

**STATEMENT OF**  
**STEVEN B. LARSEN**  
**DEPUTY ADMINISTRATOR AND DIRECTOR,**  
**CENTER FOR CONSUMER INFORMATION & INSURANCE OVERSIGHT,**  
**CENTERS FOR MEDICARE & MEDICAID SERVICES**  
**ON**  
**“HEALTH INSURANCE EXCHANGES AND THE ONGOING STATE**  
**IMPLEMENTATION OF THE AFFORDABLE CARE ACT”**  
**BEFORE THE**  
**U. S. SENATE COMMITTEE ON HEALTH, EDUCATION, LABOR AND PENSIONS**  
**MARCH 17, 2011**



**Senate Committee on Health, Education, Labor, and Pensions**

**“Health Insurance Exchanges and  
the Ongoing State Implementation of the Affordable Care Act”**

**March 17, 2011**

Chairman Harkin, Ranking Member Enzi, and Members of the Committee, thank you for the opportunity to discuss the Health Insurance Exchanges and the efforts to implement the Affordable Care Act. I serve as Deputy Administrator and Director of the Center for Consumer Information & Insurance Oversight (CCIIO) within the Centers for Medicare & Medicaid Services (CMS). Since taking on this role, I have been involved in CCIIO’s implementation of many of the provisions of the Affordable Care Act, including overseeing private health insurance reforms, assisting States to implement Health Insurance Exchanges (Exchanges), and ensuring that consumers have access to information about their rights and coverage options. Prior to becoming the Director of CCIIO, I served as the Director of the Office of Oversight within CCIIO, which is charged with working with the States to ensure compliance with the new insurance market rules, such as the prohibitions on rescissions and pre-existing condition exclusions for children, as well as ensuring consumer value for premium payments through the medical loss ratio (MLR) standards and the enforcement of the new restrictions on annual dollar limits on benefits.

As a former State Insurance Commissioner, I understand the key role that States play in the regulation of insurance and insurance markets. I have seen first-hand the importance of holding insurance companies accountable, and understand the need to make quality, affordable coverage more accessible to all health care consumers. I have also served as an executive in a for-profit, publicly-traded managed care company, and understand the need for competitive and robust markets as well reasonable regulations. The Affordable Care Act appropriately balances these objectives.

At this time last year, Congress passed and the President signed into law the Affordable Care Act, which expands access to affordable, quality coverage to over 30 million Americans and strengthens consumer protections to ensure individuals have coverage when they need it most. Immediate reforms include a critical foundation of patients' rights in the private health insurance market that help put Americans in charge of their own health care. Over the past year, we have already implemented historic private market reforms including eliminating pre-existing condition exclusions of children, prohibiting insurance companies from rescinding coverage absent fraud or intentional misrepresentation of material fact and from imposing lifetime dollar limits on coverage, and enabling many dependent young adult children to stay on their parent's insurance plan up to age 26. The Affordable Care Act also established new programs to expand and support coverage options, including the Pre-Existing Condition Insurance Plan (PCIP) and the Early Retiree Reinsurance Program (ERRP).

Beginning in 2014, State-based health insurance Exchanges will improve access to affordable, quality insurance options for Americans who previously had no health insurance coverage or inadequate coverage. The Exchanges will make purchasing private health insurance coverage easier by providing individuals, families, and small businesses with "one-stop shopping" where they will be able to compare a range of plans. Eligible individuals will also have new premium tax credits and cost-sharing reductions available to them to make coverage more affordable. By increasing competition between insurance companies and allowing individuals and small businesses to band together to purchase insurance, Exchanges will help to lower health care costs for consumers.

Although the Exchanges are not required to be operational until 2014, work is already underway to conduct the necessary research and planning. More than \$296 million in grants has been made available to States and Territories to plan their Exchanges. This funding includes "Early Innovator" awards to support select States in developing an array of innovative models for the Exchanges' information technology systems as well as "Planning and Establishment" grants that

provide resources for States and Territories to research and design the governance and operations of their Exchanges. Kansas, is one State that received a grant to develop IT infrastructure that will support health insurance Exchanges, not just in Kansas, but across the country. As a winner of an “Early Innovator” grant award, Kansas is creating state-of-the-art information technology systems that will support a consumer-friendly insurance marketplace. Other States that have received early innovator grants are represented on this Committee, including Maryland and Oregon. In addition, Rhode Island, Vermont, and Connecticut are part of a multi-State consortium that also received funding. All of these States have committed to ensuring that the technology they develop is reusable and transferable to other States.

