

**Written Testimony of Steve Bullock**  
**Governor of Montana**  
**Before the United States Senate Committee on Health, Education, Labor and Pensions**  
**September 7, 2017**

Chairman Alexander, Ranking Member Murray, and distinguished Committee members, thank you for the opportunity to appear today. Thank you for the invitation to be here and discuss some of the ways we can work together – senators, governors, Democrats and Republicans, to finally begin to find meaningful solutions that will increase affordability and quality of health care across America, specifically through the individual marketplace.

I appreciate the Senate HELP Committee's attention to this important issue. It's heartening to see folks in Washington D.C. begin to reach across the aisle and engage in a civil, respectful dialogue. And maybe even begin to listen to one another. Instead of debating proposals that would take health insurance coverage away from thousands of Montanans, and millions of Americans, focusing the discussion on how to fix the existing flaws in our health care system is the only way this country will move forward in the health care debate.

Although difficult, this discussion is imperative and it is our bipartisan responsibility. Indeed, while people across the political spectrum may find flaws and shortcomings of the Affordable Care Act – and doubtless there are differing opinions concerning the substance of those shortcomings – there ought to be some agreement regarding the enduring problems caused by the manner in which the ACA was ultimately enacted. Meaningful and lasting reform in any area of policy will be substantially hamstrung if that policy is implemented over the uniform objection of the minority party. I applaud the Chairman, and members of the Committee, for recognizing this to be the case, and for doing all that you can to ensure Congress doesn't repeat the mistakes of the past.

While the individual marketplace is a relatively small percentage of all Americans covered, it's instability not only impacts millions of Americans, but also has impact beyond the percentages. I believe we can find common ground in driving down costs and stabilizing the marketplace, and the time to act is now. Bipartisanship on an issue as difficult as health care can be challenging, yet it is not impossible. I know this because we've done it in Montana. And my fellow governors

appearing before you today are working hard every day to find similar common ground in their states surrounding issues like health care and other matters of significant concern.

## **A Strong Individual Market is Essential to a Rural, Frontier State like Montana**

Montana is a state of a million people spread out over 147 thousand miles. The rural nature of Montana is a celebrated part of our heritage, but it does present some real challenges when it comes to access to affordable, high quality health care and emergency services. Indeed, the vitality and continuing viability of our communities, urban and rural, depend on access to quality, affordable healthcare, and the facilities that provide that care.

Until recently, far too many of our neighbors, friends, and coworkers went to work every day with the knowledge that access to health insurance – and quality, affordable health care – was beyond their reach. As a result, they were forced to avoid regular check-ups and screenings, and were often left with no choice but to access care when and where it is most expensive and most difficult to treat – the emergency room.

Montana was the last state in the country to legislatively pass Medicaid expansion and we did so with true bipartisan compromise and a uniquely Montana approach. I am grateful to my legislative colleagues on both sides of the aisle for being willing to put politics aside to improve access to health care in our state.

With passage of the Medicaid expansion and increased access to individual insurance coverage through the health insurance marketplace, Montana's rate of uninsured has dropped from a staggering 20% in 2013 to 7% in 2017. The implementation of Medicaid expansion in 2016 contributed most significantly to that drop. Growth in the individual market as a result of tax credits, as well as elimination of underwriting and pre-existing condition exclusions, were also significant factors.

It is also important to note that while today's topic focuses on the individual insurance market, the stability and affordability of the private market in states like Montana are linked to the

expansion of the Medicaid population. It has been well documented that marketplace premiums are about seven percent lower in Medicaid expansion states than in states that have not yet expanded Medicaid.<sup>1</sup>

The decline in uninsured and the increase in access to affordable coverage has been particularly meaningful in rural Montana. Rural Montanans, like rural Americans, are less likely to have the option of employer-sponsored health insurance. Today, three out of four Montanans who enrolled in a Marketplace plan during the last open enrollment period are from rural and frontier areas of our state. Eighty-four percent of all Montanans enrolled in a Marketplace plan receive tax credits to make their premiums affordable; half receive cost sharing reductions to reduce their out of pocket costs.

### **Real Impacts: Improving Health Care Outcomes in Indian Country**

The states that appear before this Committee all present different perspectives, challenges and opportunities. On perspective that is more prevalent in the West, and worthy of this Committee's understanding, is the impact on American Indians. In Montana, the lifespan of American Indians is, on average, twenty years shorter than their nonnative friends and neighbors. The ACA marked the largest expansion of American Indian health care in a generation, as Medicaid expansion and the health insurance marketplace have given many American Indians access to health coverage for the first time in their lives.

Indian Health Services is an important part of upholding the federal government's trust responsibility to Indian peoples, but it is not comprehensive health coverage. Its chronic underfunding used to mean that IHS clinics ran out of money part way through the year, and only beneficiaries in danger of losing life or limb could get care.

