employed and those working for small businesses that don’t offer health insurance as a benefit. The advantages of the exchange are vastly greater if they’re attractive to those who already have health insurance through their job. Here’s how.

Allow any Coloradan who purchases insurance through the exchange and who has a full-time job to get half of the cost on their monthly premium paid by their employer, allow them to “opt-out” of any plan offered by their employer, and make them ineligible for federal subsidies.

That’s it. That’s all it takes to create a system that transforms a stodgy, energy-sucking, anxiety-inducing drain into a powerhouse fueling personal freedom and security, energizing businesses, and fostering a citizenry focused on health as never before. It’s precisely the kind of innovation that Obama Care permits and welcomes. It smooths the edges of the ugly parts of the federal law (mandates). It wouldn’t require new taxes. It would strengthen the exchange’s finances and ends its dependence on taxpayer bailouts. It would put Colorado at the forefront of health insurance reform nationally. And every Coloradan and all of its businesses would benefit.

Consider how the key actors would respond if employers got out of the health insurance business and instead covered half of the cost of insurance purchased by employees in the state's exchange:

Employees – They would, of course, compare what they could get through the exchange with what their employer is offering. Those working for companies that do not offer insurance would jump at the chance to get insurance at half off. Others would do a comparison-contrast between what they can get through the exchange and what their employer is offering, and decide whether to stick with their employer-sponsored plan or purchase insurance through the exchange. No mandates. No penalties. Instead of being limited to the one and only health insurance plan offered by their employer, they could purchase whatever plan offered in the exchange they want, a plan much more likely to be tailored to their needs and budget because there are more options in the exchange. And they can keep that plan as long as they want - *even if they change jobs* - or junk it for a new plan every year. Plus, they don't have to write a single check for their health insurance. Their share of the monthly premium would be a payroll deduction. Plus, if they have already purchased insurance in the exchange and they're employed they're getting federal subsidies, they would migrate the employer-subsidized plans would the savings would be greater.

Employees would love the new freedom. In return for a about two hours every year to sort through health insurance options and choose a plan (much as they currently do for auto insurance), everyone purchasing insurance in the exchanges would get health insurance for at least half the cost. Want to boost sales? Try selling something at half off. Costumers will line up, including the young and the healthy, precisely the demographic needed to drive premiums down.

Plus, everyone gets something money can't buy: the freedom to change jobs without losing health insurance. Millions would no longer be working jobs they don't want, jobs they hang onto because they're afraid to death – just this side of literally - of what would happen if they lose their health insurance. Plus, they would be getting insurance in regulated marketplaces that protect them from capricious insurance companies that sometimes deny coverage of expensive health-care treatments. Plus, veteran employees would no longer have to be concerned about being pushed aside or laid-off by employers seeking to reduce health care costs by favoring younger, healthier employees. And anyone could switch plans any year they want to. Oh, one more benefit for everyone: more jobs, as businesses are freed from the burden of acquiring and administering health insurance plans, and having to either cover annual increases in health insurance premiums or hitting up employees for higher premiums and/or a greater percentage of the premium. Yes, everyone still has to buy insurance. But under this system they get a lot more choices. And they get all of them at 50 percent off.

Employers - No employer likes the headache of having to deal with insurance companies to obtain health insurance for their employees. It creates bloated human resources budgets. It detracts from the company's mission. No one in their right mind would have designed the system

through which most rely on their jobs for health insurance. It happened almost by accident. One employer started offering health insurance as a benefit, and everyone else piled on without realizing the consequences.

The consequences are ugly, starting with an uneven and discriminatory marketplace that undermines small businesses, collectively the largest engines for job growth. Large companies and their employees benefit from lower premiums because of the large pool of employees through which risk is spread. But why *should* they benefit that way? No public benefit results. The large companies are not creating a better product or service; their employees not working smarter or more productively. Smaller companies are at a competitive disadvantage under the current system *not* because they don't offer goods or services every bit as good as those of larger companies, but simply because they're ... smaller. If you're looking for a public policy that stifles job growth big time by making it harder for small companies to grow, look no further. Most small business owners respond by not offering health insurance at all. Why try to compete when the playing field is tilted in favor of the big boys? Besides, there are plenty of workers willing to take a job without health insurance as a benefit.

But many Colorado companies – large and small - would jump at the chance to allow their employees to purchase their own health insurance in the state's exchange in return for covering 50 percent of the premium, if it meant they could get out of the business of having to offer health insurance as a benefit. Others would want to compete for the best employees by offering to cover more than 50 percent of premiums, say as a reward for performance, or as benefit for seniority or for high-ranking executives. Labor unions could bargain for more. And those who decide they want to continue offering their own insurance plans could continue to do so, knowing that if their plans aren't competitive with what's available in the exchange, then some of their employees will "opt-out" of the employer-sponsored plan and they'll have to cover 50 percent of the premiums of those who do.

The savings for employers add up. They could slash the human resources department budgets. And those companies currently covering more than 50 percent of the premiums of their employees would realize a windfall that could be used to expand markets, offer other employee benefits (more paid vacation days, child care benefits, etc.), boost salaries or – here's that crazy idea again - hire more employees.

