American Hospital Association

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July 11, 2018

The Honorable Kevin Brady
Chairman
Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways & Means
1139E Longworth House Office Building
Washington, DC 20515

The Honorable Peter Roskam
Chairman
Ways and Means Health Subcommittee
1135 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Ways and Means Health Subcommittee
1139E Longworth House Office Building
Washington, DC 20515

Dear Chairmen Brady and Roskam and Ranking Members Neal and Levin:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations (approximately 100 of which sponsor health plans), and 43,000 individual members, the American Hospital Association (AHA) writes to provide our comments on the consumer-directed health plan legislation being marked up in the Committee on Ways & Means.

Health care affordability is a significant challenge for many individuals and families, and we appreciate policymakers' exploration of potential solutions to address this issue. High-deductible health plans (HDHPs) generally offer lower premiums than more conventional insurance products and, therefore, may appeal to more cost-conscious consumers or those who expect to have fewer health care needs. Catastrophic health plans cover even less and are, as a result, also less expensive options. These types of plans are often referred to as "consumer-directed health plans" given the high up-front costs associated with them, which are intended to encourage consumer engagement in managing their health and health care.

Consumer-directed health plans may be an appropriate form of coverage for some individuals, including those who have high health care literacy and sufficient means to fund their health savings accounts (HSAs) or otherwise cover higher upfront costs. However, the AHA is concerned about the ability of these plans to lower costs and expand access to care for individuals who may not be aware of the limitations of such coverage and who do not have the means to fund their HSAs or otherwise pay for initial care out-of-pocket.

Hospitals and health systems report that increased enrollment in HDHPs over the past several years has *reduced* access to care and subjected patients to costs they cannot afford. In addition,

patients enrolled in HDHPs appear to delay care until they have reached their deductible or are in an emergency situation, which could lead to poorer health outcomes.

While we recognize that these types of health plans are intended to promote consumer engagement in their health, we are concerned that the evidence does not currently support this assertion. Hospitals and health systems report that many patients in HDHPs do not understand their coverage. Instead of being active purchasers, patients are often surprised to learn what their health plan does and does not cover when they are at the point of care. This information may not contribute to shopping for care but rather opting not to pursue care at all.

The impacts identified above may vary if an entity besides the patient, such as an employer, funds the HSA. However, employer funding of HSAs is on the decline, and this is not an option for the millions of consumers who rely on the individual market. According to United Benefit Advisors, "The average employer contribution to an HSA is $474 for a single employee (down 3.5 percent from 2015 and 17.6 percent from five years ago) and $801 for a family (down 9.2 percent from last year and 13.7 percent from five years ago)."[1] These figures account for approximately a third of what the minimum deductible must be for a plan to qualify as an HDHP. Therefore, even when employers do contribute to an HSA, patients retain the bulk of the financial responsibility.

In addition, one proposal in particular, if adopted, would threaten access to care and coverage for millions of individuals. Specifically, H.R. 6311, which would modify the definition of a qualified health plan for purposes of the health insurance premium tax credit and allow individuals purchasing health insurance in the individual market to purchase a lower value "copper" plan or use the tax credit to buy off-marketplace coverage, could drive more individuals to buy inadequate coverage. The challenges already identified of individuals unable to afford care within their deductibles would be exacerbated in even lower value plans. In addition, the bill acknowledges that the government would be unable to process a premium tax credit *in advance.* Rather, consumers would only be able to access their tax credit at tax filing, not at the time of premium payment, making premium payments for off-marketplace products unaffordable under this option for many lower income individuals. Given the challenges already noted about health care literacy, we question whether consumers will fully understand these trade-offs and urge against this approach.

IMPROVING ACCESS & REDUCING THE COST OF COVERAGE

Without addressing the underlying cost of care, insurance benefit designs like HDHPs and HSAs or copper plans simply "shuffle the deck chairs." In other words, plans with high upfront cost exposure do not necessarily lead patients to make the best decisions regarding which care to forego (e.g., low-value care or medically unnecessary care). Instead they shift responsibility for upfront costs from one entity to another – first from the payer to the consumer and then to

[1] United Benefit Advisors, "Special Report: How Health Savings Accounts Measure Up," May 2017.

providers in the form of bad debt. We encourage Congress to pursue actions that will help improve the cost of coverage without putting access to care at risk, including:

1. Addressing the underlying drivers of high cost, such as the unsustainable growth in prescription drug prices; duplicative, unnecessary and potentially harmful regulatory and administrative burden; and high rates of chronic disease; and

2. Promoting enrollment in comprehensive health care coverage to share costs across the broadest population possible, including through stabilizing the health insurance marketplaces.

In addition, we strongly encourage the federal and state governments, employers and other payers to coordinate on a robust consumer education campaign on the importance of having health coverage and how to use it. The campaign should specifically address how different types of health plans may affect both premiums and upfront, out-of-pocket costs.

We look forward to working with the Committee to address issues concerning access to care and the affordability of coverage. We are deeply committed to working with Congress, the Administration, and other health care stakeholders to ensure that all individuals and families have the health care coverage they need to reach their highest potential for health.

Sincerely,

Thomas P. Nickels
Executive Vice President