Invisible Risk-Sharing

LOWERING PREMIUMS & HELPING THOSE WITH PRE-EXISTING CONDITIONS

If Congress passes an invisible risk-sharing program that expands age bands to 5:1:

1

Lower premiums for all ages.
Premiums in the new reformed market would be up to 31% lower on average. Savings would be even larger for younger enrollees.

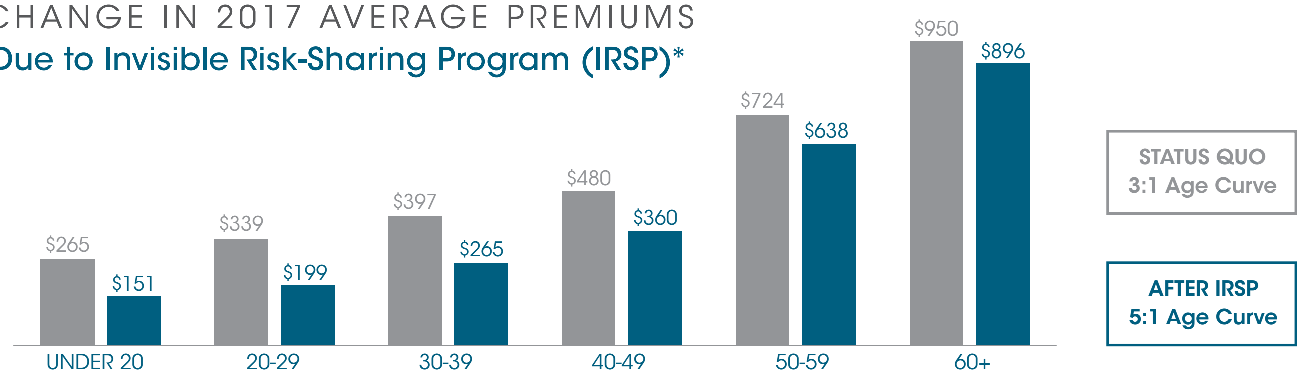
2

Coverage for those with pre-existing conditions.
Access to coverage would be guaranteed for those with pre-existing conditions.

3

Fewer uninsured.
Up to 2 million fewer individuals would be uninsured, a 21% reduction.

CHANGE IN 2017 AVERAGE PREMIUMS
Due to Invisible Risk-Sharing Program (IRSP)*



What is invisible risk-sharing?

A risk-sharing program identifies the handful of pre-existing conditions driving premium increases and sets up a targeted program that allows insurers to price new enrollees as if all are healthy instead of pricing everyone as sick. This leads to considerably lower premiums.

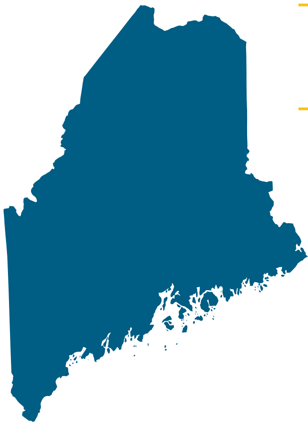
Why does it make sense?

- Protects those with pre-existing conditions and guarantees access to coverage for everyone, allowing access to the same plans and lower premiums. In other words, sick people and healthy people have the same affordable premium.
- Lowers premiums for all age groups by allowing insurers to price plans as if everyone is healthy
- Less expensive and more effective at reducing premiums than other alternatives
- Limits insurers gaming the system by keeping "skin in the game" but assistance for those with pre-existing conditions

How is it better than the status quo?

- Targets assistance to only those with pre-existing conditions which allows a lowering of premiums for everyone
- Dramatically lowers premiums, drawing younger enrollees into the market, further lowering premiums
- Creates the foundation for stable, sustainable, and affordable insurance markets by targeting assistance for high cost enrollees

*Model assumes age curve moves from 3:1 to 5:1, that an invisible risk-sharing program is set up and applies only to a new risk pool that has been set up and those in the program have Medicare rates paid for their claims over a threshold of $10,000. Assumes current ACA plans are closed to new enrollment but are grandfathered going forward, and current enrollees can select to join the new pool. A projected $3.3 billion for total net annual costs in federal or state funds for nationwide program.



LEARNING FROM THE STATES

In 2011, Maine faced challenges similar to those currently facing Congress as they attempt to unwind ineffective policies that have driven up premiums in the individual market and instead reinvigorate the individual insurance market. By creating an invisible risk-sharing program and relaxing its premium rating bands, Maine policymakers were able to cut premiums in half while still guaranteeing access to those with pre-existing conditions.

How Invisible Risk-Sharing Works

1. **All applicants buying insurance on their own fill out a health statement.** The program would have specific conditions (i.e. what most people call pre-existing conditions) identified in a state or region that are driving premiums up the most. Those conditions would automatically trigger a designation for that enrollee to the program.

   BACKGROUND: ***Selecting specific conditions permits tailored assistance for those with these conditions in order to maximize premium decreases for all policyholders.*** The program helps defray the expenses of the highest cost policyholders so those costs don't raise premiums for all policyholders. In effect, everyone is priced as if they were healthy because those with the known high risks are designated.

   Insurers are permitted, upon application, to designate other enrollees to the program outside of the specific condition list. They would not be incentivized to do so given their remaining financial responsibility, and lack of ability to earn a profit. If an individual develops a pre-existing condition later, the insurers remain fully responsible for all costs as covered under current federal law.

2. **Enrollees are all enrolled in the same plan at the same rates, whether designated for the invisible risk-sharing program or not.** In fact, enrollees have no idea that they are being designated for the program.

3. **Insurers transfer most premium dollars paid by those "designated" into the program.** The insurer also remains responsible for a set amount of claims, before program assistance kicks in for insurers. These provisions prevent insurers from gaming the system by removing the opportunity to profit off individuals placed in the program.

4. **Claims for those with pre-existing conditions are reimbursed out of the program funds once they have exceeded a threshold.** The reimbursement rates are at Medicare rates to ensure that program dollars are stretched as far as possible.

Differences Between Invisible Risk-Sharing Program (IRSP) & Traditional High-Risk Pools (HRP)

	IRSP	HRP
Addresses pre-existing conditions: Provides coverage for those with pre-existing conditions	✔	✔
Provides more plan & insurer options: Enrollees are able to purchase same policies as healthy person	✔	X
Lowers premiums: Enrollee pays same premium as healthy applicants	✔	X
Lowers costs for those with Pre-Ex: Pays Medicare rates for claims to stretch funds	✔	X
Increases engagement with insurers: Aligns incentives for insurers to improve care management	✔	X
Injects insurer accountability: Insurers have to pay for a portion of claims for high-cost enrollees	✔	X
Provides no lifetime or annual limits	✔	X
Decreases premiums	16-31% on average for all policyholders, up to 43% for younger	Depends, higher premiums for those with pre-ex, but lower for others