

STATEMENT OF

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ON

AFFORDABLE CARE ACT IMPLEMENTATION

BEFORE THE

U. S. HOUSE COMMITTEE ON ENERGY & COMMERCE

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Testimony of Kathleen Sebelius
U.S. Department of Health and Human Services
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Good morning, Chairman Upton, Ranking Member Waxman, and members of the Committee. On October 1st, we launched one of the key provisions of the Affordable Care Act—the new Health Insurance Marketplace, where people without health insurance, including those who cannot afford health insurance, and those who are not part of a group plan, can go to get affordable coverage. Consumers can access the Marketplace in several ways—through a call center, by filling out a paper application, with the help of in-person assistance, or by going online and filling out an application on HealthCare.gov.

Over the past few weeks, millions of Americans have visited HealthCare.gov to look at their new health coverage options under the Affordable Care Act. In that time, nearly 700,000 applications have been submitted to the Federal and state marketplaces from across the Nation. This tremendous interest—with over 20 million unique visits to date to HealthCare.gov—confirms that the American people are looking for quality, affordable health coverage. Unfortunately, the experience on HealthCare.gov has been frustrating for many Americans. Some have had trouble creating accounts and logging in to the site, while others have received confusing error messages, or had to wait for slow page loads or forms that failed to respond in a timely fashion. The initial consumer experience of HealthCare.gov has not lived up to the expectations of the American people and is not acceptable. We are committed to fixing these problems as soon as possible.

Improvements Already Made to HealthCare.gov

To build the Marketplace, CMS used private sector contractors, just as it does to administer aspects of Medicare. CMS has a track record of successfully overseeing the many contractors our programs depend on to function. Unfortunately, a subset of those contracts for HealthCare.gov have not met expectations. Among other issues, the initial wave of interest stressed the account

service, resulting in many consumers experiencing difficulty signing up, while those who were able to sign up sometimes had problems logging in.

In response, we have made a number of improvements to the account service. We have updated the site several times with new code that includes bug fixes that have improved the HealthCare.gov experience. We continue to add more capacity in order to meet demand and execute software fixes to address the sign up and log in issues, stabilizing those parts of the service and allowing us to remove the virtual “waiting room.” Today, more individuals are successfully creating accounts, logging in, and moving on to apply for coverage and shop for plans. We are pleased with these quick improvements, but we know there is still significant, additional work to be done. We continue to conduct regular maintenance nearly every night to improve the consumer experience.

Reinforcements

To address the technical challenges with HealthCare.gov, we are putting in place tools and processes to aggressively monitor and identify parts of HealthCare.gov where individuals are encountering errors or having difficulty using the site, so we can prioritize and address them. We are also working to prevent new issues from cropping up as we improve the overall service and deploy fixes to the site during off-peak hours on a regular basis.

To ensure that we make swift progress, and that the consumer experience continues to improve, our team has called in additional help to solve some of the more complex technical issues we are encountering. We are bringing in people from both inside and outside government to scrub in with the team and help improve HealthCare.gov. Specifically, we are bringing on board management expert and former CEO and Chairman of two publicly traded companies, Jeff Zients, to work in close cooperation with our HHS team to provide management advice and counsel to the project. Mr. Zients has led some of the country’s top management firms, providing private sector companies around the world with best practices in management, strategy, and operations. He has a proven track record as Acting Director at the Office of Management and Budget and as the Nation’s first Chief Performance Officer. Working alongside our team and

using his rich expertise and management acumen, Mr. Zients will provide advice, assessments, and recommendations.

Our team has also brought in additional experts and specialists drawn from within government, our contractors, and industry, including veterans of top Silicon Valley companies. These reinforcements include several Presidential Innovation Fellows. This new infusion of talent will bring a powerful array of subject matter expertise and skills, including extensive experience scaling major IT systems. They are part of a cross-functional team that is working aggressively to diagnose the parts of HealthCare.gov that are experiencing problems, learn from successful states, prioritize issues, and fix them.

As part of our team's efforts to ramp up capacity and expertise with the country's leading innovators and problem solvers, our contractors—including CGI, the lead firm responsible for the Federally-Facilitated Marketplace technology—have secured additional staff and made additional staffing commitments. They are providing and directing the additional resources needed for this project.

