

For Immediate Release
Thursday, July 22, 2010

Grassley, Enzi Seek Analysis Behind Estimate of Minimal Impact
of Health Reform on Health Insurance Premiums

WASHINGTON – Sen. Chuck Grassley, ranking member of the Finance Committee, and Sen. Mike Enzi, ranking member of the Health, Education, Labor and Pensions Committee, today asked for the analysis behind the Administration’s claim that certain health insurance reforms will lead to a cumulative increase in health insurance premiums of likely less than one percent. That estimate is far lower than other estimates, including a more extensive analysis from the non-partisan Congressional Budget Office that concluded that health reform would increase premiums by 10 percent to 13 percent.

"I support efforts to improve quality and expand access, but we can't continue to ignore affordability," Grassley said. "In just a few years, individuals, families and employers will be subject to new insurance mandates. Taxpayers will be on the hook for more than half a trillion dollars in subsidies for an entirely new entitlement program. People have a right to know how much all of this will cost."

"Every objective analysis I've seen points to higher costs and more spending – by government, by families, and by employers," Enzi said. "I can't see how reform that ends up driving insurance premiums higher will help us increase access to quality, affordable health care for all Americans. HHS needs to open the books and explain how it came up with these low numbers before we send the taxpayers a bill for another half a trillion dollars."

The text of the senators' letter to Health and Human Services Secretary Kathleen Sebelius follows here

July 22, 2010

Via Electronic Transmission

The Honorable Kathleen Sebelius
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Sebelius,

As the ranking members of the Finance Committee (Finance) and the Health, Education, Labor and Pensions (HELP) Committee, we share jurisdiction over the newly enacted health reform law. It is, therefore, our responsibility to conduct vigorous oversight of the law's implementation and to help the American people understand how it will affect them. This includes making sure people fully understand the new insurance regulations and the impact these regulations will have on health insurance premiums.

We are supportive of efforts to increase health care access and improve quality. But it is equally important that the public is fully aware of the impact any changes will have on health insurance premiums, especially given the new individual and employer health insurance mandates that will take effect in 2014.

On June 22, 2010, as you were announcing some of the new regulations that will be created as a result of the health reform law, you said the following:

“We anticipate that the cumulative impact [of new insurance regulation] is likely to be less than 1 percent. The actuarial studies that our folks have asked to engage in looking at this indicates that while there are clearly some cases where there are lot of expenses, they're relatively few and far between, given the number of people impacted and affected.”

While the regulations issued by the Department of Health and Human Services (HHS/Department) provide some insight into the basis for this claim on premium impact, your statement references “actuarial studies” which would indicate that certified actuaries on your staff or a third-party on behalf of HHS have conducted actuarial analysis, evaluation or assessment of these new insurance regulations that has yet to be shared with the public.

Transparency surrounding the Department’s actuarial analysis and studies is particularly important given that your estimate of a 1 percent cumulative impact differs greatly from other actuarial analyses. In fact, one health plan estimated that just one of these new rules could raise premiums for their enrollees by as much as 35 percent. And as you know, the non-partisan Congressional Budget Office (CBO) estimated that millions of Americans who would be ineligible for tax subsidies could see a cumulative increase of 10 to 13 percent as a result of all the insurance reforms in the new law.^[1]

By your providing the detailed analysis supporting your estimates and complete answers to our questions, we can better reconcile these differences and give the American people the most accurate projections possible. At a time when there is so much confusion and uncertainty about this sweeping new overhaul of the American health care system, we believe it is important that this analysis be made a matter of public record and, accordingly, we request that the Department provide the following:

(1) Please provide copies of any and all actuarial studies or other materials prepared internally or by any third party at the request of the Department.

(2) Please provide copies of any and all actuarial analyses, assessments, evaluations or reports relating either directly or indirectly to the regulations requiring dependent coverage up to age 26, requiring coverage of preventive services, prohibiting preexisting condition exclusions and rescissions, implementing lifetime and annual limits, and implementing other “patient protections”

^[1] Letter from Douglas Elmendorf, Director, Congressional Budget Office, to the Honorable Evan Bayh, United States Senator. Page 4. (November 30, 2009).

as well as regulations regarding “grandfathered” health plans. If a third-party on behalf of HHS prepared the analysis, please provide us with their name and contact information as well as whether they are a member of the American Academy of Actuaries.

(3) The Massachusetts Division of Insurance recently released a report that analyzes the impact of that state’s health reform law. This report concluded that guaranteeing access to coverage without the use of an open-enrollment period, or similar mechanism, contributed to a 390 percent increase in subscribers who enrolled and terminated their coverage within six months.^[2] Regulations issued by the department to implement provisions of the Patient Protection and Affordable Care Act (PPACA) require that beginning with the first plan year on or after September 23, 2010 that health insurance issuers must guarantee issue coverage for children under 19 years of age.

(a) Please indicate whether the Department’s analysis took into account this Massachusetts study and concluded that some parents may only enroll children when they are in need of health care services and what impact this would have on premiums. And if so, please provide that analysis.

(b) Given the new guaranteed issue rules for coverage of children in the individual market, some employers may find it advantageous to drop dependent coverage and encourage employees to enroll their children in an individual policy. As part of your response, please indicate whether the Department’s actuarial analysis estimated any reduction in dependent coverage as a result of these regulations. And, if so, please provide this analysis and the results.

(4) Unlike the regulations discussed above (OCIIO-9994-IFC), the regulations released on June 14th related to “grandfathered” health plans (OCIIO-9991-IFC) did not contain information on premiums. The regulation did, however, estimate that as many as 80 percent of small businesses and more than 67 percent of individual purchasers would lose “grandfathered” status by 2013.^[3]

(a) Please provide an actuarial estimate of any increase in premiums for individuals and small businesses as a result of losing grandfathered status and provide the complete analysis that forms the basis for this estimate.

(b) Specifically, as part of your response, please indicate how much more a younger, healthier individual in a high-deductible plan that is not eligible for subsidies would be expected to pay in 2013 if their health plan loses grandfathering protections.

Given the importance of these regulations and their sweeping nature, we request that you provide a response no later than August 6, 2010. In cooperating with this request, please note that no documents, records, data or information related to these matters shall be destroyed, modified, removed or otherwise made inaccessible.

^[2] Report prepared by Oliver Wyman Actuarial Consulting, Inc., June 2010

^[3] Federal Register / Vol. 75, No. 116 / Thursday, June 17, 2010 / Rules and Regulations

We share your commitment to increasing access to health insurance and adopting certain consumer protections, especially in regards to children. We also realize that the overall cost of health insurance is one of the biggest barriers to coverage.

Thank you for your prompt attention to this important matter. Should you have any questions regarding this letter, please contact Andrew McKechnie of Senator Grassley's staff or Katy Spangler of Senator Enzi's staff. All formal correspondence should be sent electronically in PDF format to Kevin_Courtois@finance-rep.senate.gov, and Katie_Adams@help.senate.gov

Sincerely,

Charles E. Grassley
Ranking Member
Committee on Finance
Pensions

Michael B. Enzi
Ranking Member
Committee on Health, Education, Labor and
Pensions

^[1] Letter from Douglas Elmendorf, Director, Congressional Budget Office, to the Honorable Evan Bayh, United States Senator. Page 4. (November 30, 2009).

² Report prepared by Oliver Wyman Actuarial Consulting, Inc., June 2010

³ Federal Register / Vol. 75, No. 116 / Thursday, June 17, 2010 / Rules and Regulations