The ACA, and especially Medicaid expansion, has changed that. Now, in Montana, more than 13,000 Native Americans have gotten covered through Medicaid expansion and the health

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<sup>1</sup> Office of the Assistant Secretary for Planning and Evaluation (ASPE), "The Effect of Medicaid Expansion on Marketplace Premiums," August 25, 2016, <https://aspe.hhs.gov/pdf-report/effect-medicaid-expansion-marketplace-premiums>

insurance marketplace, which means they have access to the full spectrum of health services they need, when they need them – just like you and me.

It also means that IHS' funding lasts longer, and IHS clinics are able to make up for some of the chronic funding shortfall by billing Medicare, Medicaid and private insurance. Montana's tribal leaders have told me how important the ACA is to their people's health and future, and the Rocky Mountain Tribal Leaders Council passed resolutions supporting the ACA and Medicaid expansion.

### **Immediate Actions to Restore Stability to Private Insurance Market**

At the end of the day, health care is about people, not politics or posturing. It is about the wellbeing of our citizens, and the overall health of our communities. The ACA certainly is not without flaws and we must look for bipartisan ways to improve coverage and affordability and to ensure a stable and fair market under the law. But we will not achieve these goals by pulling the rug out from under people who rely on the coverage they receive to ensure the health of themselves and their families.

We must continue working together across party lines, in public-private partnerships, and using the latest technology and best practices to ensure that patients, in all corners of our country, have access to the best care - and that their doctors and health care professionals have access to the training and support they need to provide that care.

Good health is the foundation of everything from a competitive workforce to the economic and financial security of our families.

Recently, a number of Governors sent Congressional leaders some thoughts on reform, and immediate steps that could be taken to make coverage more affordable. The perspectives of the eight Governors signing that letter are as diverse as the landscapes spanning the signatory states. Doubtless, many other Governors across the country would agree with most, or at least some of

the recommendations included therein. Below, I highlight a few of the areas that I hope the Committee will seriously consider.

**A. Fund the Cost Sharing Reduction: Premium Increases in Montana from Failure to Pay Cost Sharing Reductions**

Notably, the invitation to testify before this Committee wasn't to endeavor to solve all the challenges of the ACA or healthcare, but instead to present "thoughts on the need for Congressional and administrative action to stabilize premiums and help individuals in the individual insurance market for 2018." If this Committee is genuinely concerned with stabilizing the individual marketplace, the most important step it can take in the near term is ensuring funding for the cost-sharing reduction ("CSR") payments for at least the next two years.

The impact of the uncertainty of whether the CSR payments will continue to be funded is exemplified by the Montana experience. Montana has three carriers offering insurance on the exchange. The Administration's mixed – and at times hostile -- signals regarding the CSR payments and other destabilizing actions has led Montana's largest insurer to propose a rate hike for next year that's 10 times higher than it would have been under current provisions of the ACA.

In a hearing before the Montana Insurance Commissioner, the President of that insurer testified that the uncertainty around whether the Trump Administration would pay the CSR and keep current provisions of the ACA in place resulted in a requested 23% average rate increase. He testified that that had these uncertainties not existed; the insurer would only have requested a rate increase of 2.3 percent.<sup>2</sup> Similarly, the non-partisan Congressional Budget Office recently found that not paying the cost-sharing reductions would result in a 20-25 percent increase in premiums, and increase the federal deficit \$194 billion over the next ten years.<sup>3</sup> The uncertainty surrounding whether the Trump administration will continue to make CSR payments is having a

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<sup>2</sup> Matt Volz, "Health law uncertainty balloons Montana insurance rates," *Associated Press*, July 26, 2017, <https://www.usnews.com/news/best-states/montana/articles/2017-07-26/health-law-uncertainty-balloons-montana-insurance-rates>

<sup>3</sup> Congressional Budget Office, "The Effects of Terminating Payments for Cost-Sharing Reductions," August 2017, <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53009-costsharingreductions.pdf>

real impact on private markets, and Congressional assurance that these payments will continue to occur will meaningfully impact the stability of the market – in Montana, and across the country.

### **B. Create a Temporary Stability Fund**

Although no longer in place, in 2014, the reinsurance program under the ACA reduced premiums in the individual marketplace by 10-15 percent. With several more years of experience now behind us, it is a mechanism that will add to the stability of the market. Certainly, some states have been taking steps to do the same. However, Congress should create a reinsurance program or a fund that states can use to create reinsurance programs or similar efforts that reduce premiums and limit losses for providing coverage. This safety net will allow insurers to manage their risk and bring down premiums. As recommended in the bipartisan Governors' letter, it should be provided for at least two years and that a funding source be identified to offset the cost so it does not add to the deficit.

