

This is a preliminary transcript of a Committee hearing. It has not yet been subject to a review process to ensure that the statements within are appropriately attributed to the witness or member of Congress who made them, to determine whether there are any inconsistencies between the statement within and what was actually said at the proceeding, or to make any other corrections to ensure the accuracy of the record.

1 {York Stenographic Services, Inc.}

2 RPTS MEYERS

3 HIF081.020

4 THE CENTER FOR CONSUMER INFORMATION AND INSURANCE OVERSIGHT,
5 AND THE ANNIVERSARY OF THE PATIENT PROTECTION AND AFFORDABLE
6 CARE ACT

7 WEDNESDAY, MARCH 21, 2012

8 House of Representatives,

9 Subcommittee on Oversight and Investigation

10 Committee on Energy and Commerce

11 Washington, D.C.

12 The Subcommittee met, pursuant to call, at 10:04 a.m.,
13 in Room 2322 of the Rayburn House Office Building, Hon. Cliff
14 Stearns [Chairman of the Subcommittee] presiding.

15 Members present: Representatives Stearns, Terry,
16 Murphy, Burgess, Blackburn, Gingrey, Scalise, Griffith,
17 Barton, DeGette, Schakowsky, Green, Christensen, Dingell and
18 Waxman (ex officio).

19 Staff present: Gary Andres, Staff Director; Sean
20 Bonyun, Deputy Communications Director; Paul Edattel,
21 Professional Staff Member, Health; Julie Goon, Health Policy
22 Advisor; Sean Hayes, Counsel, Oversight and Investigations;
23 Debbie Keller, Press Secretary; Katie Novaria, Legislative
24 Clerk; Andrew Powaleny, Deputy Press Secretary; Alan
25 Slobodin, Deputy Chief Counsel, Oversight; Alvin Banks,
26 Democratic Investigator; Phil Barnett, Democratic Staff
27 Director; Brian Cohen, Democratic Investigations Staff
28 Director and Senior Policy Advisor; Elizabeth Letter,
29 Democratic Assistant Press Secretary; Karen Lightfoot,
30 Democratic Communications Director, and Senior Policy
31 Advisor; and Matt Siegler, Democratic Counsel.

|
32 Mr. {Stearns.} Good morning, everybody. I call to
33 order this subcommittee's hearing on the Center for Consumer
34 Information Insurance Oversight during the week of the 2-year
35 anniversary of the Patient Protection and Affordable Care
36 Act.

37 My colleagues, it has been 2 years since the health care
38 law was forced on the American people on a purely partisan
39 basis. As we have done since its initial passage, we
40 continue to evaluate the effect the law has on individuals,
41 the health care industry and the United States government.
42 It is fairly obvious what those effects are: number one,
43 higher cost, higher premiums, and increased government
44 control.

45 Now, these are not partisan points. These are objective
46 facts. Proponents of the law promised lowered premiums, they
47 promised lowered costs, and they promised that if you didn't
48 want your coverage to change, it would not. That is simply
49 not the case.

50 This month, the Congressional Budget Office announced
51 that the 10-year cost for the bill is nearly \$2 trillion,
52 substantially higher than the figure used when the law was
53 passed. The CBO also reported that as many as 20 million
54 Americans could lose their current coverage, despite the

55 President's countless promises that if you liked your
56 coverage you could keep it. These are not partisan talking
57 points. This is the analysis of the non-partisan
58 Congressional Budget Office.

59 Meanwhile, the implementation of the law has failed to
60 inspire confidence in the future of Obamacare. The cost and
61 premium increases for some were so large that a waiver
62 program had to be created to excuse over 1,700 companies,
63 insurers and individuals from the law's effects. For
64 example, one business from my home State of Florida needed a
65 waiver so that 34,000 individuals did not face significant
66 premium increases or the loss of their coverage. Yet, these
67 waivers still expire in 2014, and I fear the premium
68 increases and loss of coverage will become unavoidable for
69 over 3 million Americans.

70 The Early Retiree Reinsurance Program is practically
71 broke. In fact, we will probably learn from one of the
72 witnesses today whether this program, which was supposed to
73 last until the year 2014, has finally run out of money. As
74 of last month, it had already spent \$4.7 billion of its \$5
75 billion budget.

76 Despite predictions that 375,000 individuals would sign
77 up for the temporary high-risk pools in the first year, only
78 50,000 have signed up 2 years later.