The Affordable Care Act empowers States to implement the law in a way that respects their unique situation and needs. States are already taking their first steps toward 2014. For example, on September 30, 2010, California enacted first-in-the-nation legislation to implement a health insurance Exchange under the Affordable Care Act. Additionally, Maryland’s Health Reform Coordinating Council has already carried out research to understand the State’s health insurance marketplace and health expenditures. Meanwhile, Colorado is holding regular community forums on issues around developing an Exchange, as well as conducting economic analyses of the State’s health insurance market. CCIIO and States are well on their way toward giving consumers more control, quality choices, and better protections when buying insurance.

Today, millions of Americans are already benefiting from the Affordable Care Act. Many parents across the country are able to protect their dependent young adult children by allowing them to stay on a parent’s plan until they are 26 years old. We estimate that, in 2011, more than 1.2 million young adults will be able to maintain insurance coverage through their parent’s health plans because of this new policy. This is an important protection for these young adults and a huge relief for their parents.

We estimate that more than 31 million Americans will benefit from the preventive services provision of the Affordable Care Act, which requires that important early detection services like mammograms and colonoscopies be available to Americans enrolling in new plans without expensive co-pays or deductibles. Furthermore, insurers are no longer permitted to rescind insurance policies simply because a consumer made an inadvertent error on a form. These changes are putting consumers back in charge of their health care and getting insurers out from between patients and their doctors.

Consumers can also use an important new tool to gain access to an unprecedented amount of information about insurance options and public programs available to them by zip code. In eight months, [www.HealthCare.gov](http://www.HealthCare.gov) has had more than 4 million visitors and the number of insurance options listed continues to grow rapidly. Visitors can get information in plain English – and Spanish – about the coverage options available to them, their protections, and their rights as health care consumers.

As mentioned previously, States play a crucial role in the implementation of the Affordable Care Act. Since enactment, we have worked actively with the Governors, insurance commissioners, Medicaid directors, and other stakeholders to implement programs that are helping consumers and businesses with coverage. It has been our priority to work collaboratively with our State partners as the provisions of the Affordable Care Act go into effect.

States were critical to our efforts to write regulations implementing the new medical loss ratio provisions of the Act. The National Association of Insurance Commissioners (NAIC) worked for nearly six months to develop uniform definitions and methodologies for calculating a MLR. Their process included significant input from the public, States, and other key stakeholders, and was approved unanimously by the NAIC Commissioners. HHS certified and adopted the NAIC recommendations and the reaction from consumers and insurers has been very positive. Starting this year, insurers must spend at least 80 or 85 percent of premium dollars, depending on the market, on health care and quality improvement efforts instead of CEO bonuses, profits, or marketing. And those that do not meet this standard will be required to reduce their rates or

provide rebates to their customers. In addition, the Department recognizes State flexibility. The law allows for a temporary adjustment to the individual market MLR standard if the State requests it and demonstrates that the 80 percent MLR standard may destabilize their individual insurance market.

This MLR provision ensures consumers receive value for their premium dollars and encourages insurers to invest in the health of their policyholders, while maintaining insurance market stability. There are signs that this provision has already helped to moderate premium increases.

Rising insurance costs have made it difficult for American employers to provide quality, affordable coverage for their workers and retirees while also remaining competitive in the global economy. The ERRP mentioned earlier serves as one bridge to the new Exchanges that will become available in 2014. Many Americans who retire before they are eligible for Medicare and without employer-sponsored insurance see their life savings disappear because of the high cost of insurance in the individual market. Millions more see their insurance disappear, leaving them vulnerable to high costs and poor quality care. The ERRP provides much-needed financial relief for employers so early retirees and their families can continue to have quality, affordable insurance. More than 5,000 employers – including many State and local governments – have been accepted into the program from all 50 states and the District of Columbia.

