WHAT YOU NEED TO KNOW: Invisible Risk Sharing

INVISIBLE RISK SHARING COULD:

- Keep the promise of ensuring all Americans have access to affordable insurance.
- Lower premiums for everyone — by up to 31% on average.
- Reduce the number of uninsured people by approximately 2 million.

THIS IS A PROVEN CONCEPT:

- It worked in the states of Maine and Idaho to lower premiums.
- It is more cost-effective than the ACA approach to pre-existing conditions.
- Actuarial studies indicate it can work at the national level.

USE THIS SUPPLEMENT TO UNDERSTAND MORE ABOUT:

- What invisible risk-sharing is
- How it works
- The common misperceptions and criticisms of risk sharing, with responses

WHAT YOU NEED TO KNOW ABOUT THE AHCA'S RISK SHARING AMENDMENT

independent™ women's voice

THE FACTS ARE:

- The authors of the invisible risk-sharing program believe that it will follow through on the promise of **real, affordable access** for those with **pre-existing conditions**.
- Actuarial studies show that the invisible risk-sharing program will also result in **lower premiums for all** from 12% to 31% on average.
- Lower premiums and improved access could mean **more people will become insured**. The addition of this program could result in 2 million fewer uninsured people.
- This similar approach **reduced premiums in two states**. Maine and Idaho ran successful state-based invisible risk-sharing programs before the Affordable Care Act.

BACKGROUND YOU NEED TO KNOW:

WHAT IS INVISIBLE RISK SHARING?

Invisible risk sharing is a way to allow people with expensive, pre-existing conditions to buy any plan available in the market, but is designed to target funding to keep premiums lower for them without raising premiums appreciably on other low-cost customers.

HOW IS THIS PROVISION SUPPOSED TO WORK?

In an invisible risk-sharing program, **everyone applies for insurance and submits a health statement**. Insurers use the health statements **to determine** who, upon application, qualifies as a high-risk customer, or someone with **a qualifying pre-existing condition**. When someone is designated for risk-sharing, the insurer sends the majority of his or her premium dollars into the program, and in exchange, the program pays for his or her claims beyond a certain dollar limit. The program also receives funding from the federal government.

This provides insurers with some "skin in the game" because they must pay claims up to the dollar limit. But it also **removes** a great deal of their **cost for expensive customers**, allowing them to **lower premiums for everyone** when compared to rates under the ACA.

The **ACA** forces insurance companies to sell policies to everyone without any information about their health status or history, which means that **insurers price everyone** as if he or she is **sick with an expensive condition**. Unlike the ACA, an **invisible risk-sharing** program allows **insurers to price everyone as if he or she is healthy**, and then share the cost of claims for those with pre-existing conditions with the government-funded risk-sharing program.

CONCERNS ABOUT THE INVISIBLE RISK SHARING PROGRAM

CONCERN: THE RISK-SHARING PROGRAM COSTS TOO MUCH.

An invisible risk-sharing program is costly, but could **cost less than the ACA**'s method of spreading the expenses of relatively few high-risk customers throughout the entire insurance pool. The important factor in a risk-sharing program is that **money is spent differently**; it is **targeted to those** individuals **who need it most** (without even their knowing it). This allows **premiums to decrease**. Risk sharing may be costly, but it is a way to **ensure that all Americans have real access** to affordable, private health insurance policies.

CONCERN: THE PROGRAM WON'T HAVE ENOUGH FUNDING.

Some analysts take the total amount of claims paid out for high-risk customers and compare that to funding levels for an invisible risk-sharing program. This is an **apples-to-oranges comparison**, because an **invisible risk-sharing** program **reforms the structure of health insurance spending**.

CONCERN: THIS PROGRAM IS NOT FEDERALIST. (DOESN'T GIVE STATES FREEDOM.)

Invisible risk-sharing programs can be operated at the federal or state level. After seven years of the ACA, there is an **expectation from the American public** that the **federal government will address** the issue of pre-existing health conditions. In light of this political reality, the invisible risk-sharing program starts as a federal program that could **immediately lower premiums nationwide** for two years. The amendment as written allows in 2020 for the program to **devolve to states**, giving them control over their individual invisible risk-sharing programs. There is some concern that if the federal funding is continued that federal control will continue. Some opponents would rather this program be presented as an option to a state to improve its private marketplace.

CONCERN: INSURANCE POLICIES WILL STILL NOT BE RISK-RATED WITH THIS PROGRAM.

Invisible risk-sharing programs are designed to operate alongside provisions like "Guaranteed Issue" (the requirement that insurers accept all applicants) and "Community Rating" (the requirement that insurers offer the same prices to everyone regardless of health status and other risk factors). Unlike the ACA, it **does give carriers freedom to ask the health questions**. This has **helped these risk-sharing programs to reduce the rates**, though not as low as the premiums in states that did not have these regulations and permitted full risk rating. In addition there is concern that if all applicants of the same age pay the same rate, healthy people may delay coverage until they are expecting a high claim. To the extent that all misguided ACA insurance regulations — including these two — can be removed, premiums can decrease even further.