

It's Time for the Senate to Follow the House's Lead

By passing the American Health Care Act by a vote of 217-213, the U.S. House of Representatives has taken a major step in the process of repealing and replacing Obamacare.

It's now time for the Senate to act.

In paving the way for successful House floor action, the House Rules Committee adopted an amendment enabling states to reverse the upward trajectory of premiums in their health insurance markets.

As Heritage analysts have argued, the right policy is to liberate states from Obamacare's insurance mandates. This is a step in that direction.

New Jersey Rep. Tom MacArthur's amendment would give the secretary of health and human services the authority to grant a waiver to states that wanted an exemption from costly Obamacare rating rules and benefit mandates.

In order to secure a waiver from these federal insurance rules, the amendment specifies that states must establish a high-risk pool for persons with preexisting conditions, a program to stabilize those premiums, or participate in a new federal risk-sharing program designed to secure continuing coverage and market stability.

As drafted, the waiver from these federal regulations would be virtually automatic. In short, the states would make the key regulatory decisions over benefits and rating rules.

A second amendment, offered by Rep. Fred Upton (R-MI) and Rep. Billy Long (R-MO) adds \$8 billion over 2018-2023 to the bill's \$130 billion Patient and State Stability Fund (making the

total around \$138 billion).

It specifies that those additional funds are to be used by states that have received a waiver from federal insurance rules (under the MacArthur Amendment) to assist individuals with increased health care costs.

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The House's action should be understood as part of a continuing process of national health reform.

As amended, the House bill rightly focuses on costly health insurance rules, makes historic changes in Medicaid—transforming Medicaid from an open-ended entitlement to a budgeted program—and repeals the national health law's mandate penalties and its slew of taxes.

In fact, the House bill provides for one of the largest tax reductions on record.

Up Next: The Senate

While the House bill is a major improvement over current law, the Senate can do even better.

First, the Senate should start the reform of the federal tax treatment of health insurance.

The House has failed to repeal the so-called "Cadillac Tax" on "high value" group health plans—a 40 percent excise tax (effective in 2020) on all group health plans with a value that exceeds \$10,800 for single coverage and \$29,100 for family coverage.

The House bill merely delays the tax implementation until 2026. The Senate should instead repeal the tax and replace it with a simple cap on the tax exclusion for group insurance.

This would not force employers to alter their plans, but

merely limit the amount of health benefits that are tax-free, just as current law limits all other pre-tax employment compensation.

Economists, regardless, of their political perspectives, have generally agreed that such a move would drive down health costs throughout the entire system.

Second, the Senate should address the Medicaid provisions. The Senate should speed up the reversal of Obamacare's Medicaid expansion and provide an alternative to the House bill's block grant provision.

The best alternative is a robust premium support program for the able-bodied Medicaid population, enabling them to enroll in private plans and secure the same access to doctors and quality care that their fellow citizens enjoy.

Finally, the Senate should reconsider the continuing coverage provisions of the House bill.

For the individual market, the best option would be for the Senate to adopt the rules that currently govern group insurance and link the prohibition on preexisting-condition exclusions to a requirement that persons maintain continuous coverage. The group rules work.

The health care sector of America's economy is approximately \$3.2 trillion. It is huge, complex and rapidly growing. No single bill can or will accomplish comprehensive reform—it is an ongoing process.

The House of Representatives has made a strong start. Now, it's time for the Senate to do its job. {eo}

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