

# Lowering Health Care Costs for Consumers

## POLICY SNAPSHOT

Consumer spending on health care has continuously increased from year-to-year. According to the latest data from the [U.S. Bureau of Labor Statistics](#), American households spent an average of \$4,968 on health care in 2018—including spending on health insurance, medical services, prescription drugs and medical devices—representing a 93% increase from 2004.

At the beginning of 2020, states considered a wide range of policy options to address this issue. Though many efforts were [put on hold](#) due to the pandemic response, federal and state lawmakers [still managed to enact](#) several policies to address health care costs to consumers. And, as the pandemic slowly wanes and concerns over health care costs remain, actions to protect consumers from high health care costs are advancing in the 2021 legislative sessions.

## State Policy Options

State legislators may consider the following options, among several others, related to lowering health care costs to consumers:

- Lower health insurance premiums and cost-sharing to consumers.
  - Pursue federal approval for a Section 1332 waiver.
  - Leverage state funds to establish premium subsidies or cost-sharing assistance.
  - Limit out-of-pocket costs for certain services or treatments.
  - Consider the benefits and limitations of alternative health insurance plans.
- Improve transparency in health care prices and patient costs.
  - Establish or expand the capabilities of an all-payer claims database.
  - Create a Right to Shop program for state employees or the privately insured.
  - Require cost estimates for patients and transparency in facility fees.



POLICY OPTIONS	STATE EXAMPLES
<p><b>Lower health insurance costs and cost-sharing:</b> Health insurance affordability remains a major issue—including for individuals who <a href="#">purchase their own insurance</a> on the federally facilitated marketplace or state-run exchanges. For example, the <a href="#">monthly premium</a> for an average benchmark plan (before subsidies) increased from \$273 in 2014 to \$452 in 2021. Given these trends, state lawmakers have pursued several actions to address high premiums and limit patient cost-sharing for the privately insured, particularly for Affordable Care Act (ACA) marketplace plans.</p>	
<p><b>Pursue federal approval for a Section 1332 waiver</b> to test different cost-containment strategies for individual or small group health plans. Section 1332 waivers allow states to waive certain Affordable Care Act (ACA) provisions to test innovative coverage strategies in their health insurance marketplaces, while retaining the ACA’s basic protections.</p>	<p>Currently, <a href="#">16 states</a> have received federal approval for a Section 1332 waiver—and several others have enacted legislation requesting state officials to seek a waiver. Most states use waivers to establish and receive federal funding for a state-run <a href="#">reinsurance program</a>, which helps offset high-cost medical claims for insurers and, in turn, <a href="#">lowers premiums</a> for individuals enrolled in an unsubsidized health plan.</p> <p>Some states are looking to use these waivers for other purposes, especially in light of new, temporary federal subsidies <a href="#">shrinking the pool</a> of individuals who benefit from reinsurance programs. These purposes include <a href="#">creating and funding a public option or changing how a state operates its marketplace</a>.</p>
<p><b>Leverage state funds to establish premium subsidies or cost-sharing assistance</b> for individuals who purchase their insurance off state or federal exchanges.</p>	<p><a href="#">Colorado</a>, <a href="#">New Jersey</a> and <a href="#">New Mexico</a> established a state-level assessment fee on health insurers, which was previously required through the ACA but permanently repealed effective January 2021. The states plan to use the additional revenue to lower individual health insurance costs in multiple ways, including financing state-level premium subsidies for those who do not qualify for federal subsidies, establishing cost-sharing assistance or funding state reinsurance programs.</p>
<p><b>Limit out-of-pocket costs for certain services or treatments</b>, such as copayment caps for prescribed insulin. These state actions <a href="#">may not affect</a> those enrolled in self-funded employer sponsored health plans, which cover over <a href="#">65% of individuals</a> who receive insurance through their employer.</p>	<p>At least <a href="#">14 states</a> implemented some type of monthly copayment cap for insulin. For example, <a href="#">Alabama</a> capped monthly copayments for a 30-day supply of insulin at \$100 for those enrolled in state-regulated health plans. <a href="#">Kentucky</a> capped copayments to \$30 for a 30-day supply.</p> <p><a href="#">New Mexico</a> waived all cost-sharing obligations through January 2027 for behavioral health services, such as substance use disorder treatment.</p>
<p><b>Consider the benefits and limitations of <a href="#">alternative health insurance plans</a></b>, including short-term limited duration insurance (STLDI), association health plans, health care sharing ministries and other similar plans. While these coverage options typically have lower monthly premiums, they often do not have to comply with certain state insurance laws and consumer protection provisions established by the ACA. Additionally, <a href="#">research indicates</a> increasing the availability of these plans results in higher premiums for marketplace plans.</p>	<p>Although federal rules allow individuals to enroll in an STLDI for up to 364 days and renew coverage for three years, <a href="#">24 states and D.C.</a> set stricter limits than the federal government for enrolling in STLDIs or prohibit these plans altogether.</p> <p>Other states are <a href="#">expanding access</a> to STLDIs. <a href="#">Idaho</a> allows for “enhanced” short-term plans, which permits enrollees to renew coverage for up to three years and establishes <a href="#">certain protections</a> against medical underwriting for individuals with preexisting conditions.</p> <p><a href="#">Five states</a> allow for farm bureau plans, which operate similarly to <a href="#">association health plans</a> and authorize agricultural membership organizations to offer health benefit plans to their members. These states do not consider farm bureau plans to be insurance, effectively exempting them from federal and state health insurance laws and oversight.</p>