Expanding Access to Affordable Coverage Through the Health Insurance Marketplace

We are committed to improving the consumer experience with HealthCare.gov, which serves as an important entry point to the new Marketplace. The new Marketplace is a place that enables people without health insurance, including those who cannot afford health insurance, and those who are not part of a group plan, to finally start getting affordable coverage.

Just a few weeks into a six-month open enrollment period, while some consumers have had to wait too long to access the Marketplace via HealthCare.gov, the Marketplace is working for others and consumers are also utilizing the call center, paper applications and in-person assistance to apply for coverage.

The idea of the Marketplace is simple. By enrolling in private health insurance through the Marketplace, consumers effectively become part of a form of statewide group coverage that

spreads risk between sick people and healthy people, between young and old, and then bargains on their behalf for the best deal on health insurance. Because we have created competition where there was not competition before, insurers are now eager for new business, and have created new health care plans with more choices.

The bids submitted by insurers provide clear evidence that the Marketplace is encouraging plans to compete for consumers, resulting in more affordable rates. The weighted average premium for the second-lowest-cost silver plan, looking across 47 states and DC, is 16 percent below the premium level implied by earlier Congressional Budget Office estimates.¹ Outside analysts have reached similar conclusions. A recent Kaiser Family Foundation report found that, “while premiums will vary significantly across the country, they are generally lower than expected,” and that fifteen of the eighteen states examined would have premiums below the CBO-projected national average of \$320 per month for a 40-year-old in a silver plan.²

This is good news for consumers. In fact, some insurers lowered their proposed rates when they were finalized. In Washington, D.C., some issuers have reduced their rates by as much as 10 percent.³ In Oregon, two plans requested to lower their rates by 15 percent or more.⁴ New York State has said, on average, the approved 2014 rates for even the highest coverage levels of plans individual consumers can purchase through its Marketplace (gold and platinum) represent a 53 percent reduction compared to last year’s direct-pay individual market rates.⁵ Furthermore, states are using their rate review powers to review and adjust rates accordingly. In Oregon, the state has reduced rates for some plans by as much as 35 percent,⁶ and in Maryland, the state has reduced some rates for coverage offered through the Marketplace by almost 30 percent,⁷ offering consumers an even better deal on their coverage for the 2014 plan year.

¹http://aspe.hhs.gov/health/reports/2013/MarketplacePremiums/ib_marketplace_premiums.cfm#_ftnref18

²<http://kaiserfamilyfoundation.files.wordpress.com/2013/09/early-look-at-premiums-and-participation-in-marketplaces.pdf>

³<http://hbx.dc.gov/release/dc-health-link-applauds-aetna-decision-cut-rates>

⁴http://www.oregonlive.com/health/index.ssf/2013/05/two_oregon_insurers_reconsider.html

⁵<http://www.governor.ny.gov/press/07172013-health-benefit-exchange>

⁶http://www.oregonlive.com/health/index.ssf/2013/06/oregon_slashes_2014_health_ins.html

⁷<http://www.kaiserhealthnews.org/stories/2013/july/26/maryland-marketplace-premiums-exchange.aspx>

In addition to the more affordable rates resulting from competition among insurers, insurance affordability programs, including premium tax credits and cost-sharing reductions, will help many eligible individuals and families, significantly reducing the monthly premiums and cost-sharing paid by consumers. Premium tax credits may be paid in advance and applied to the purchase of a qualified health plan through the Marketplace, enabling consumers to reduce the upfront cost of purchasing insurance. In addition, cost-sharing reductions will lower out-of-pocket payments for deductibles, coinsurance, and copayments for eligible individuals and families. A recent RAND report⁸ indicated that, for the average Marketplace participant nationwide, the premium tax credits will reduce out-of-pocket premium costs by 35 percent from their unsubsidized levels.⁹

CBO has projected that about 8 in 10 Americans who obtain coverage through the Marketplace will qualify for assistance to make their insurance more affordable, an estimated 20 million Americans by 2017.¹⁰ A family's eligibility for these affordability programs depends on its family size, household income, and access to other types of health coverage.

The fact is that the Affordable Care Act delivered on its product: quality, affordable health insurance. The tremendous interest shown in HealthCare.gov shows that people want to buy this product. We know the initial consumer experience at HealthCare.gov has not been adequate. We will address these initial and any ongoing problems, and build a website that fully delivers on this promise of the Affordable Care Act.

