

May 20, 2021

Senator Nicole Cannizzaro
Senate Majority Leader
401 South Carson Street
Carson City, NV 89701

CC: Senators and Representatives of the Nevada Legislature
Governor Steve Sisolak

RE: Senate Bill 420

DEAR MAJORITY LEADER CANNIZZARO,

We are writing to set the record straight on pending legislation that will create a new health insurance option in Nevada. As organizations committed to increasing health care access and affordability, we believe you have a unique opportunity to address significant longstanding issues in Nevada by advancing legislation to create this new coverage option — often called a public health insurance option or public option — and thank you for your leadership on this important issue.

It is important that we start with key facts:

1. Nevada ranks 49th among states for overall health system performance, 51st for prevention and treatment, and 44th for access and affordability¹— resulting in many Nevadans not receiving the care they need. On the other hand, Nevada ranks at the very top, nationally, with the highest percentage of for-profit hospitals in the country.² This level of profit begs the question as to why the state continues to rank in the bottom for health system performance, access, and quality. This all indicates a need for change in Nevada’s health care system;
2. While some hospitals have reported declining revenue during the pandemic, many have reported strong profitability, particularly when federal subsidies are taken into account. Similarly, the state’s largest private health insurers—UnitedHealth Group, Centene, and Anthem Blue Cross Blue Shield³—are among the nation’s most profitable companies on the Fortune 500.³ By contrast, at the end of 2020, nearly 100,000 fewer Nevadans were employed than in February of that year.⁴ For low-wage workers, employment fell 23 percent during that same time period;⁵ and
3. Nevada’s Medicaid program covers approximately 750,000 people,⁶ and has managed care contracts worth nearly \$2 billion,⁷ which, when tied to the new public option, gives the state stronger negotiating power to address cost and quality on behalf of consumers than they are able to achieve on their own.

References:

1. Kaiser Family Foundation, [Hospitals by Ownership Type](#)
2. For example, Valley Health System (which operates six hospitals in Clark County) is owned and operated by Universal Health Services, Inc., which is a Fortune 500 company and is one of the three leading for-profit hospital companies in the nation. [See 2020 Rankings for Health Care: Medical Facilities](#)
3. Kaiser Family Foundation, [Insurance Market Competitiveness](#)

4. Fortune, [Fortune 500 Companies Ranked by Profitability](#)
5. Bureau of Labor Statistics, [Current Employment Statistics](#)
6. Centers for Medicare and Medicaid Services, [November 2020 Medicaid and CHIP Enrollment Data Highlights](#)
7. Kaiser Family Foundation, [Total Medicaid MCO Spending](#)

WHAT THE PUBLIC OPTION LEGISLATION DOES

Nevadans deserve real solutions to the health care and coverage crisis they face. The Nevada Option proposed in SB 420 presents the opportunity for regular Nevadans to get and keep quality health insurance, save people money, increase competition, and increase access to quality care. The statewide public option will provide coverage to those who want it. Nevadans who choose to purchase the new option would pay premiums, just as they would with a private insurance plan, but without the inflated overhead and administrative costs of existing plans. Minus the initial startup costs for the state, the public option will not result in new ongoing costs to state taxpayers because the program would fund itself with the premiums paid by consumers. It will also bring in new federal waiver dollars to enable the state to further lower premium and out-of-pocket costs for Nevadans.

Nevada's public option would lower costs for individuals and small businesses by leveraging the state's vast purchasing power through its Medicaid managed care program (worth nearly \$2 billion in managed care contracts with insurers) to provide people with a more affordable option for health insurance. By purchasing for more people together — rather than as individuals or small businesses — the state can get a better deal and negotiate better rates for Nevadans who shop for coverage in the individual and small group markets today.

We are very troubled by the arguments of industry-backed opponents of SB 420, who falsely claim that a public option will lead to everything from providers leaving the state to people of color being harmed to people facing higher premiums. These claims are not supported by evidence, and instead, are intended to preserve the status quo for for-profit companies in Nevada while 350,000 people remain uninsured and without access to regular primary and preventive services.

We believe that public policy should be grounded in meeting people's needs, and should follow the evidence. As a result, it's important to be clear about the facts and the real benefits this option would create for Nevadans. We therefore respectfully submit the following information to correct the record on SB 420.

Premiums will NOT rise with the introduction of a public option plan

Opponents claim that people's premiums will rise if a public option is created, but evidence points to the contrary. The public option is designed with affordability front and center: by leveraging the state's purchasing power through Medicaid, more Nevadans will gain access to more affordable coverage.

To ensure premium savings for Nevadans, the bill requires that plans offering the product submit rates that are at least 5 percent lower than previous year's and to hold down premium increases in future years. The bill requires Medicaid managed care plans in Nevada to also submit a good faith bid (through a competitive bidding process) to operate the public option. Those that are selected to operate the Nevada public option will compete alongside private health insurers offering coverage through Nevada Health Link, potentially resulting in even lower premiums across the board.

