

Pre-Existing Conditions

Problem

Over the past five years, the Affordable Care Act (ACA), better known as Obamacare, has wreaked havoc on health insurance markets in the name of protecting patients with pre-existing conditions. As a result of the law, the cost of coverage has skyrocketed, millions have lost their health insurance, and patients have seen their choice of doctors decline.

Obamacare's regulations especially harmed patients with pre-existing conditions. Since Obamacare forbids insurers from charging sick patients high enough premiums to cover their medical bills, the law incentivizes carriers to control costs by reducing health care access. Insurers have responded to the law's rules by increasing **out-of-pocket fees** on medications, **eliminating specialists** from their networks, and adding more barriers to medical care.

Policy Solution

There are far more effective ways to protect people with chronic illnesses than keeping Obamacare in place. Instead of Obamacare's failing approach, states can deliver better and more targeted relief to vulnerable patients with pre-existing conditions by establishing reinsurance programs and high-risk pools. Reinsurance programs cover the medical bills of extremely expensive patients when costs exceed a defined baseline. Since 2017, seven states have received approval from the federal government to use reinsurance to support sick patients. By shifting the costs of the most expensive patients off the balance sheets of insurers, reinsurance programs have reduced premiums in Obamacare exchanges by up to **25 percent** in Alaska and **27 percent** in Minnesota.

Additionally, prior to Obamacare, 35 states operated high-risk pools to cover individuals with pre-existing conditions who had been rejected by private insurers. These programs remove the most expensive patients out of the individual market and allow private insurers to lower premiums for everyone purchasing insurance in the Obamacare exchanges.

While reinsurance funds and high-risk pools would provide secure coverage to patients with pre-existing conditions, the long-term solution to curbing the high costs of health care is for states and the federal government to permit new and innovative providers to offer low-cost health care. This can be done by eliminating certificate of need laws, enhancing and greatly encouraging direct primary care models, creating scope of practice reforms, and instituting price transparency, among many other reforms.

Policy Message

1

Obamacare Increases Costs

Obamacare insurance regulations dramatically increased premiums and deductibles and destabilized state health insurance markets.

2

Obamacare Hurts Sick Patients

Only nine of Obamacare's 961 pages pertain to pre-existing conditions and all of them made it harder for sick patients to access medications and medical care.

3

Sick Patients Need Targeted Support

Just one out of every 2,800 Americans suffer from uninsurable medical conditions.

4

Reinsurance Protects Pre-existing Conditions

A more effective way to deliver targeted relief to patients with pre-existing conditions is to allow states to establish (or re-establish) reinsurance programs and high-risk pools.

5

Reinsurance Reduces Premiums

Reinsurance and high-risk pools reduce premiums for everyone in the Obamacare exchanges by shifting the costs of pre-existing conditions out of the individual health insurance market.

Contact Us

- Visit Heartland.org
- Contact our Government Relations staff at JNothdurft@heartland.org.

Notes

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Additional Info

Despite all these sweeping changes, pre-existing conditions are a much smaller problem than Obamacare's supporters led the public to believe. Before the federal government fully implemented Obamacare, it established a nationwide high-risk pool, known as the Pre-Existing Condition Insurance Plan (PCIP), to cover people with pre-existing conditions who were denied health coverage. However, only **114,959** people, roughly one out of every 2,800 Americans, signed-up for this type of coverage.

At the same time, ACA's mandates and regulations led to a dramatically more expensive health insurance marketplace for everyone else. Because the law prohibits insurers from charging based on health risks it forces everyone to pay significantly more for insurance. Since 2014, the average monthly cost of health insurance in the individual market has increased nearly 140 percent, from **\$232 in 2013** to **\$555 in 2018**. As a result of these enormous premium increases, roughly **three million people** have dropped out of the individual market and drove premiums even higher.

Additional Resources

Iowa Leads the Nation in Embracing Association Health Plans and Short-Term Insurance

<https://bit.ly/2OtFc1j>

In this Research and Commentary, Charlie Katebi examines new reforms in Iowa that will expand access to affordable and reliable health insurance.

Don't Wait for Congress to Fix Health Care

<https://bit.ly/2AQqbzC>

Heartland Senior Policy Analyst Matthew Glans explores solutions states have taken and can take in the future to help solve problems created by Obamacare and Medicaid without needing the federal government.

Federal Efforts to Stabilize ACA Individual Markets through State Innovation

<https://bit.ly/2PBunij>

Vice president of policy at The Buckeye Institute Rea Hederman and senior fellow at the Galen Institute Doug Badger offers several recommendations for streamlining and improving Obamacare's 1332 waiver process that would provide states with more tools to stabilize individual markets.

State Innovation: The Key to Affordable Health Care Coverage Choices

<https://bit.ly/2Dn9i5j>

Senior Research Fellow for The Heritage Foundation Edmund Haislmaier and senior fellow at the Galen Institute Doug Badger explain how the Trump Administration can simplify the unnecessarily restrictive waiver progress established by the Obama Administration in order to provide near-term relief to consumers without new federal spending.

Trump's new short-term health insurance rule is a major victory for young people and working families

<https://bit.ly/2RCsbUW>

Research fellow at The Heartland Institute Justin Haskins explore. Health and Human Services Secretary Alex Azar announced a finalized rule granting consumers greater access to affordable health insurance policies. Under the new rule, people will be allowed to purchase short-term, limited-duration health insurance plans for periods as long as 12 months.