Employers not currently offering any health insurance or paying less than 50 percent of the premiums of their employees would have to budget for the new costs. But under Obama Care any employer with more than 50 employees is going to have to make health insurance available to their employees once the federal mandate kicks in. Those employers dread having to go through the paperwork and headaches to select and administer a plan. Under this proposal, they don't have to spend a dime or a minute searching for health insurance for their employees. They just pay 50 percent of the premium of any full-time employee who purchases insurance in the exchange. No fuss, no muss. What's currently a budget-draining headache – searching for,

implementing and managing the health insurance benefit— becomes an entry in payroll worksheets. The exchange would inform every business by December 1 of every year which of their employees had purchased insurance in the exchange and how much they will owe for their 50 percent share of the premiums. Those figures will remain the same throughout the next year, as long as the employee keeps that job.

And there would be no mad scramble by businesses to keep employees from working full-time, either, as there is under Obama Care because of its mandates. Simply pro-rate the portion of the premium covered by employers to the number of hours an employee works. This gives even students and seniors – who are on limited incomes and who often have part-time work – a break on health insurance costs.

Public Sector - The benefits are all the greater if extended to public-sector employees and governments. No more budget-busting expenses for health benefits for employees, and greater support for public-sector employees because where now they are in a special class when it comes to health insurance, under this plan they join everyone else in the same pool. Plus, public-sector unions could bargain to have governments pay more than 50 percent of health insurance premiums. The larger the pool of people covered by insurance in the health exchange, the lower the premiums, because costs are spread.

Insurance companies – They benefit because as employers end their employer-sponsored health insurance plans in favor of allowing their employees to purchase insurance in the exchange, they no longer have to tailor plans and premiums to satisfy risk requirements in small pools of insured. A vastly larger number of insured are in the same pool: the exchange. The design is elegant by comparison to the current minefield. Under the current system if an employee at a small firm develops a life-long, debilitating illness, the actuarial tables are thrown off and someone, somewhere eventually has to pay a bigger health insurance bill, and the insurance companies have to figure out who and by how much and when. If nearly everyone is in the same pool, that becomes a lot easier and less expensive.

Health care providers – They would be happier as well because there would be fewer insurance plans to have to accommodate.

The federal government would save millions as those who have purchased in the exchange who are employed and who are getting subsidies would migrate to the employer-subsidized plans because they would save more, thereby reducing the number on subsidies.

This approach to health insurance has appeal across the political spectrum. **Democrats** would get to modify the worst features of Obama Care (the individual mandates and the coercive penalties). Plus, they would get credit for the exchanges that Obama Care fostered. Plus, labor unions would be empowered because they could bargain for higher health insurance employer reimbursement rates. Plus, there would be more jobs. Plus, they get a government-regulated insurance market with far more participants.

Republicans would get competition between insurance companies competing for business under the same rules. Plus, businesses would be relieved of the burden of providing health insurance for their employees. The chambers of commerce would breathe sighs of relief that could be heard across the state. Plus, economic development agencies would have yet another incentive when trying to lure businesses to move to Colorado. No state in the country would offer them what Colorado does. Want to end forever the headache and expense of having to buy health insurance for your employees? Relocate to Colorado!

Members of every political party are rightly concerned about the number of Americans who aren't in the workforce, Democrats because those could be dues-paying union members, Republicans because they fear the consequences of a bloated welfare state in which it's too easy to cruise through life without working. Members of each party want to create more incentives to work. Here's one: you get 50 percent off health insurance if you have a job, and you get to keep that insurance as long as you want, even if you change jobs.

Most importantly, Colorado would get a grand bargain between employers and employees on health insurance premiums, each covering precisely half (unless employers want to be more generous). Everyone – employees and employers – would have a roughly equal stake in reforms promoting healthier lifestyles to lower health care costs and insurance premiums. Everyone would have a powerful new incentive to watch what they eat, exercise more and become champions of cleaner, healthier environments. Colorado would have a business community better able to focus on generating quality products and providing professional services at competitive prices, better able to compete in markets around the globe, and hiring the extra employees that requires. And it would have a more socially-cohesive community in which nearly everyone is in the same insurance pool and therefore nearly everyone gets dinged when someone needs to see a doctor, and everyone benefits financially when the population gets – and stays – healthier.

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DECOUPLING HEALTH INSURANCE FROM EMPLOYMENT

Research questions

1). EMPLOYEES

- How many adult Coloradans have jobs? What is their average age?
- How many don't?
- Of those who do, how many/what % are offered health insurance through their employment? How many accept/enroll?
- Of those who enroll, what is their average monthly premium?
- What percentage of that premium is covered by their employer?

2). EMPLOYERS

- How many are there: more than 100 employees/50-100/less than 49.
- How many employees in each category?
- How many/what % in each category currently offer health insurance to their employees? What is the average monthly premium? What percentage of that premium does the employer cover?
- How many covering how many employees that don't currently offer health insurance are planning to comply with the ACA employer mandate and how many covering how many employees are planning to pay the penalty?
- What is the administrative cost of offering health insurance as a benefit other than the employer's share of the premiums (soliciting bids from insurers, reviewing and selecting plans, enrolling employees, managing the benefit, etc.)?
- How many employer-plans are ERISA certified? How many employees do they cover?

3). INSURERS

- How many employer-based plans are there in Colorado?
- What is the cost of under-writing, marketing, selling and administering them?
- How do these costs compare to the costs of marketing, selling and administering plans sold through the exchange?

4). HEALTH CARE PROVIDERS

- Does it make any difference whether a patient is covered by a health insurance plan offered through an employer or through the exchange?
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