



February 6, 2014

The Honorable Marco Rubio
284 Russell Senate Office Building
Washington D.C., 20510

Dear Senator Rubio:

On behalf of the nearly 38 million AARP members, including 2.7 million AARP members in Florida, and other Americans who are age 50 and older, AARP is writing to express our concerns with your bill, S.1726, and your recent testimony before the House Oversight and Government Reform Committee to eliminate Section 1342 of the Affordable Care Act (ACA) concerning risk corridors. We believe this risk mitigation component of the ACA is a critical tool to encourage private market competition and stabilize premiums, especially important for the first few years of operation of the new health insurance marketplaces.

After the initial challenges with the federally facilitated marketplace, AARP continues to monitor implementation and remains cautiously optimistic that enrollment is progressing positively. Many of our pre-Medicare eligible members who previously faced difficulty trying to purchase health insurance on the individual market have finally attained access to affordable insurance without having to worry about pre-existing conditions, lifetime caps, and paying substantially more for their policies just because of their age.

While some states have experienced greater competition than others, the risk corridors included in the law protect against inaccurate rate setting in the early years of the marketplaces. Once insurers have a few years of experience with the new insurance market and have more data on which to price their premiums, the risk corridor program will be phased out. As the American Academy of Actuaries has observed, "An objective of the risk corridors is to encourage health insurance competition by limiting the risk for insurers entering the exchange market during the early years of implementation."¹ We also draw your attention to the recent Congressional Budget Office (CBO) report predicting a total of \$8 billion in savings for the federal Treasury for the three years the risk corridor program will be in effect.

Section 1342 of the ACA contains two main sections, one entitled, "Payments Out," and the other, "Payments In." In each of these sections, the statute lays out how the risk corridor program will work in 2014, 2015 and 2016, the only years in which it will exist. Indeed, the CBO did not initially score any negative effect on the budget of the risk corridor provision, the assumption being that collections from the plans would equal

¹ American Academy of Actuaries, "Fact Sheet" ACA Risk-Sharing Mechanisms," page 2, 2013.

payments to them and would therefore be budget neutral. Moreover, the federal government holds the insurers accountable for accurate reporting of the data from which the risk corridor collections and payments are made.

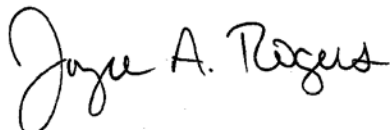
Risk corridors are a common feature of a new insurance system. In fact, risk corridors were an important component of the Medicare Part D program which was endorsed by AARP in 2003 and signed into law by President George W. Bush. Not only has the risk corridor component of the Part D program taken in more money than it has distributed back to insurance companies, but it has also provided a more stable platform for increased competition that has held down premium increases.

We agree with the U.S. Chamber of Commerce's recent letter to members of Congress that stated: "...a little over a decade ago, the legislation enacting Medicare Part D included similar risk stabilization programs to encourage choice and competition for the first six years of the 2003 stand-alone prescription drug program. Other programs, such as flood insurance, crop insurance, and terrorism risk coverage, similarly rely on these types of mitigating provisions."² Others have noted that: "The Part D experience also demonstrates that risk corridors, far from being a bailout for plans, are...shock absorbers for the program. That was something that the Republican authors of Part D understood."³

We continue to believe the temporary risk corridor program is an important actuarial tool - and an appropriate one - to entice competition and stabilize premiums within the insurance marketplaces during the first three years of operation. The risk corridor program -- based on well-established insurance principles -- is an integral component of the new competition and transparency in the private health insurance market that should be preserved.

If you have any further questions, or wish to discuss this further, please feel free to call me, or have your staff contact Ariel Gonzalez on our Government Affairs staff at (202) 434-3770.

Sincerely,



Joyce Rogers
Senior Vice President
Government Affairs

² Josten, R. Bruce. Letter to Members of the United States Congress. 4 February 2014. TS

³ Hoadley, Dr. Jack. "How the 3R's Contributed to the Success of Part D. *CHIRblog*. Georgetown University Health Policy Institute. 27 January 2014. Accessed 5 February 2014. <<http://chirblog.org/how-the-3rs-contributed-to-the-success-of-part-d/>>.