### **C. Encourage Enrollment and Enforce the Individual Mandate Until a Credible Replacement is Found**

Finally, encouraging younger, healthier people to enroll in insurance will improve the risk pool and bring more stability and affordability to the market place. It will also protect our young adults, who are just starting their independent lives, from financial calamity if the unexpected happens.

Education must remain a priority, and recent actions to reduce funding that would drive individuals to sign up for insurance is penny wise and pound foolish. Reducing the education budget by 90% and payments to navigators by 40% is, like the continuing threats to withhold the CSR payments, and overt attempt to sabotage the ACA. We must continue to fund efforts to educate and encourage younger people to enroll in coverage, including enrollment assistance. Research shows young adults are less confident in their ability to choose a health insurance plan, and that most uninsured adults would like to talk with someone when signing up for health insurance. Improving young adults' participation will lower risk and drive premium costs down. Investing in marketing campaigns that educate and appeal to this younger generation is a critical component of controlling costs.

Moreover, at this point, it remains necessary to reduce the risk that only the sickest will get insurance. Coming from a rural state like Montana that has a strong libertarian streak, I certainly understand and sympathize with those who dislike individual mandate. However this Committee's aim is near term stabilization of the individual market. The reality is that without participation of the young and the healthy we will not achieve lower premiums. We must roll up our sleeves and consider credible alternatives, but we must also have the courage to recognize that while unpopular, enforcement of the individual mandate is necessary to stabilize the market and prevent carriers from leaving the market place or offering premiums that price working Americans out of the private market.

### **Looking Forward: Encourage State Innovation to Reform Payment and Control Costs**

In taking steps to stabilize the market for the immediate term, Congress must ensure that it doesn't stifle the innovation and efforts occurring to transform the underlying market dynamics driving the increasing cost of care; dynamics that were manifest even long before the ACA was enacted. We know that healthier Americans make for healthier businesses, families, and stable state economies. Individual health can have an enormous impact on individuals, their families, and the overall economy. We also know that, the current system of paying for repeated tests and services, not outcomes, has significant limitations. Ultimately, major transformation of how we incentivize and provide healthcare is necessary.

Strengthening primary care is critical to promoting health and reducing overall health care costs. Congress created the Center for Medicare and Medicaid Innovation (known as the Innovation Center, CMMI) to test innovative payment and delivery models that can reduce costs and improve health. Their Comprehensive Primary Care Plus model does that through a public-private partnership that bolsters primary care, provides flexibility and the right incentives to doctors, and reduces the overall cost of care.

In July of 2017, Montana Medicaid joined with the state's major insurance carriers and Medicare to launch a Comprehensive Primary Care Plus partnership in Montana that includes nearly 1/3 of

Montana's covered lives. Smarter spending to support primary care and enhancing care coordination in more innovative ways is the right move. It lets us give providers the freedom to care for patients the way they think is best, and it has been proven to reduce emergency room use and costly hospitalizations.

This is good news for patients, it's good news for families, and it's good news for the patients in states like many of yours, who are joining this move away from fee for service health care system: Tennessee, Ohio and Northern Kentucky, the Greater Kansas City Area, Colorado, Philadelphia, and next year, in Louisiana.

Partnerships like this between private and public health plans, and innovations through CMMI, must continue. While the federal government won't always be positioned to create the partnerships or innovation, it can support and incentivize the efforts to do so.

## **Conclusion**

Thank you again for inviting me and several of my colleagues. I know bipartisanship can be hard and is not without challenge. I govern in a state where almost two-thirds of those elected in both state houses serve in the Republican Party. In my experience—one that I know is shared by my fellow governors—the challenges posed in finding bipartisan solutions to difficult issues like health care can be overcome. I worked with Democrats and Republicans to pass a unique approach to Medicaid expansion, which led to a dramatic drop in the number of people in my state without insurance. More than 80,000 Montanans have gained access to health care through expansion and folks have finally started to receive the treatment they deserve.

I know bipartisanship works, and on an issue as important as health care, bipartisanship is an imperative. We must come together with real solutions to stabilize the market. We need certainty and stability not just for insurance providers but also for the people in our states that need insurance. While we so often speak in terms of percentages and aggregate numbers, we cannot forget that behind the numbers are people facing a cancer diagnosis or planning to care for a sick child or parent; young people that might think they are invincible, that seek to avoid coverage, then are one accident or incident away from bankruptcy. The millions of people currently in the



individual marketplace all have individual stories, and individual hopes and aspirations that this Committee and Congress can help further. These people need certainty that their insurance premiums will not spike beyond what they can afford.

I appreciate the work of my fellow governors in finding common ground on controlling costs and stabilizing the market, that will positively impact the coverage and care of millions of Americans. As governors of both parties, both here before you today and others across this nation, we stand ready to work with you in an open, bipartisan way to provide better insurance and healthcare outcomes for all Americans.