

Heritage Foundation: Senate's BCRA 'Misses Key Opportunities'

While the ongoing congressional effort to reform health care is falling short of repealing Obamacare, it is critical that Congress maximize every opportunity to undo Obamacare's damage.

The draft bill released on Thursday by the Senate misses important opportunities to move closer toward that objective.

On net, the Senate bill is better than Obamacare because it contains provisions to reduce insurance premiums and promote access to insurance in the short run, cut taxes, and provide major Medicaid reform that will help refocus the program on those most in need.

It is still an open question, however, whether the bill will repair enough of the damage caused by Obamacare so that the middle-class self-employed will be able to find affordable health insurance in five years.

To move closer to the goal of undoing Obamacare's damage, the Senate should go further by expanding states' options to encourage continuous coverage and by providing additional Medicaid reforms.

Stabilizing Insurance Markets by Freeing States From Obamacare's Federal Mandates

Like the House bill, the Senate bill repeals Obamacare's individual mandate and employer mandate. It also repeals the limitation on age rating of premiums. These changes allow states to set age-rating parameters that more closely align insurance premiums with age-related differences in average

medical expenses.

The Senate bill also allows states to apply for waivers from other Obamacare insurance mandates, including the requirements that plans cover specified “essential health benefits” and provide minimum actuarial value.

Rather than creating a new waiver process (as the House bill would), the Senate bill simplifies and streamlines a waiver process in current law (referred to as Section 1332). That approach allows states to waive additional insurance market provisions such as the standards for qualified health plans.

As such, the Senate waiver approach has somewhat broader scope than the version included in the House bill.

However, a major weakness of the Senate bill is that, unlike the House bill, it does not create enough incentives for continuous coverage—either directly or by permitting states to use the waiver process to adopt such provisions on their own. Such provisions are important to limiting the adverse selection and gaming effects that have driven up premiums under Obamacare.

The Senate bill should be strengthened by at least expanding the waiver process to permit states to experiment with different approaches for incentivizing continuous coverage.

Medicaid Reform to Help Those Most in Need

Medicaid is a means-tested health care and social services program for low-income children, pregnant women, aged and disabled individuals. At the federal level, Medicaid is an open-ended federal entitlement to states: If a state spends more on the program, federal payments automatically increase.

The Senate bill (like the House-passed bill) would end the open-ended entitlement status of the Medicaid program.

The Senate bill would cap the growth of Medicaid spending, and

the federal government would allocate federal monies to the state Medicaid programs based on per capita basis for the different covered Medicaid populations: the elderly, the disabled and the abled-bodied Medicaid populations, including those newly eligible Medicaid enrollees made eligible for Medicaid services under Obamacare.

Per capita funding for the state would be determined by the average spending for the category of enrollees and the number of enrollees in the state.

The Senate's per capita cap funding approach is a major improvement over existing federal payment arrangements and allows states greater flexibility in the administration of the program.

The per capita approach would give states new incentives to eliminate waste and fraud in the program, prevent states from gaming federal reimbursement formulas, and better target resources to the needy and most vulnerable to improve results.

However, the Senate could have done better. The Senate bill stops short of the kind of serious reform that would radically improve the Medicaid program for beneficiaries and taxpayers alike.

First, to ensure states have the flexibility they need, the Senate should take such steps as giving them explicit authority to set and manage eligibility for their Medicaid programs through such means as asset tests and remove restrictions Obamacare put on states' abilities to make such decisions.

Second, the Senate should establish a Medicaid "premium support" program that would enable able-bodied Medicaid beneficiaries to enroll in private health insurance plans, and thus be able to secure access to the same doctors and medical professionals as their fellow citizens.

Many Medicaid enrollees cannot find a doctor to take care of them because the reimbursement rates and the regulatory system discourages physician participation in the program.

Moreover, low-income, able-bodied adults cycle on and off of Medicaid as their employment and incomes fluctuate, experiencing disruption in their health care coverage.

This change would have increased their access to the quality care that they so desperately need, and would have increased the number of younger and healthier persons enrolled in the nation's private health insurance pools.

The Bottom Line

Obamacare produced escalating premiums and higher deductibles. It also reduced access to insurers and providers. This has particularly hurt the self-employed and people who work for small businesses.

Congress urgently needs to begin reversing Obamacare's damage. The Senate must maximize its opportunity to provide individual Americans with better and more affordable health care options, starting with this current legislative effort. {eo}

Edmund F. Haislmaier is an expert in health care policy and markets at The Heritage Foundation. **Robert E. Moffit** is a senior fellow in The Heritage Foundation's Center for Health Policy Studies. **Marie Fishpaw** is director of domestic policy studies at The Heritage Foundation's Institute for Family, Community, and Opportunity.

This article was originally published at . Used with permission.