The truth is that opponents who say this will raise premiums have it wrong: a public option is specifically designed to keep premiums low.

Providers will NOT need to ration care

Across the country and in Nevada, the hospital industry is showing strong signs of recovery from the pandemic.⁸ As an example, HCA, a national 185-hospital system with three hospitals in Nevada, ended 2020 with a profit of \$3.8 billion on revenue of \$51.5 billion, and the for-profit company posted a \$1.4 billion profit in the fourth quarter alone.⁹ Maintaining a system with substantial profits for for-profit hospitals should not come at the cost of improving access to coverage and care for 350,000 Nevadans.

Critics and opponents of proposals like Nevada's Public Option frequently claim that rural or other safety-net hospitals could close and/or ration care due to potential lower reimbursement rates relative to their current commercial rates. This argument ignores the unique crisis of uninsurance in Nevada and how the public option proposal aims to address many of these concerns:

- ★ **Hospitals and Providers Will Have Less Uncompensated Care:** The 350,000 people in Nevada who are uninsured cost the system today in uncompensated care and bad medical debt. These costs go unpaid to hospitals and other providers. This dynamic is especially true for rural Nevada, where several counties have the highest rates of uninsurance in the state, including Mineral, Humboldt and Pershing counties.¹⁰ Rural hospitals in those communities experience significant uncompensated care or bad debt. SB 420 recognizes the value and struggle of Nevada's 13 critical access hospitals and requires insurers to pay key safety-net providers (e.g. critical access hospitals, federally-qualified health centers and rural health clinics) reimbursement rates that are comparable to or better than the cost-based or encounter rates that these providers receive today in Medicare, enabling them to continue providing care and to possibly see improvements in reimbursement for this population who is uninsured today. Put simply: this will not lead to rationing of care, especially in rural communities.
- ★ **Providers Will See New Revenue from the Public Option:** Hospitals and providers will receive new revenue from providing services to newly-insured patients covered by a public option that currently goes unpaid. It is important to remember that Nevada has one of the highest uninsured rates in the nation and this rate is twice as large as the number of uninsured people in the individual market.¹¹ This bill aims to help the uninsured — many of whom will become newly-insured with a public option — resulting in care that is reimbursable for providers.
- ★ **Providers Stand to do Better Under the Nevada Public Option:** Under this legislation, providers would still negotiate their rates like they do today in the nongroup market with health insurers participating in the Nevada Option. The proposal seeks to protect providers from being negotiated down by insurers to Medicaid rates by establishing a floor for reimbursement rates that are comparable to or better than Medicare. Given that the average commercial payment for physician services in Clark County is 102% of Medicare and the average statewide is 118% of Medicare,¹² many physicians and other clinical providers stand to do better under the Nevada Option.
- ★ **Providers Retain Negotiating Leverage with Insurers:** To further ensure consumers have access to care, providers participating in other state programs like Medicaid, the public employee benefit plan, and workers compensation would be required to also participate in at least one network in the Nevada Option. Providers would still be able to choose which network is best for them, and therefore would retain negotiating leverage with health insurers. Moreover, because health insurers must submit bids with the state in order to offer products, they will need to ensure a sufficient and adequate network is established, possibly giving these providers more leverage than they have today in the individual and small group markets.

References:

8. The Washington Post, [America's Wealthiest Hospital Systems](#)
9. Becker's Healthcare, [HCA Annual Profit Climbs to \\$3 billion](#)
10. Guinn Center, [Nevada's Uninsured Population Report](#)

11. Kaiser Family Foundation, [Health Insurance Coverage of the Total Population](#)
12. Health Care Cost Institute, [Comparing Commercial and Medicare Professional Service Prices](#)

The public option will NOT harm people of color

Industry-backed opponents of public options in other states have falsely claimed that public options will harm hospitals that disproportionately serve racial and ethnic minorities.

A public option will provide more coverage options to those who are uninsured and ineligible for other programs — a group that is disproportionately made up of people of color. The existing system doesn't work, with far too many people of color left behind. This bill provides an opportunity to reduce disparities and cover more people, including the many thousands who have gone without coverage simply because they couldn't afford it.¹³

Here's what we do know:

- The existing system doesn't work, with far too many people of color left behind and forced to seek care in the hospital emergency room.
- A public option will provide more coverage options to those who are uninsured and ineligible for other programs — a group that is disproportionately made up of people of color.
- This bill provides an opportunity to reduce disparities and cover more people, including the many thousands who have gone without coverage simply because they couldn't afford it.
- Many of the 350,000 uninsured Nevadans currently seek uncompensated care; a public option may provide an opportunity for providers and hospitals to gain a new revenue stream while providing care in a more equitable way.