79 The countless pages of regulations, rules and
80 requirements for Obamacare have been incredibly confusing.
81 To my constituents and individuals throughout the country,
82 these massive new rules and regulations demonstrate the
83 increasing interference of the federal government into their
84 lives, while to the business community, the uncertainty they
85 create makes planning for the future nearly impossible.

86 Lastly, the creation of the Independent Payment Advisory
87 Board, the IPAB, has been met with universal distain by the
88 medical community and our seniors. Today we are debating on
89 the House Floor a bill to repeal this board of unelected
90 bureaucrats charged with cutting Medicare payments to doctors
91 and hospitals.

92 Of course, next week the Supreme Court will address the
93 question of whether this unprecedented reach into every
94 American's life is permitted by the Constitution, but today,
95 my colleagues, we want to evaluate the law's effects since
96 its passage.

97 Today's hearing is unique because we will start off with
98 a member panel featuring both Senator Ron Johnson from
99 Wisconsin and our fellow House Member Donna Edwards. I
100 welcome both of them this morning. I thank them for
101 appearing and contributing their time. We also have Mr.
102 Steven Larsen joining us again today. Mr. Larsen is the

103 Deputy Administrator and Director for CCIIO and has
104 previously been a witness of both this committee and the
105 Subcommittee on Health. So we welcome him back also and
106 thank him for joining us today.

107 [The prepared statement of Mr. Stearns follows:]

108 ***** COMMITTEE INSERT *****

|
109 Mr. {Stearns.} I would like to recognize the ranking
110 member, Ms. DeGette.

111 Ms. {DeGette.} Thank you very much, Mr. Chairman.

112 I want to welcome our witnesses today. I am glad to see
113 our favorite friend, Steve Larsen, the Director of the Center
114 for Consumer Information and Insurance Oversight, and of
115 course we are looking forward to hearing from our colleagues,
116 Senator Ron Johnson and Representative Donna Edwards.
117 Representative Edwards, it is nice to see a woman on a panel
118 here to talk about the women's health provisions of the
119 Affordable Health Care Act.

120 Mr. Chairman, in the spirit of basing today's oversight
121 hearing on the facts, I want to briefly describe some of the
122 benefits of the Affordable Care Act that have or will soon go
123 into effect. Because of this law, 2.5 million young adults
124 who were previously uninsured now have health insurance
125 coverage on their parents' policies. Five point one million
126 seniors have saved an average of more than \$600 each on their
127 prescription drugs through Medicare. More than 30 million
128 seniors and more than 80 million Americans overall now have
129 access to preventative care with no copays, coinsurance or
130 deductibles. Over 100 million Americans with private
131 insurance no longer have to worry about the worst abuses of

132 the insurance industry. Their coverage cannot be revoked if
133 they get sick, and they no longer have to fear hitting a
134 lifetime coverage limit because of unexpected medical costs.

135 Mr. Chairman, this new health reform law does so much
136 good for so many people, and under the mantra of repeal and
137 replace, all the Republican majority has done is vote to
138 repeal it. Now, we have already had two votes in this
139 Congress to repeal the Affordable Care Act in the last year,
140 and yesterday Representative Ryan introduced his budget,
141 which would not only repeal the health care law but would
142 decimate Medicare and Medicaid to boot.

143 Mr. Chairman, I am wondering when we are going to start
144 having hearings on the second part of repeal and replace,
145 which is the replace part of the Affordable Care Act.

146 I want to give you a few examples of how the efforts to
147 repeal but not replace health care law would hurt women in
148 particular. In July 2011, the prestigious Institutes of
149 Medicine made recommendations regarding preventative health
150 services for women. These experts recommended insurance
151 companies cover the cost of screening for cervical cancer,
152 counseling and screening for sexually transmitted infections,
153 annual well women preventative care visits, screening and
154 counseling for domestic violence, and services for pregnant
155 women. Using authority granted by the Affordable Care Act,

156 the Department of Health and Human Services issued guidelines
157 ensuring the full range of preventative services outlined by
158 the IOM will be covered by health plans and available to all
159 women without copayments, coinsurance or deductibles. Mr.
160 Chairman, this preventative care will save women's lives and
161 save money, but the proposal to repeal but not replace the
162 law that makes sure women could get this care has not been
163 answered.

