

The Avalere Study of the Impact of Murray-Alexander and Collins-Nelson Bills on Insurance Premiums: What It Says and Does Not Say

By Eliot Fishman

On Wednesday, December 6, the health policy research firm Avalere released a [study](#) entitled *Funding Reinsurance and Cost-Sharing Reductions Would Lower Individual Market Premiums and Increase Enrollment*. The study examined the potential impact of two pieces of legislation: first, the [Murray-Alexander bill](#) restoring federal “Cost-Sharing Reduction” payments to insurers in the ACA marketplaces; and second, the [Collins-Nelson bill](#) funding two years of federal reinsurance payments to state governments.

These two bills have become central to the future of the Republican tax bill because of the emphasis placed on them by Senator Susan Collins of Maine, a critical swing vote. Senator Collins has stated that her November 30th vote for the Senate version of the bill was conditional on an agreement with Senate Majority Leader Mitch McConnell to pass Murray-Alexander and Collins-Nelson. After that vote she has stated that either these two bills must pass [in advance of her vote](#) in favor of a final tax bill or that she receive an “[absolute assurance](#)” of their passage in order to vote for the final tax package.

The Avalere study found that both bills would have the effect of reducing ACA premiums and increasing ACA enrollment, but only if the Affordable Care Act’s “individual mandate” is *retained*. Avalere did not even model what would happen if the Republican tax bill passes and the individual mandate is repealed. Avalere’s summary is explicit on this point:

“Avalere experts note; however, that these stabilizing effects could be overshadowed by the consequences of repealing the Affordable Care Act’s individual mandate, which is included in the Senate’s version of the tax reform bill. Consequences include increased premiums and

reduced enrollment in the exchanges, according to estimates made by the Congressional Budget Office. Avalere’s modeling makes estimates relative to current law and [does not assume the individual mandate is repealed.](#)” [Emphasis added.]

The finding that CSR payments and reinsurance funding would reduce premiums and increase enrollment in combination with an individual mandate is in and of itself neither surprising nor controversial. The question is what would happen if the individual mandate is repealed and these two bills are passed in an effort to mitigate [the harm that would result from repeal](#).

The most authoritative analysis on the impact of individual mandate’s repeal was conducted by [the CBO](#). The CBO’s finding assumed continuation of CSR payments—that is, it effectively assumes the passage of Murray-Alexander. The CBO found that *even with payment of the CSRs that Murray-Alexander would restore*, premiums in the non-group market would increase by 10 percent and coverage would be reduced by 13 million.

On this point, there have been two important, public statements by Senator Collins or her office. On Sunday December 9, Senator Collins was interviewed

by John Dickerson on “Face the Nation”. Dickerson appropriately [asked Senator Collins](#) about the inadequacy of Murray-Alexander and Collins-Nelson as ways to offset the damage from repeal of the individual mandate:

“There is one critique of that, though, that your legislation helped the condition before this tax bill, which has removal of that individual mandate, and that basically these fixes won’t be enough for those people who will see higher premium increases.”

Collins replied by citing the Avalere study—which, as described above, does not speak to the impact of either bill if the mandate is repealed:

“We have a brand new study that just came out last week by Avalere...that says it will more than offset the repeal of the individual mandate.”

When pressed by [Jennifer Rubin of The Washington Post](#) on whether the Avalere study supported this conclusion, Senator Collins’s office made a second argument, replying:

“According to the CBO, repealing the individual mandate would increase premiums by 10 percent. According to Avalere, passing Collins- Nelson and Alexander-Murray would decrease premiums by 18 percent...Consequently, even with greater market uncertainty, it’s reasonable to conclude that passage of those two bills would offset the premium increase and may decrease the cost of health insurance premiums.”

However, such a statement fails to acknowledge that the CBO analysis (finding that mandate repeal would increase premiums by 10 percent and decrease coverage by 13 million) *assumes the continuation of CSR payments that would be restored under*

Murray-Alexander. Moreover, the [CBO’s analysis of the impact of withdrawing CSR payments](#) showed that “Gross premiums for silver plans offered through the marketplaces would be 20 percent higher in 2018 and 25 percent higher by 2020.” The 10 percent premium increase estimate for individual mandate repeal in the CBO is therefore over and above the premium increase already underway from the Trump Administration’s decision to stop CSR payments.

Similarly, neither the CBO nor Avalere has examined the ability of the Collins-Nelson reinsurance funding to mitigate or offset the damage to premiums and coverage that would result from individual mandate repeal. The Commonwealth Fund [recently projected](#) relatively small coverage gains from reinsurance funding. And more broadly, it is doubtful on its face that “reinsuring” \$4.5 billion/year in relatively high costs could offset the impact of repealing the individual mandate on the Marketplaces: a reduction by [close to half of Marketplace enrollment](#), and a reduction in marketplace subsidies that would quickly exceed \$20 billion per year. And Collins-Nelson would do nothing to offset the damage of individual mandate repeal for Medicaid enrollment or employer coverage, also well-documented by the CBO.

Based on the analysis of the CBO and the statements of [actuaries](#) and [insurers](#), a reasonable expectation is that repeal of the individual mandate will result in significant coverage losses, increased premiums and instability in insurer participation even with passage of Collins-Nelson and Murray Alexander. In particular, mandate repeal will hurt older people and people with pre-existing conditions seeking private coverage through the exchanges. Millions of these individuals will be priced-out of affordable health insurance coverage. The Avalere study offers no information to counteract that unfortunate expectation.