January 16, 2017

The Honorable Lamar Alexander, Chairman
Senate Committee on Health, Education, Labor & Pensions
455 Dirksen Senate Office Building
Washington DC 20510

Dear Senator Alexander:

Thank you for the opportunity to offer my input on how we can improve our country’s health care system.

The Affordable Care Act has been very successful in Washington state, in large part because we embraced its reforms early. Our uninsured rate has plunged to a record low 5.8 percent and our uncompensated care costs have been cut in half.

Our individual insurance market is thriving, with 13 health insurers selling 154 individual health plans. In the last three years since the passage of the ACA, rates have increased an average of 6.7 percent compared to 11.2 percent in the three years before health care reform took effect.

I strongly believe that replacement of the Affordable Care Act must happen before any repeal. It must maintain the gains we’ve made over the past five years and be based on sound insurance principles. For example, a healthy insurance market includes good and bad risk. To keep the good risk participating, you must have meaningful incentives for healthy people to stay covered. Failing to respect this basic insurance principle will lead to crisis.

Our state’s experience in the past is a cautionary example. In the early 1990s, Washington state enacted health insurance reforms including an individual mandate and a rich benefits package. Two years later, our Legislature repealed the mandate but kept the benefits. Rates went up, and healthy people stopped buying insurance. The risk pool got smaller and sicker, and rates went up again. This “death spiral” resulted in the complete collapse of our individual market. For two years, consumers could not buy an individual or family health insurance policy in Washington state.

We face clear challenges in addressing the rising cost of health care with or without the Affordable Care Act. Below are some suggested steps for your consideration.

Congress should consider immediate insurance reforms that expand and stabilize the health insurance risk pool, maintain good and bad risk, and help stabilize rates. It’s vitally important to introduce good risk into the market, whether through a mandate or some other requirement or incentive for continuous coverage. I suggest:
More must be done to address the root causes behind increasing health care costs. Pharmaceutical pricing was the number one cost driver in our 2017 individual and family plan market.

We encourage Congress to partner with states and enact long-term reforms that:

- Continue to promote value-based care and outcome-based provider contracting.
- Support state innovation in chronic and collaborative-care models that integrate medical and behavioral health services, provide intensive care coordination and improve health outcomes.
- Increase cost transparency for patients, so they can shop wisely.
- Consider the impact of increased provider and health system consolidation on cost.
- Control pharmaceutical pricing and practices designed to inflate cost, including the “pay-to-delay” tactic used to keep generic drugs off the market.

Jane Beyer, senior health policy advisor, is my agency’s contact for any additional information or feedback. She can be reached at (360) 725-7043 or JaneB@oic.wa.gov.

Thank you again for the opportunity to comment. We look forward to continuing to work with you in the future to share our expertise as Congress moves forward on this vitally important issue.

Sincerely,

Mike Kreidler
Insurance Commissioner

cc: Governor Jay Inslee, Washington State
Washington State Congressional Delegation