164 That is not all the majority has tried to repeal.
165 Earlier this week, the National Women's Law Center released a
166 report on the pervasive discrimination in the insurance
167 market for women. The report found that the same health
168 insurance policy costs a woman 30, 50 or even 85 percent more
169 than a man of the same age, even if maternity care is not
170 covered. Mr. Chairman, this is simply wrong, and thanks to
171 the Affordable Care Act, it will not continue. But all I
172 have seen are proposals to repeal and not to replace the law
173 that would prevent health insurance discrimination against
174 women.

175 Mr. Chairman, the facts do not support the drive to
176 repeal this bill, but facts don't seem to matter in this
177 case. Republicans have already decided in advance that the
178 law will not work, and the facts have become irrelevant. Let
179 me give you an example. In fact, Mr. Chairman, you talked

180 about it in your opening statement. Last week, the
181 Congressional Budget Office released new Affordable Care Act
182 estimates. Committee Republicans were quick to claim that
183 the CBO's estimates had changed and this was proof that
184 health care reform had failed. There is only one problem:
185 this is incorrect. Earlier this week, CBO Director Doug
186 Elmendorf spoke out about this misrepresentation and here is
187 what he had to say: ``Some of the commentary on these
188 reports has suggested that CBO and the Joint Committee on
189 Taxation have changed their estimates of the ACA to a
190 significant degree. That is not our perspective. For health
191 insurance coverage, the latest estimates are quite similar to
192 the estimates we released when the legislation was being
193 considered. The estimated budgetary impact of the coverage
194 provisions has also changed little.''

195 Mr. Chairman, CBO concluded this year what they
196 concluded 2 years ago when health care reform was passed:
197 the Affordable Care Act will improve health care coverage for
198 hundreds of millions of Americans. It will cover tens of
199 millions of the uninsured. It will improve Medicare and it
200 will cut the deficit. Millions of Americans are seeing the
201 benefits of health care reform already, and these benefits
202 will continue in the future. Thank you.

203 [The prepared statement of Ms. DeGette follows:]

204 ***** COMMITTEE INSERT *****

|
205 Mr. {Stearns.} I thank my colleague, and recognize Dr.
206 Burgess for 2 minutes.

207 Dr. {Burgess.} I thank the chairman for the
208 recognition.

209 You know, I have really been interested in this, what
210 started life as an agency, the Office of Consumer Information
211 and Insurance Oversight, for a long time. It has always been
212 a little bit of a mystery to me. This is the office that is
213 the lead implementation force, the referee on meeting
214 guidance for consumers, States and insurance companies on the
215 Affordable Care Act, but nowhere in the Affordable Care Act
216 is there any reference to the Office of Consumer Information
217 and Insurance Oversight. It was a fabrication by the
218 Secretary of Health and Human Services. Now, when the
219 committee began to look into this in November of 2010 and
220 January of 2011, the agency morphed into the Center for
221 Consumer Information and Insurance Oversight and was drawn
222 back into the Centers for Medicare and Medicaid Services.
223 And it has been tough to get information out of this agency.
224 Yes, sometimes it has come but it has come in small morsels
225 and it has required an inordinate amount of staff time in
226 order to get the budgetary information, and by the time we
227 receive it, it is frequently months out of date.

228 Well, the operations of the of the Center for Consumer
229 Information and Insurance Oversight are now under the aegis
230 of the Centers for Medicare and Medicaid Services. This is
231 the most powerful health agency on earth, and indeed that the
232 earth has ever known, certainly within the federal
233 government, because they have under their control now
234 Medicare, Medicaid, SCHIP, and for the first time with the
235 passage of the Affordable Care Act 2 years ago, private
236 insurance is now regulated by the federal government in the
237 Office of Consumer Information and Insurance Oversight.

238 So it is essential that we as an oversight body maintain
239 the oversight over this, now this very large and crucial
240 organization. We have a Supreme Court hearing going on, a
241 Supreme Court case being heard next week. It will be
242 interesting to know what the contingency plans are at HHS and
243 CCIIO should the Supreme Court not rule the Administration's
244 way.

245 I will yield back the balance of my time.

246 [The prepared statement of Dr. Burgess follows:]

247 ***** COMMITTEE INSERT *****

|
248 Mr. {Stearns.} The gentleman yields back.

249 The gentlelady from Tennessee is recognized for 1
250 minute.

251 Mrs. {Blackburn.} Thank you, Mr. Chairman.

252 I want to welcome our guests. Senator Johnson, great
253 article in the Wall Street Journal today on Obamacare. We
254 appreciate the work you have done. Ms. Edwards, we are so
255 pleased that you are with us, and Mr. Larsen, I want to
256 welcome you back.

