

Why GOP Moderates and the Freedom Caucus Can't Agree on ACA

Before congressional Republicans left Washington for recess, Vice President Mike Pence attempted to forge a last-minute health care compromise between conservative and moderate factions in the House GOP caucus. Pence proposed a waiver system that would let governors opt out of core Affordable Care Act provisions, such as essential benefits and community rating requirements. However, neither faction was satisfied, and Congress subsequently left for recess without any clear progress toward a new health care bill.

Most Americans Approve of ACA Protections for Pre-existing Conditions

A key stumbling block to any potential deal is the fate of the ACA's protections for individuals with pre-existing conditions.

Polling by the Kaiser Family Foundation found that the law's "guaranteed issue" requirement — which bars insurers from turning away customers because of health conditions — is among the law's more popular provisions. Hardline conservatives in the House want to nix the requirement so that premiums for healthy enrollees will be lower, but moderate Republicans in swing districts are reluctant to undermine it.

Furthermore, GOP moderates are wary of removing other provisions that health industry experts believe are necessary to prevent insurers from circumventing the requirement in practice.

ACA provisions

Young adults on parents' plan until age 26

No out-of-pocket costs for preventive care

Close Medicare prescription "doughnut hole"

Create insurance exchanges

Subsidies for lower-income enrollees

Option for states to expand Medicaid

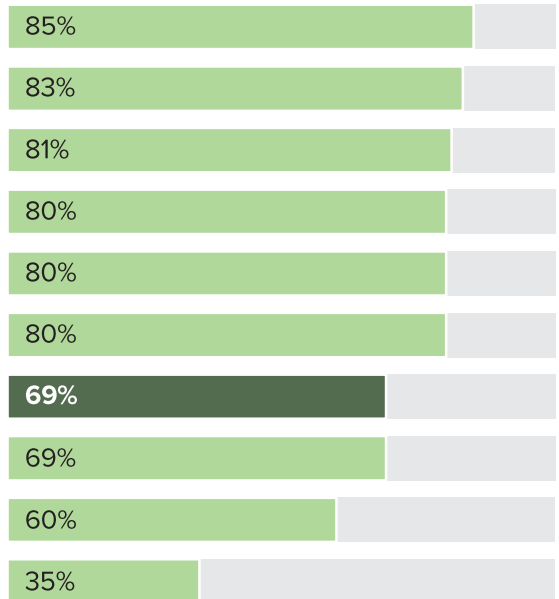
Guaranteed issue for pre-existing conditions

Increased Medicare payroll tax on high-earners

Insurance mandate for large employers

Individual mandate fines

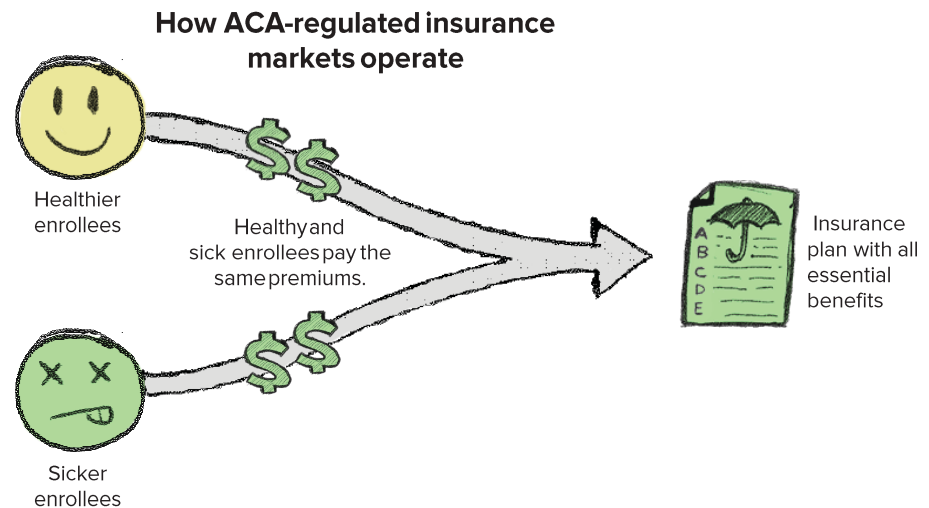
Share of Americans with "favorable" opinion

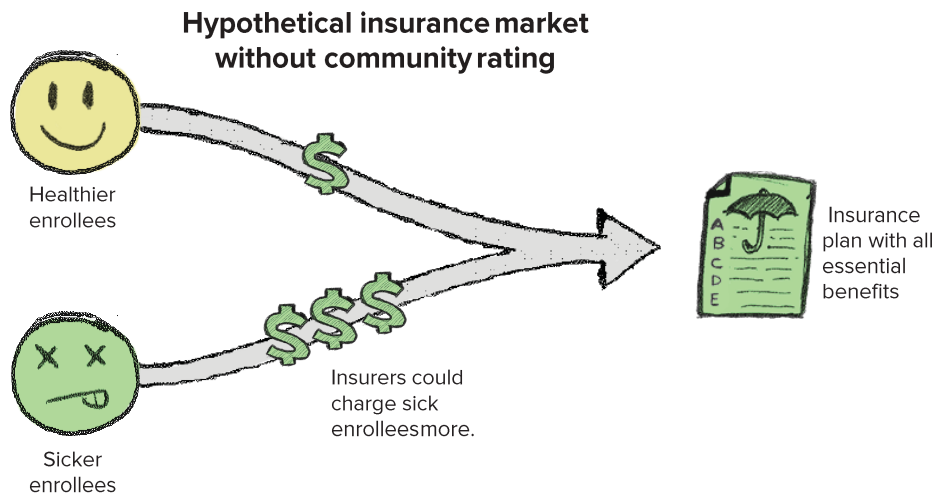


ACA Gives Healthy And Sick Enrollees the Same Insurance Options

The Affordable Care Act creates individual insurance markets open to individuals with pre-existing health conditions by requiring insurers who offer plans to meet several criteria:

- **Guaranteed issue** prevents insurers from denying coverage to sicker individuals
- **Essential benefits requirements** define a minimum set of benefits to prevent insurers from offering skimpy plans that would not meet sicker patients' needs
- **Community rating** requires insurers to offer the same price to individuals regardless of their health conditions — except age — so that insurers do not deter sicker individuals by charging high premiums





Eliminating Community Rating Could Make Insurance Prohibitively Expensive

While the details of the proposed GOP compromise are not public, Freedom Caucus Chairman Mark Meadows said that Pence's proposal would let governors opt out of community rating requirements (with the exception of gender).

If this change were made to the individual insurance market, insurers would be able to increase premiums for sicker enrollees, possibly pricing them out of the market. It is unlikely that any insurer would maintain low prices for sicker enrollees, since doing so would attract the sickest enrollees to that plan, increasing costs for the insurer.

The result would be a market with lower premiums for healthy individuals, but few affordable options for sicker individuals.

Eliminating Essential Benefits Could Divide Insurance Risk Pools

Hardline conservatives in the Freedom Caucus also want the ACA's defined benefit requirements to be repealed, but doing so could have the effect of making insurance unaffordable or useless for sicker enrollees.

If insurers are allowed to offer any set of benefits in their insurance plans, they may offer plans with few benefits and low premiums that attract younger, healthier enrollees. Individuals with greater needs could enroll in those plans, but would not receive the benefits they need through them.

Plans that do offer more extensive benefits would attract the sickest enrollees, raising the costs of administering them. This could lead to much higher premiums for these plans, which could be prohibitively expensive.

