



**“Practical Steps to Quality, Affordable Healthcare for all Montanans”
Policy Whitepaper
April 10, 2018**

Kathleen Williams is a champion for quality, affordable healthcare for every Montanan. In the state legislature, she was a proud supporter of Medicaid expansion, fought to reduce price discrimination in the individual insurance market,¹ and took on insurance companies that refused to cover routine cancer care for patients participating in life-saving clinical trials.²

For Kathleen, health care is deeply personal. When she was eleven years old, her mother was diagnosed with early onset Alzheimer’s Disease. Kathleen and her father were her primary caregivers for eight years, until she passed away. Kathleen understands what a single health care crisis can do to a family, and she has made fixing America’s broken healthcare system the top priority for her Congressional campaign. This includes increasing access to quality mental healthcare, which is an inextricable part of the overall healthcare system.

Kathleen has a record of rolling up her sleeves and finding solutions for her constituents, even when the issues are thorny. In Congress, these are the steps that she will take to repair a healthcare system that is failing too many Montanans:

Reduce uncertainty, stabilize the individual insurance market, and protect our rural communities and children

In the short term, Congress can take immediate steps to ease the burden on Montana’s families caused by high insurance premiums. Too many Montanans on the individual market are paying tens of thousands of dollars in premiums, potential co-pays, and deductibles before they would even receive any care.

- Late last year, the Trump administration cut off cost-sharing reduction payments to insurance companies, which subsidize coverage for high-cost participants in the individual market.³ This move was a political move designed to undermine the Affordable Care Act, and it is hurting the most vulnerable Americans who would be the first to lose coverage without the ACA. Kathleen believes that Congress must step up and make these payments mandatory immediately.

¹ <https://openstates.org/mt/bills/2015/HB349/>

² Gail Schontzler, "Nothing for Granted: Bozeman Man a Pioneer on the Frontier of Fighting Cancer," Bozeman Daily Chronicle, November 26, 2017, https://www.bozemandailychronicle.com/news/health/nothing-for-granted-bozeman-man-a-pioneer-on-the-frontier/article_3799bcc4-3151-527a-a04a-814dc824230d.html.

³ Danielle Kurtzleben, "Trump Administration To End Obamacare Subsidies For The Poor," NPR, October 12, 2017, <https://www.npr.org/2017/10/12/540920671/trump-administration-to-end-obamacare-subsidies-for-the-poor>.



- Similarly, Congress must create a budgetary line item for so-called reinsurance payments, which the Administration is also undermining. These payments ease the initial cost of entry into ACA marketplaces for insurers.⁴ Because Congress has not made these payments predictable, insurance companies are passing the cost of uncertainty on to consumers, resulting in higher costs for Americans on the individual market.⁵
- The Administration's move to eliminate cost-sharing reduction and reinsurance payments is intended to undermine the core structure of the ACA. Perhaps most insidiously, these policy changes will shift additional costs onto the federal government, which must continue to subsidize individual plans as they become more expensive. The Administration's goal is undoubtedly to use these ballooning costs to build political pressure to cut ACA spending in a tight budgetary environment.⁶ In Congress, Kathleen will vote to protect subsidies for people who buy their insurance on the individual market, not throw people off their plans because this Administration intentionally made them unaffordable.

Congress must also protect key programs for Montana's rural communities and children. After an embarrassing budget standoff where the Children's Health Insurance Program and federally qualified Community Health Centers were used as bargaining chips by hyper-partisan legislators and special interests in D.C., these programs were extended for ten and two years, respectively.⁷ However, as long as these programs are temporary, they will be used as political footballs. Kathleen supports permanent authorization for both programs so that our rural communities and children can finally have health care services that they can always rely on.

Reduce prescription drug costs

Patients in the United States pay significantly more for prescription drugs than patients in almost every other developed country. For example, a recent Bloomberg study found that Americans pay 85% more for the breast cancer drug Herceptin than consumers in other high-income countries.⁸ This price gouging is not only unfair, it forces people across Montana and America to choose between life-saving care and quality of life.

⁴ Thomas Kaplan and Robert Pear, "End to Health Care Subsidies Puts Congress in a Tight Spot," New York Times, October 13, 2017, <https://www.nytimes.com/2017/10/13/us/politics/trump-congress-obamacare-insurance-subsidies.html>.

⁵ Julie Rovner, "Time Running Short For Congress To Stabilize Individual Insurance Market," NPR, March 2, 2018, <https://www.npr.org/sections/health-shots/2018/03/02/589577443/time-running-short-for-congress-to-stabilize-individual-insurance-market>.

⁶ Margot Sanger-Katz, "Trump Is Trying to Gut Obamacare. Here's Why His Plan May Fail.," New York Times, October 13, 2017, <https://www.nytimes.com/2017/10/13/upshot/trump-is-telling-obamacare-insurers-he-doesnt-support-the-market.html>.