257 As we look at what has happened over the past 2 years,
258 we see that \$500 billion has come out of Medicare. Our
259 constituents are aware of this. They are concerned, and they
260 look at this cost of this entire bill. Now, as the chairman
261 said, what we have found out is that the cost has doubled
262 since the original estimates. Those of us from Tennessee who
263 had TennCare, the test cast for HillaryCare back in 1994,
264 indeed reported repeatedly that the cost quadrupled within 5
265 years. So we are going to want to look at what is happening
266 with this cost.

267 We are concerned about it. We are concerned about the
268 potential loss of coverage for 5 to 20 million Americans. We
269 hear from a lot of our constituents about the escalation in
270 cost of their private insurance premiums, and indeed, many of

271 my constituents, female business owners, talk about their
272 concern about loss of coverage and access to consistent
273 coverage for elderly relatives, for children with chronic
274 conditions, because they see this insurance market changing
275 and they know that the changes that are in front of them are
276 not going to help them with consistent health care, and we
277 express those concerns and I yield back the balance of my
278 time.

279 [The prepared statement of Mrs. Blackburn follows:]

280 ***** COMMITTEE INSERT *****

|
281 Mr. {Stearns.} The gentlelady's time is expired and the
282 gentleman from Louisiana is recognized for 1 minute.

283 Mr. {Scalise.} Thank you, Mr. Chairman. I appreciate
284 you having this hearing. I want to thank our panelists who
285 are going to be testifying later.

286 You know, I think it is important as we approach the 2-
287 year anniversary of the President's health care law that we
288 look back and see just what has happened, what it is doing to
289 the health care marketplace, and in fact, if many of the
290 promises that were made have been kept or broken, and I think
291 what we have seen so far, I know as I have talked to small
292 businesses throughout my district, the biggest complaint that
293 they give when they talk about the things that are keeping
294 them from hiring people right now, keeping them from creating
295 jobs, is the President's health care law, the cost that it
296 has added, the uncertainty that it has added. If you look
297 at, you know, what it has done to Medicare, \$500 billion was
298 raided from Medicare by the President's law, and in fact the
299 President's own health care actuaries confirmed that Medicare
300 will go bankrupt in less than 12 years, and this is the
301 current law of the land.

302 And so absolutely we want to repeal it, get rid of the
303 higher costs, get rid of the broken promises and the lost

304 health care and the crony capitalism as we will see from
305 these waivers that have been issued by many friends and
306 supporters of the law whereas regular hardworking taxpayers,
307 small businesses weren't able to get those same waivers. I
308 think it is important that we look back at all of that and,
309 you know, hopefully work to address the problems like we will
310 be working to repeal this unelected board of 15 bureaucrats
311 that would have the ability to ration care.

312 So thanks again for having this hearing and I look
313 forward to our panel. I yield back.

314 [The prepared statement of Mr. Scalise follows:]

315 ***** COMMITTEE INSERT *****

|
316 Mr. {Stearns.} I thank the gentleman.

317 The chair recognizes the ranking member of the full
318 committee, Mr. Waxman, for 5 minutes.

319 Mr. {Waxman.} Mr. Chairman, as we approach the 2-year
320 anniversary of the Affordable Care Act, we have an
321 opportunity to highlight the tremendous benefits that this
322 landmark law has and will provide for millions of Americans,
323 and I am pleased to welcome our first witnesses, Senator
324 Johnson and Representative Edwards, and I know we will be
325 hearing from Steve Larsen from the CCIIO who will be
326 implementing a lot of the legislation.

327 But House Republicans seem determined to overturn this
328 law regardless of the facts. I find it hard to understand.
329 The Affordable Care Act is giving vital benefits for millions
330 of Americans. We are living up to the promises of this law.
331 Nationwide, the law has provided insurance coverage for over
332 2 million young adults who were previously uninsured. It
333 saves over 5 million seniors an average of more than \$600
334 each on their prescription drugs. It provided more than 30
335 million seniors, more than 10 million children and more than
336 40 million adults new access to preventive care with no
337 copays, coinsurance or deductibles. Thanks to the Affordable
338 Care Act, over 100 million Americans no longer have to worry

339 about their coverage being revoked if they get sick or by
340 hitting a lifetime coverage limit because of unexpected
341 medical costs.