Other Benefits of the Affordable Care Act

While we are working around the clock to address problems with HealthCare.gov, it is important to remember that the Affordable Care Act is much more than purchasing insurance through HealthCare.gov. Most Americans—85 percent—already have health coverage through an employer-based plan, or health benefit, such as Medicare, Medicaid, or the Children's Health Insurance Program (CHIP). For these Americans, the Affordable Care Act provides new benefits

⁸ http://www.rand.org/content/dam/rand/pubs/research_reports/RR100/RR189/RAND_RR189.pdf

⁹ This is a simple calculation based on Figure 6 of the RAND study, available at the link above.

¹⁰ http://www.cbo.gov/sites/default/files/cbofiles/attachments/44190_EffectsAffordableCareActHealthInsuranceCoverage_2.pdf

and protections, many of which have been in place for some time. For example, because of the Affordable Care Act, millions of young adults have been able to stay on their parents' plans until they are 26. Because of the Affordable Care Act, seniors on Medicare receive greater coverage of their prescription medicine, saving them billions. Because of the Affordable Care Act, for millions of Americans, recommended preventive care like mammograms is free through employer-sponsored health coverage. And in states where governors and legislatures have allowed it, the Affordable Care Act provides the opportunity for many Americans to get covered under Medicaid for the first time. In Oregon, for example, a Medicaid eligibility expansion will help cut the number of uninsured people by 10 percent, as a result of enrollment efforts over the last few weeks, resulting in 56,000 more Americans who will now have access to affordable health care.

The Affordable Care Act is also holding insurers accountable for the rates they charge consumers. For example, insurance companies are now required to justify a rate increase of 10 percent or more, shedding light on unnecessary costs. Since this rule was implemented,¹¹ the proportion of rate filings requesting insurance premium increases of 10 percent or more has plummeted from 75 percent in 2010¹² to an estimated 14 percent in the first quarter of 2013,¹³ saving Americans an estimated \$1.2 billion on their health insurance premiums.¹⁴ These figures strongly suggest the effectiveness of review of rate increases.

The rate review program works in conjunction with the so-called 80/20 rule (or Medical Loss Ratio rule),¹⁵ which generally requires insurance companies in the individual and small group markets to spend at least 80 percent of premiums on health care and quality improvement activities and no more than 20 percent on administrative costs (such as executive salaries and marketing) and profits. In the large group market (generally coverage sold to employers with more than 50 employees), insurers must spend at least 85 percent of premiums on medical care

¹¹ Health Insurance Rate Review – Final Rule on Rate Increase Disclosure and Review:

<http://www.gpo.gov/fdsys/pkg/FR-2011-05-23/pdf/2011-12631.pdf>

¹² <http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/rate-review09112012a.html>

¹³ <http://aspe.hhs.gov/health/reports/2013/rateIncreaseIndvMkt/rb.cfm>

¹⁴ http://aspe.hhs.gov/health/reports/2013/acaannualreport/ratereview_rpt.cfm

¹⁵ Medical Loss Ratio Final Rule: <https://www.federalregister.gov/articles/2012/05/16/2012-11753/medical-loss-ratio-requirements-under-the-patient-protection-and-affordable-care-act>

and quality improvement activities. If insurers fail to meet their medical loss ratio requirement, they must provide rebates to their customers.

New rules will help make health insurance even more affordable for more Americans beginning next year.¹⁶ Marketplace health insurance plans will be prohibited from charging higher premiums to applicants because of their current or past health problems or gender, and will be limited in how much more they can charge Americans based on their age.

Conclusion

The Affordable Care Act has already provided new benefits and protections to Americans with health insurance, and we are committed to improving the experience for consumers using HealthCare.gov so that Americans can easily access the quality, affordable health coverage they need. By enlisting additional technical help, aggressively monitoring errors, testing to prevent new issues from cropping up, and regularly deploying fixes to the site, we are working to ensure consumers' interaction with HealthCare.gov is a positive one, and that the Affordable Care Act fully delivers on its promise.

¹⁶ Health Insurance Market Rules: <http://www.gpo.gov/fdsys/pkg/FR-2013-02-27/pdf/2013-04335.pdf>