⁷ "Congress Passes 2-Year Community Health Center Funding," Canyonlands Healthcare, February 13, 2018, <https://canyonlandshc.org/congress-passes-2-year-community-health-care-funding/>

⁸ Robert Langreth, Blacki Migliozi and Ketaki Gokhale, "The U.S. Pays a Lot More for Top Drugs Than Other Countries," Bloomberg, December 18, 2015, <https://www.bloomberg.com/graphics/2015-drug-prices/>.



Despite serving 44 million beneficiaries - a full 15% of the U.S. population - Medicare is prohibited by federal law from negotiating for lower drug prices. Politicians have surrendered Medicare's immense bargaining power to insurance companies and their well-paid, D.C. lobbyists.

It doesn't have to be like this. Medicaid and the Veterans Health Administration both aggressively set drug reimbursement prices and force insurance companies to lower costs for their patients.⁹ As a result, Medicaid pays, on average, 48% of the official list price of brand-name drugs; the Veteran Health Administration pays 46%. Despite its immense purchasing power, Medicare, saddled by the statutory restriction on its ability to bargain, pays 86% of average official brand-name drug prices.¹⁰ Nonpartisan health care economists have found that allowing Medicare to bargain for prices the same way that the VHA can today would lower Medicare prescription drug prices by up to 40% and reduce prescription drug spending by \$14 billion per year.¹¹

In Congress, Kathleen would push legislation allowing Medicare to bargain for drug prices. This policy is the definition of common sense. Politicians ranging from Senator Bernie Sanders to President Donald Trump have all agreed it's time to enact it.¹² Recent polling has found that 93% of Democrats and 74% of Republicans support this change.¹³ In Congress, Kathleen will fight hard to lower prescription drug costs for all Americans.

Lead America to a robust public option: allow Americans aged 55 to 64 to buy into Medicare

Non-partisan commentators have called this idea a "win-win-win" solution with political upside for both Democrats and Republicans.¹⁴ It is exactly the type of bipartisan, sensible, and plausible legislation that Kathleen was known for championing in the Montana Legislature.

Here's who would win:

1) Older Americans would win. Kathleen's proposal would create a competitive public insurance option nationwide that would **drive down individual insurance costs for people aged 55-64**, who are most vulnerable to the economic consequences of high premiums.

⁹ Robert Pear, "Medicaid Pays Less Than Medicare for Many Prescription Drugs, U.S. Report Finds," New York Times, August 16, 2011, <https://www.nytimes.com/2011/08/16/us/16drug.html>.

¹⁰ Marc-André Gagnon and Sidney Wolfe, "Mirror, Mirror on the Wall: Medicare Part D pays needlessly high brand-name drug prices compared with other OECD countries and with U.S. government programs," Carleton University School of Public Policy and Administration Policy Brief, July 23 2015.

¹¹ Austin Frakt, "What if Medicare's drug benefit was more like the VA's?," April 14, 2011, <http://theincidentaleconomist.com/wordpress/what-if-medicare-drug-benefit-was-more-like-the-vas/>

¹² Eric Pianin, "Medicare Could Save Nearly \$16 Billion a Year Negotiating Drug Prices," March 9, 2017, <http://www.thefiscaltimes.com/2017/03/09/Medicare-Could-Save-Nearly-16-Billion-Year-Negotiating-Drug-Prices>.

¹³ Tami Luhby, "Here's one fix for high drug prices," CNN Money, September 28, 2015, <http://money.cnn.com/2015/09/28/news/economy/medicare-drug-prices/index.html>.

¹⁴ Howard Gleckman, "Fix The Affordable Care Act By Letting People 55-64 Buy Into Medicare," Forbes, April 28, 2017. <https://www.forbes.com/sites/howardgleckman/2017/04/28/fix-the-affordable-care-act-by-letting-people-55-64-buy-into-medicare/#54e1f447cda4>.



- The Affordable Care Act capped age rating bands so that Americans aged 55-64 can only be charged three times more than younger Americans for insurance coverage. However, the 3:1 rating band limit still results in significantly higher premiums for that group, and is under constant threat of being reversed in Congress or undermined (raised to 5:1) by the Administration.¹⁵
- Americans over age 65 is the only age group increasingly falling into poverty.¹⁶ The poverty rate for this group is unacceptably high. In 2016, detailed metrics placed the number of senior citizens living in poverty at 7.1 million, 14.5% of the senior population in America.¹⁷ Health care costs are a main contributor to this disturbing trend.¹⁸
- Kathleen's proposal would lower health care costs for Americans heading into retirement. It would increase competition in the individual marketplace, driving down costs even for those on private plans, and it would give every person 55 and older in America the option to pay a fair, set premium for Medicare services that would be, on average, far more affordable than comparable marketplace plans.¹⁹

2) Younger Americans would win. Our current healthcare system forces everyone from 18 to 64 into the same risk pool. One of the unintended consequences of the cap on age rating bands was that it incentivized insurers to increase premiums for younger adults to partially subsidize insurance for the near-elderly. By giving the near-elderly a new, competitive insurance option, it **would lower overall premiums in ACA marketplaces** around the country by making those marketplace pools relatively younger and healthier.²⁰