342 Last week, my staff prepared reports on the benefits of
343 the Affordable Care Act in all 435 Congressional districts.
344 Mr. Chairman, I would like to enter the reports for the 23
345 members of the subcommittee into the hearing record.

346 Mr. {Stearns.} By unanimous consent, will do.

347 [The information follows:]

348 ***** COMMITTEE INSERT *****

|

349 Mr. {Waxman.} They show that health reform is helping
350 hundreds of thousands of people in each of our districts. In
351 my district, health reform has provided 8,600 young adults
352 with health coverage and given 9,600 seniors an average
353 discount of \$700 per person on their prescription drugs under
354 Medicare Part D. And Mr. Chairman, in your district, because
355 of health reform, 113,000 seniors have received Medicare
356 preventive services without paying copays, coinsurance or
357 deductibles, up to 42,000 children with preexisting health
358 conditions can no longer be denied coverage by health
359 insurance, and 250,000 of your constituents no longer have to
360 worry about lifetime coverage limits on their health plan.
361 And in the months and years to come, even more critical
362 benefits and protections will go into effect.

363 Later this year, every health insurance policy sold in
364 this country will begin providing consumers with a clear,
365 consistent summary of the costs and benefits of their
366 coverage like food and nutrition labels for health care
367 plans.

368 In 2014, when the law is fully implemented, plans in the
369 private market will be sold in transparent and competitive
370 exchanges where consumers can be sure that the plans they
371 purchase will be there for them when they need them without

372 annual or lifetime limits, regardless of a preexisting
373 condition, without insurers making unjustifiable premium
374 increases or wasting huge percentages of premium dollars on
375 administrative costs and profits.

376 These are the facts. They show the Affordable Care Act
377 is working and will continue to benefit the American people.
378 What won't work is the Republican alternative. They want to
379 repeal the law. They say they we will repeal and replace.
380 Now we know what their replacement is. From the Budget
381 Committee chairman yesterday, the proposal would repeal
382 health care reform, decimate Medicaid, cutting over \$800
383 billion from this critical safety net program, and it would
384 slash hundreds of billions of dollars from Medicare. After
385 all the money that people complained about that was taken
386 from the Medicare overpayment and some of the insurance
387 companies, the Republicans would leave that in place and they
388 would cut additional hundreds of billions of dollars as well,
389 ending the program's basic health guarantee for seniors.

390 Mr. Chairman, these Republican solutions are wrong.
391 They would devastate Medicare and Medicaid, leave tens of
392 millions of Americans without health insurance at all. Their
393 way of holding down costs is to shift those costs on to the
394 Medicare individuals, and for the States, they would tell the
395 States here is less money for Medicaid, you can cut back on

396 health care for disabled people and very, very poor people
397 under Medicaid while we are going to make sure that we are
398 going to give wealthier Americans further tax breaks. I
399 think that is obscene and I think the American people will
400 see through this Republican effort.

401 [The prepared statement of Mr. Waxman follows:]

402 ***** COMMITTEE INSERT *****

|
403 Mr. {Stearns.} The gentleman's time is expired. We
404 will now go to our witnesses. Our first panel, of course, is
405 Senator Ron Johnson from Wisconsin and Congresswoman Donna
406 Edwards from Maryland. We welcome both of you today. And
407 Senator Johnson, we will recognize you for 5 minutes.

|
408 ^TESTIMONY OF HON. RON JOHNSON, A UNITED STATES SENATOR FROM
409 THE STATE OF WISCONSIN; AND HON. DONNA F. EDWARDS, A
410 REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

|
411 ^TESTIMONY OF RON JOHNSON

412 } Senator {Johnson.} Thank you, and good morning,
413 Chairman Stearns, Ranking Member DeGette and members of the
414 committee. Thank you for the opportunity to participate in
415 today's hearing on the Patient Protection and Affordable Care
416 Act.

417 Unfortunately, this Orwellian-named law will neither
418 protect patients nor make health care more affordable. It is
419 my current mission to paint a picture of what America's
420 health care system, our freedoms and our federal budget will
421 look like in the unfortunate event that Obamacare is fully
422 implemented. It will not be a pretty picture.

423 Nancy Pelosi famously stated that we have to pass this
424 bill so you can find what is in it. I am determined to make
425 sure we don't have to fully implement it to see what it will
426 cost.