Hospitals are the most expensive place to seek care; not having access to affordable health insurance forces people, including people of color, to rely on emergency rooms instead of lower-cost primary care and preventive services. This two-tiered system affords the insured — who are more likely to be white — access to health care while carving out the uninsured — who are more likely to be people of color — and perpetuates an inequitable system. The implication that avoiding any revenue losses for insurance companies and hospitals, particularly highly profitable ones, is more important than moving away from this inequitable system is the embodiment of institutional racism, and an example of how normalized this false choice is within society.

The public option will NOT lead to higher costs elsewhere

The industry continues to make claims that there will be a “cost-shift” where other people's costs go up with the introduction of the public option into the market. This is a false narrative used by the industry as an excuse for charging whatever they want for services. If the cost shift claims were real, we would have seen significant reductions in costs after the ACA's implementation following reductions in uncompensated care. Instead, hospitals in Nevada have continued to make sizable profits, even during the pandemic.

While the public option will be made available to Nevadans shopping on the individual and small group market, the introduction of new options within those markets will not be significant enough to disrupt the entire health care system: these two markets only make up only 7% (3% and 4% respectively) of the entire health insurance market in Nevada, whereas the large group market makes up 44% of the market.¹⁴ Given this, claims that a public option will dismantle the entire health care system are hyperbolic and irresponsible.

References:

13. See more on how public options can improve equity: Center for American Progress: [Public Options Will Improve Health Equity Across the Country](#) and United States of Care: [State Public Health Insurance Option: Advancing Equitable, Affordable, and Dependable Coverage](#)
14. Nevada Division of Insurance, [2019 Insurance Market Report](#)

The public option will NOT lead to less choice and competition

Opponents suggest that a new choice in the market will somehow limit competition between plans and restrict the choice of providers. A public option would actually increase competition and choice by ensuring there are at least two affordable options for people in every part of the state. This means residents in rural areas with limited options in the past — including in 2017 when there was a risk of 14 of the state’s 17 counties having no coverage options¹⁵— will now have peace of mind knowing that SB 420 ensures that they will have options for affordable, quality coverage.

Two large insurance carriers have 89% of the market share¹⁶ in the state, meaning the vast majority of people are getting their coverage from these major national players and may benefit from an additional option. The state’s largest private health insurers — UnitedHealth Group, Centene, and Anthem Blue Cross Blue Shield — are among the nation’s most profitable companies on the Fortune 500¹⁷ and many realized large profits as people used the health care system less during the pandemic. Some may suggest that insurers are particularly vulnerable after the disruption of the pandemic, implying that this is a bad time to pursue a public option. But national health insurers have weathered the pandemic extremely well; rather than taking massive hits to their bottom lines, major carriers had banner years in 2020 as utilization and medical spending dropped.¹⁸

The Nevada Public Option will increase access to care for those who were previously uninsured without undermining access for others. The introduction of a new option for the comparatively small number of people in the individual and small group markets will not be significant enough to change providers’ ability or willingness to care for people in their communities. If anything, it will provide new revenue for services that go unpaid today for this population in Nevada. Moreover, most hospitals and providers cried foul when states did not seek to expand Medicaid to cover uninsured adults in their states. The gains to providers, especially hospitals, from this expansion for those previously uninsured is undeniable. In less than two years after expanding Medicaid, Nevada providers and hospitals experienced a reduction in uncompensated care of roughly \$138 million.¹⁹ The public option seeks to cover the remaining uninsured and does so with provider reimbursement rates that are higher than those received by providers with the Medicaid expansion.

The proposal also protects providers from being negotiated down to lower rates by establishing a floor for reimbursement comparable to or better than Medicare, so people enrolled in the public option will have choices of providers and providers can remain financially viable. Further, under the proposal, health insurers will be responsible for negotiating directly with providers and ensuring that provider rates are sufficient in order to provide a comprehensive provider network for people enrolled in the plan. This all creates a new level playing field for providers statewide, especially for those smaller, independent providers who often lack leverage to negotiate a better deal with insurers.

In closing, claims by industry-backed special interests would have a person believe that any effort to improve today’s system is a zero-sum game — that progress for people left behind will come at the expense of others who are already ahead. In truth, this is a false and harmful narrative that is not supported by the evidence. Nevada has an opportunity to build a better health care system in the wake of a pandemic. By creating a public option, Nevada can reduce its uninsured rate, stabilize revenue for rural hospitals, and importantly, provide dependable, affordable, and equitable health care for more Nevadans.

THANK YOU,

Center for Health and Democracy
Committee to Protect Health Care
United States of Care

References:

15. Nevada Health Link, [Bare Counties Bare No More](#)
16. Kaiser Family Foundation, [Market Share of Largest Three Insurers](#)
17. Fortune, [Fortune 500 Companies Ranked by Profitability](#)

18. Kaiser Family Foundation, [Health Insurer Financial Performance in 2020](#)
19. Center on Budget and Policy Priorities, [Uncompensated Care Costs Fell in Nearly Every State as ACA’s Major Coverage Provisions Took Effect](#)