POLICY OPTIONS	STATE EXAMPLES
<p><b>Improve transparency in health care prices and patient costs:</b> Research has shown lack of price transparency—for consumers, employers and policymakers—has long contributed to higher and varying prices for certain health care services. For example, a Kaiser Family Foundation analysis found that a knee or hip replacement surgery varied from an average price of \$23,170 in Baltimore to \$58,193 in New York City. While policymakers are using price transparency to spotlight this level of variation, they are also aiming to equip consumers with better price information to help them shop for high-quality nonemergency services at a lower cost.</p>	
<p><b>Establish or expand the capabilities of an all-payer claims database (APCD).</b> APCDs collect health care claims data from several payers, including Medicare, Medicaid, state employee health plans and state-regulated health plans. States can use APCDs to better measure marketplace trends, identify price variation and provide price information directly to consumers.</p>	<p><b>Twenty-four states</b> have an APCD or enacted legislation to establish one. Of these states, <b>at least nine</b> use APCDs for consumer-facing price comparison tools, allowing individuals to compare prices of shoppable services—such as a knee-replacement surgery.</p> <p>For example, <b>New Hampshire’s NH HealthCost</b> compares price information for more than 200 medical and dental services and maintains provider quality metrics. <b>Traffic to the resource</b> has continuously grown—and <b>some reports</b> attributed lower out-of-pocket costs for certain services (e.g., CT scans) to the tool. However, <b>recent research</b> indicates increased use of NH HealthCost had a limited effect on patients choosing lower cost providers likely due to many factors, such as patients deferring to a provider’s referral.</p>
<p><b>Create a Right to Shop program for state employees or the privately insured.</b> Through <b>Right to Shop programs</b>, insurers share a portion of their savings with enrollees when they choose lower-cost, high-quality providers.</p>	<p><b>Maine</b> required insurance carriers offering small group health plans paired with health savings accounts to establish Right to Shop programs for enrollees, in part to incentivize use of the state’s price comparison tool.</p> <p><b>Utah</b> established a Right to Shop program for its state employee health plan and authorized private insurers to voluntarily implement a similar program.</p>
<p><b>Require cost-estimates to patients and transparency in facility fees.</b></p>	<p><b>Georgia</b> will require insurers to make available on their websites out-of-pocket cost estimates, quality metrics and reimbursement rates to providers by July 2021.</p> <p><b>Maryland</b> requires hospitals to provide written notice to patients of outpatient facility fees prior to rendering services—and requires facilities to provide information on facilities that do not charge a fee.</p> <p><b>South Dakota</b> will require health insurers to provide cost-sharing estimates upon an enrollee’s request and establish a “self-service tool” for consumers to determine their cost-sharing liability for a covered service by January 2024.</p>

## Federal Action

Congress and federal agencies have recently implemented several policy actions focused on reducing health insurance premiums and enhancing consumer access to health care price information.

### HEALTH INSURANCE AFFORDABILITY

The American Rescue Plan (ARP) Act of 2021, the latest COVID-19 relief bill enacted in March 2021, **temporarily expands** for two years advance premium tax credits (APTCs) for individuals who purchase ACA health plans. These APTCs were made available starting April 1.

The law increases **APTCs for all income brackets**, with consumers earning between 100% to 150% of the **federal poverty level (FPL)** now eligible for \$0 premium plans. For those who earn above 400% FPL, who previously did not qualify for APTCs, the ARP caps what these individuals pay for premiums at 8.5% of their household income.

Those who received unemployment benefits at any point in 2021 are eligible for 100% subsidized coverage through the marketplace. Additionally, individuals who are unemployed but want to maintain their previous employer coverage are eligible for fully subsidized coverage through [COBRA continuation coverage](#). Both of these provisions are in place through Sept. 30, 2021.

## PRICE TRANSPARENCY

The Department of Health and Human Services (HHS) issued a [final rule](#) requiring hospitals to release price information for 300 shoppable health services in a consumer-friendly format, as well as release a list of standard charges for all services in a machine-readable format. Although hospital price transparency rules went into effect January 2021, [several reports](#) have found a high number of hospitals not in compliance.

In addition to hospital transparency, HHS released a [final rule](#) in 2020 requiring most private health insurers to provide cost-sharing estimates upon a patient's request and publish negotiated payment rates with in-network providers. Health insurers must release negotiated rates by January 2022 and comply with cost-sharing estimate requirements by January 2024.

Finally, federal legislation enacted in December 2020 [created a grant program](#), where states can receive \$2.5 million to start or improve a state-based APCD.

## Additional Resources

- [Bring Health Care Prices to Light](#) (NCSL, February 2021)
- [Health Care Costs and Coverage Still a Priority for States](#) (NCSL, December 2020)
- [The American Rescue Plan's Premium Tax Credit Expansion—State Policy Considerations](#) (The Brookings Institute, April 2021)
- [What is Your State Doing to Affect Access to Adequate Health Insurance](#) (The Commonwealth Fund, May 2021)

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