



**STATEMENT OF**

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**ON**

**THE AFFORDABLE CARE ACT: THE IMPACT OF HEALTH  
INSURANCE REFORM ON HEALTH CARE CONSUMERS**

**BEFORE THE**

**SENATE COMMITTEE ON HEALTH, EDUCATION, LABOR, &  
PENSIONS**

**UNITED STATES SENATE**

**JANUARY 27, 2011**

Chairman Harkin, Ranking Member Enzi, and Members of the Committee, thank you for the opportunity to discuss our department's implementation of the Affordable Care Act and the enormous difference it has made in the lives of Americans since it was passed.

Over the last ten months, our department has worked closely with the Departments of Treasury and Labor, with Governors and State Insurance Commissioners, with doctors, nurses, other health care providers, consumer advocates, employers, insurers, and other stakeholders to deliver many of the law's key benefits to the American people: from establishing a new Patients' Bill of Rights that protects families from the worst insurance company abuses, to sending more than three million \$250 checks to seniors and other beneficiaries in the Medicare Part D coverage gap, from making health insurance tax credits available to up to four million small businesses, to new reforms that keep premiums down by bringing transparency and accountability to our health insurance markets.

We have met deadlines, established strong working partnerships, and begun laying the groundwork for reforms that will take effect in the years to come.

In the last year, I've also gotten the chance to see this new law through the eyes of the people it helps every day. From the people I've talked to around the country, and the letters I get every day, I've learned firsthand how the law is giving Americans more freedom in their health care choices and more security in their coverage.

It's making a difference for people like Ralph Byrd from Phoenix. His twins have a condition called Spinal Muscular Atrophy that requires expensive treatments and a constant need for care. Ralph had health insurance but worried that the cost of care for his children would quickly reach the lifetime dollar limit on his plan.

Thanks to the new law, Ralph's family and countless others no longer have to worry about losing their health insurance when they need it most. In September, the Patients' Bill of Rights began to put an end to the worst abuses of the insurance industry, including the imposition of lifetime limits. It also put an end to unfair and arbitrary rescission practices and began to phase out annual dollar limits. It puts an end under most plans to outrageous fees you could be charged for going to the nearest emergency room. And it allows parents to keep their children on family plans in most cases up to age 26.

By holding insurers accountable, the new law frees Americans from the worry that their benefits will be unfairly taken away or capped. It has given millions of families peace of mind.

At the same time, the new law begins to free Americans from the cruel practice of discrimination based on pre-existing conditions.

In September, I met Gail O'Brien from Keene, New Hampshire. The previous March, Gail, who was uninsured, was diagnosed with non-Hodgkins Lymphoma. When she tried to get coverage she was declined because of her condition or offered coverage at an

unaffordable rate. She faced the kind of decision that, unfortunately, millions of other Americans have faced over the last few years. Should she pay for health care or pay for her son's college education? Thanks to the new law, Gail was able to get coverage through the Pre-existing Condition Insurance Plan created in each state by the new law. As a result, she has been able to get her treatments and is responding very well.

Today, Gail is just one of thousands of Americans who had previously been locked out of the health insurance market but now have coverage thanks to the new law. Even more significant, insurers are no longer allowed to deny coverage to children because of a pre-existing health condition. And in 2014, any kind of discrimination based on your health history will be outlawed. That's a day we will all celebrate.

Almost every family in America will benefit from this protection. According to a report our department released last week, as many as 129 million Americans – or nearly one in two people under the age of 65 – may have a health condition that makes them vulnerable to insurance company discrimination today. Things as big as being a cancer survivor or as small as treating high blood pressure were enough to catch insurers' attention. And we know that they did not hesitate to use this power.

The new law is freeing these 129 million Americans from the worry that if they change jobs, retire, get divorced, or otherwise need individual market insurance, they'll be shut out of health insurance or denied the coverage they need.

We also need to make sure that coverage is affordable for individuals, families, and businesses. Already, provisions of the Affordable Care Act are helping to keep premium increases down by demanding transparency and accountability from the insurance industry. For too long, it has been a common occurrence for someone to open up their mail and find a 25 percent premium increase from their insurer with little explanation and no recourse.

That's changing under the new health care law. States are our frontline defense to prevent unreasonable premium increases. And as a former State Insurance Commissioner, I am pleased by the state-focused approach the law takes to premium review. We are providing states with resources to help them beef up their rate review processes, including the ability to hire actuaries to perform the necessary analysis of rate proposals. In 2010, we provided the first round of what will eventually be \$250 million in funding to strengthen states' ability to review and reject unreasonable rate hikes. Over the last year, states from California to Connecticut have shown that vigorous oversight can be very effective at stopping unjustified premium increases. We also have proposed a system for transparency and consistent, reviews of any premium increase over 10 percent in 2011 to identify any that are unreasonable.