3) American small businesses and workers would win. The high cost of insuring older workers is a disincentive for businesses with an age-diverse workforce to invest in quality health care for their employees. Lack of quality healthcare forces employees into transient jobs and underemployment, a particularly vicious cycle for those aged 50 and older.²¹ **This contributes to the cycle of poverty that is afflicting more and more older Americans. It also takes talent away from businesses who**

¹⁵ "AARP Opposes 'Age Rating' Bill that Threatens to Drive Up Health Costs," February 1, 2017, <https://press.aarp.org/2017-02-01-AARP-Opposes-Age-Rating-Bill-that-Threatens-to-Drive-Up-Health-Costs>.

¹⁶ Pedro Nicolaci da Costa, "More and more older Americans are slipping into poverty," Business Insider, September 15, 2017, <http://www.businessinsider.com/americans-65-and-up-slipping-into-poverty-2017-9>.

¹⁷ Juliette Cubanski, Kendal Orgera, Anthony Damico, and Tricia Neuman, "How Many Seniors Are Living in Poverty? National and State Estimates Under the Official and Supplemental Poverty Measures in 2016," March 22, 2018, <https://www.kff.org/medicare/issue-brief/how-many-seniors-are-living-in-poverty-national-and-state-estimates-under-the-official-and-supplemental-poverty-measures-in-2016/>.

¹⁸ Dylan Matthews, "Senior poverty is much worse than you think," Washington Post, May 20, 2013, https://www.washingtonpost.com/news/wonk/wp/2013/05/20/senior-poverty-is-much-worse-than-you-think/?utm_term=.b82b02928442.

¹⁹ Daniel Marans, "Senate Democrats Introduce Bill Allowing Medicare Buy-In At 55," Huffington Post, August 4, 2017, https://www.huffingtonpost.com/entry/democrats-medicare-expansion_us_598491c6e4b041356ebf7569.

²⁰ Linda J. Blumberg and John Holahan, "Designing a Medicare Buy-In and a Public Plan Marketplace Option: Policy Options and Considerations," Urban Institute Paper, September 2016, <https://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000946-Designing-a-Medicare-Buy-in-and-a-Public-Plan-Marketplace-Option.pdf>.

²¹ "Over 50 and Unemployed?," AARP, October 21, 2011, <https://blog.aarp.org/2011/10/21/over-50-and-unemployed/>.



feel that they can no longer afford their older workers. Kathleen's proposal would create more competition in the near-elderly insurance market and reassure Americans aged 55 and older that they can work with dignity while maintaining high-quality health insurance through Medicare.

4) Current Medicare beneficiaries would win. An influx of relatively younger beneficiaries would dilute the current Medicare risk pool and put the program on more stable financial footing. Americans aged 55 to 64 are, on average, demonstrably healthier than the current Medicare population.²² **Kathleen's proposal would shore up Medicare's financing** by both improving the program's risk pool and generating additional revenue for Medicare through the buy-in structure.

Finally, supporters of universal health care would win.

Yale University's Jacob Hacker, the so-called "father of the public option" in American health care policy, has said that Kathleen's proposal is a crucial first step toward a real public option in American health insurance.²³

Current direct-to-single-payer proposals are too far-reaching and expensive to pass a Republican House, Senate, and President. However, Kathleen's Medicare reform would reduce costs across the board and largely pay for itself. It would also be a significant evolution of the federal role in health insurance, draw millions of people onto a true public option, and--most importantly--spark a national, grassroots dialogue about the future of healthcare in America. People aged 55 to 64, some of the most vocal voters and activists in the nation, would become a new, powerful voice for a public option.

Throughout Kathleen's career, she has never made promises that she could not deliver to her constituents. Advocates for single payer must be able to explain how they will win the necessary votes and finances for the transition. Kathleen cannot, and will not, promise single payer health care in 2018. She can, however, promise to work on bipartisan, meaningful legislation that will reduce costs, expand access, and make the healthcare system work for everyday Montanans while laying the groundwork for broader systematic changes.

As we continue to have important discussions across Montana and the nation about the best models for health care financing (e.g. the Swiss model, the Canadian model, the U.K. model, etc.) and delivery (e.g. fee-for-service, managed care, medical homes, etc.), Kathleen's proposal would immediately lower costs and move us to a more sustainable healthcare system, while simultaneously creating a groundswell of support for a long-lasting, citizen-led solution for universal healthcare in America.

²² Stephen Koff, "Medicare buy-in for the age 55-to-64 set: Would it make sense?," August 7, 2017, http://www.cleveland.com/nation/index.ssf/2017/08/medicare_buy-in_for_the_age_55.html.

²³ Alison Kodjak, "Fact-Checking Hillary Clinton's Medicare Buy-In Proposal," NPR, March 12, 2016, <https://www.npr.org/2016/05/12/477836054/fact-checking-hillary-clintons-medicare-buy-in-proposal>.