

INDUSTRY INSIGHTS



Will CMS' Decision To Extend Non-ACA Compliant Plans Help The Market?

The Trump administration will allow insurers and consumers to extend for an additional individual and small-group health plans that do not comply with the Affordable Care Act's coverage rules. The insurance industry lobbied for the grandmothing extension. But some experts say it will hurt efforts to stabilize the individual market and moderate rate hikes by letting healthier people stay in plans outside the ACA-regulated insurance pool. The recent CMS guidance allows grandmothers plans to operate until Dec. 31, 2018 at which time they must end. It's estimated that fewer than one million people currently remain in grandmothers individual-market plans in the three dozen or so states that still allow them. The

rest of the states, including California and New York, already halted the sale of non-ACA compliant plans to strengthen their ACA-regulated markets.

Ceci Connolly, CEO of the Alliance for Community Health Plans, which represents not-for-profit insurers, said over the long-term it's important to get more healthy people into the general insurance pool. "But given the confusion and uncertainty in Washington over (healthcare reform)," she added, "we believe reducing disruption is important to consumers." Tim Jost, an emeritus law professor at Washington and Lee University who supports the ACA, took a different view. "It's hard to see how this contributes to the stability of marketplace coverage, although it is apparently what the

insurers want," he said. "The policy is consistent with giving states flexibility, but it does mean that some of the best risks will remain outside the standard risk pool," said Joel Ario, managing partner at Manatt Health who served in the Obama administration setting up the ACA exchanges. The healthcare industry has urged the Trump administration to take steps to stabilize the individual insurance market while it and Congress work on repealing and replacing the ACA. Since last month, however, the administration has sent mixed messages on whether it wants to steady the ACA markets or dismantle them.

CMS Projects Health Spending To Grow 5.6% Annually Over Next Decade

National health spending is projected to grow 5.6% annually over the next decade, according to a recent CMS report.

The new numbers affirm several previous projections from government economists that spending growth would accelerate because of insurance expansion under the Affordable Care Act, an aging population and expensive new drugs.

The study does not, however, take into account the uncertainty the Trump administration brings to the healthcare sector and how the GOP's plans to eliminate ACA provisions like premium subsidies and Medicaid expansion might affect

spending. "The scope, timing, and impact of such possible changes on health spending and health insurance coverage are all uncertain at this time," the authors wrote.

The first two years of the projected period are expected to be the slowest periods of spending growth—4.8% in 2016 and 5.4% in 2017. That reflects an expected decrease in spending by Medicaid, Medicare and private insurers as enrollment slows. Medicare spending is expected to grow 5.9% in 2017 and 7.6% in 2025. Medicaid spending is expected to grow by 3.7% in 2017 and 5.9% in 2025. In 2018 and beyond, however, healthcare spending is expected to accelerate, especially for Medicaid and

Medicare.

A rise in spending on prescription drugs will be influenced by the increased use of expensive specialty drugs, growing by 6.4% in 2025. That's slower than the 9% growth recorded in 2015, which was driven by the use of expensive hepatitis C drugs and brand name drugs that have since gotten competition from cheaper generics.