In addition, for the first time, insurers will be held accountable for the way they spend consumer premiums. The new medical loss ratio regulations released last year implement the statutory requirement that insurers spend 80 to 85 percent of premium dollars on health care and quality improvement efforts instead of marketing and CEO

bonuses. And those who don't meet the standard will have two choices: reduce premiums or send rebates to their customers. We are already seeing indications that these policies are causing insurance companies to think twice about their premium increases and, in some cases, reducing the size of their annual updates.

This is just the start of how the law will keep down premiums. In 2014, individuals, families, and many small businesses will be eligible for tax credits to help them afford health coverage purchased through the new Exchanges. And they'll be able to pool their resources in new state-based health Exchanges to negotiate lower rates. We estimate that a family of four earning \$55,000 a year will save nearly \$6,000 each year as a result of these tax credits. And a single mother with income of \$33,000 will save nearly \$10,000, putting coverage within reach for the first time for these vulnerable families. The nonpartisan Congressional Budget Office estimates that small businesses will be able to purchase coverage in the Exchanges at a significant savings than what they are paying now, because of the larger risk pools and streamlined administrative costs. Large employers are also benefitting.

Creation of state-based health insurance Exchanges is a central component of the Affordable Care Act and a concept that has a long history of bipartisan support. Under the Act, states have until 2014 to establish Exchanges for their citizens. As part of our partnership with the states, we are again providing resources to help them get these Exchanges up and running on time. We have provided Exchange Planning Grants to 48 states plus the District of Columbia and just last week we announced the availability of funds for states to begin the work to establish Exchanges. We will continue to work closely with governors, state regulators, and legislators to provide them with information and resources to complete this critical work on time.

The law also invests in improving Americans' access to care through \$11 billion in funding for community health centers to increase services, improve facilities and train and support more health care professionals to work in the areas they are needed most.

I've also seen how the new law is helping America's businesses. Under the new law, more than 5,000 businesses, local governments, and unions have signed up for a new program that helps them maintain coverage for retired workers who are not yet eligible for Medicare.

The California Public Employees Retiree System for example reports that by factoring the new program into its 2011 health plans, it was able to provide approximately \$200 million in premium savings to 115,000 early retirees and their families.

We have also notified more than 4 million small businesses and non-profits that they may be eligible for a tax credit this year to help them provide health insurance for their employees. And we have already seen these credits working. After years of dropping coverage, we have seen the trend start to reverse thanks to the law.

For example, Blue Cross Blue Shield of Kansas City recently reported that after letting local businesses know about the new tax credit, they enrolled more than 9,000 new members covered by 400 new employers, more than a third of which had not previously offered coverage. On behalf of the Business Round Table, Hewitt analyzed the cost containment policies in the law and found that large employers could save up to \$3,000 per employee by 2019. Thanks to the new law, America's businesses are getting more freedom from soaring costs that made it hard for them to compete and keep their best employees.

The Affordable Care Act is also making Medicare stronger and more sustainable. Last week, we sent out our three millionth \$250 rebate check to help seniors and other beneficiaries who reached the Medicare Part D prescription drug benefit gap in 2010. Several of these seniors have written to me to say how helpful these checks were, including one couple from Minnesota who stapled their receipt to the card, showing how they spent the money at their local WalMart.

This year, seniors are getting more benefits. Those who reach the donut hole will receive a 50 percent discount on covered brand-name drugs while in the donut hole, the first step toward closing the donut hole by the end of the decade. And Medicare beneficiaries will be eligible to receive recommended preventive services such as mammograms and most cancer screenings at no additional charge as well as free annual wellness visits.

In addition to giving Americans more control over their health care, the new law is strengthening our economy. More than one million new private sector jobs have been created since the law passed and the health sector is one of the fastest growing parts of our economy. And the Congressional Budget Office has said that the law will reduce our federal deficit by \$230 billion over the next decade and by over \$1 trillion by the end of the following decade.

I have personally seen the difference this law will make and in just a few minutes, you'll hear more about how the law is making it easier for Americans to get the health care they need. This law is not just words on a page to be debated. There are names and faces that go along with this law. We are moving forward with real rights and reforms that are improving people's lives every day.

That's why last week's vote in the House to repeal this law was unfortunate. At a time when there is so much more important work to be done to rebuild our economy, we can't afford to take these benefits away from families, bring back all the worst practices of the insurance industry, raise premiums for families, increase health costs for businesses, and add \$1 trillion to the deficit by the end of the next decade.

Since March of last year, our department has focused on working with Congress and our partners across the country to implement this law quickly and effectively. In the coming months, I look forward to working with all of you to continue that work and make sure that Americans can take full advantage of all that the law has to offer. Thank you for your time.