The Pre-Existing Condition Insurance Plan program is another bridge to 2014, when all Americans, regardless of health status, will have access to affordable coverage. PCIP provides a lifeline to uninsured Americans who private insurers have refused to insure because of a pre-existing condition. These Americans can now receive health coverage without limitation on benefits or higher premiums because of their condition. Thousands of Americans who were locked out of accessible private insurance coverage before the passage of the law now have this valuable and needed coverage. I'm pleased that enrollment has increased by 50 percent in the last few months, and we expect it to grow. The Department is actively working with States, consumer groups, chronic disease organizations, health care providers, social workers, other

Federal agencies, and the insurance industry to promote the program, including holding meetings with State officials, consumer groups, and others.

As part of a comprehensive outreach strategy for PCIP, we have had regional meetings with local grassroots and provider organizations to get the word out about the PCIP & CAP programs. To date, eight regional launch meetings have been held with key referral sources and other local leaders in Jefferson City, MO, Providence, RI, New York, NY, Columbia, SC, Austin, TX, Cheyenne, WY, Sacramento, CA, and Wilmington, DE. Tomorrow we have another meeting scheduled in Indianapolis, IN.

Consumer Assistance Program grants provided nearly \$30 million in new resources to help States and Territories establish or enhance consumer assistance offices or ombudsman programs. States have been using grants to educate consumers about their health coverage options and new rights under the Affordable Care Act, and assist them in taking advantage of new protections. For example, North Carolina will use grant funds to expand the services they provide to consumers and create a new independent Consumer Assistance Program as well as interpretation and translation services to better help consumers obtain culturally and linguistically appropriate services and resources. Montana recently reported that as a result of the CAP grant, they are now able to assist non-federal governmental health and church plan members with issues related to their coverage, including denial of covered benefits. The program has begun a consumer education and outreach tour to different communities, particularly in rural areas, to address questions, take complaints, and provide consumer guides.

Finally, the Affordable Care Act should result in more protections from unreasonable rate increases. The law provides \$250 million to strengthen States and Territories' ability to review proposals by private health insurance companies to raise their rates. Since enactment, \$45 million has been distributed to 44 States and the District of Columbia, and, in February, \$205 million in additional funding was made available to States, the District of Columbia, and Territories to continue such efforts. States are using these funds based on the needs in their

States. Arkansas developed a “Rate Review Center” that will serve as clearinghouse for information related to premium rate review. The Arkansas Insurance Department also introduced detailed legislation that would strength their authority to review rate increases and protect the State’s insurance consumers. Colorado hired actuarial staff and implemented programs to increase transparency for consumers with its grant dollars. We are committed to continuing to work with States, the District of Columbia, and Territories, who are the primary regulator of insurance rates and solvency.

### **Working with States towards 2014**

We understand the importance of State based leadership and tailored policy execution during the implementation of the Affordable Care Act. That is why we keep an open dialogue between the Administration, Governors, and States to make sure they have the flexibility and support they need as we work together to give Americans more freedom in their health care choices. Building on this commitment, we, along with the Department of Treasury, proposed new rules outlining the steps States may pursue in order to receive a State Innovation Waiver under the Affordable Care Act.

State Innovation Waivers will give States the power and flexibility to innovate and find the health care solutions that work for them. These Waivers will allow States to implement policies that differ from the Affordable Care Act as long as the new policies cover as many people as affordably and comprehensively as the Affordable Care Act does, without increasing the deficit. Although current law doesn’t allow these waivers to begin until 2017, the President supports legislation that would accelerate implementation of this policy to 2014.

For the past year, States and the Federal government have worked together to reform the health insurance market through flexible policies designed to address States’ unique situations, ensuring a smooth transition from last year’s broken health insurance market to this year’s improved market. That partnership will continue and strengthen as we work together towards 2014.



## **Moving Forward**

We are proud of all that we have accomplished over the past year and look forward to 2014 when Americans will have access to more affordable, comprehensive health insurance plans. In the meantime, I look forward to continuing to work on our bridge toward 2014, year after year, strengthening CCIIO's partnership with Congress, the States, consumers, and other stakeholders across the country. Thank you for the opportunity to discuss the work that CCIIO has been doing to implement the Affordable Care Act.