427 Twenty-eight years ago, our infant daughter, like
428 millions of other Americans, was saved by a health care

429 system and medical professionals that dedicate their lives to
430 saving the lives of others. Today, our daughter is a nurse
431 herself helping to save infants in a neonatal intensive care
432 unit. These are the people that President Obama chose to
433 demonize in his quest to take over one-sixth of our economy.
434 The result of his efforts was an ill-conceived, totally
435 partisan, 2,700-page bill whose benefits were wildly
436 overstated and whose costs will prove to be dangerously
437 understated.

438 Let me start there, understated costs. To sell the
439 fiction that Obamacare would provide health care to 25
440 million uninsured Americans without adding one dime to our
441 deficit, the original budget window included 10 years of
442 revenue and fictional cost savings totaling \$1.1 trillion to
443 pay for only 6 years of benefits totaling \$938 billion.
444 Increased taxes, fees and penalties account for roughly half
445 of the \$1.1 trillion ``pay for.'' The other half supposedly
446 results primarily from reduced payments to Medicare providers
447 and cuts in Medicare Advantage. But Congress has not allowed
448 the enactment of the \$208 billion provider payment cuts
449 required under the Sustainable Growth Rate formula because it
450 understands those cuts would dramatically reduce seniors'
451 access to care. For the same reason, how likely is it that
452 Obamacare's Medicare reductions will actually occur.

453 In addition, how likely is it that on net, only 1
454 million out of the 154 million Americans that have employer-
455 sponsored health insurance will lose that coverage and be
456 forced to obtain coverage through the exchanges. Not very.
457 Yet that was the CBO estimate that helped produce Obamacare's
458 unrealistic deficit reduction score.

459 Instead of trying to interpret and comply with over
460 15,000 pages of rules and regulations, and instead of paying
461 \$20,000 in 2016 for family coverage, why wouldn't business
462 owners simply pay the \$2,000 penalty? And by dropping
463 coverage under Obamacare, they wouldn't be exposing their
464 employees to financial risk. They would be making them
465 eligible for huge subsidies in the exchanges, \$10,000 if
466 their household income is \$64,000. A recent study by
467 McKenzie and Company found that 30 to 50 percent -- that
468 would be 48 to 80 million Americans -- 30 to 50 percent of
469 employers plan to do just that, drop coverage.

470 CBO's March 2012 baseline estimates 9-year Obamacare
471 outlays will exceed \$1.9 trillion. Adding that many
472 individuals to the exchanges could add trillions to these
473 projections. Can America afford to take that risk? Those
474 trillions of dollars for Obamacare will be taken from
475 hardworking American taxpayers and the private sector
476 filtered through the federal government in order for

477 Washington to dictate the terms of health care consumption
478 and delivery to every American. If that happens, we will be
479 ceding a significant portion of our personal freedoms for the
480 false promise of economic and health care security.

481 There are too many uncertainties, and the stakes are far
482 too high to proceed with implementing Obamacare. It is time
483 to put the brakes on until we fully understand all its costs
484 and consequences.

485 In closing, let me ask some questions the Administration
486 should answer before Obamacare is fully implemented and it
487 really is too late. If the Medicare cuts actually are
488 enacted, how many doctors will stop taking Medicare patients?
489 What services will be cut? How will quality suffer? Isn't
490 this how rationing begins?

491 Because Medicaid reimbursement rates are often lower
492 than provider costs, approximately 40 percent of providers do
493 not accept Medicaid patients. How will the remaining 60
494 percent handle the 25 million new Medicaid beneficiaries?

495 Faith in the federal government is appropriately at an
496 all-time low. How many Americans actually believe Washington
497 can effectively and efficiently take over one-sixth of our
498 economy? Does anyone think government would have invented
499 the iPhone or iPad? What will happen to medical innovation
500 under government control?

501 Will Americans like federal bureaucrats telling them
502 they cannot get mammograms until they reach the age of 50, or
503 the Independent Payment Advisory Board becoming Medicare's de
504 facto rationing panel?

505 Defensive medicine and junk lawsuits cost Americans
506 hundreds of billions of dollars each year. Why was
507 malpractice reform rejected? Did it have anything to do with
508 President Obama's support from trial lawyers? Why would
509 anyone think that increasing taxes on health insurance plans,
510 medical devices and drugs would help bend the cost curve
511 down? The actual result: instead of lowering the cost of a
512 family insurance plan by \$2,500 per year as President Obama
513 promised, family plans are now \$2,200 higher. Does anyone
514 really think that on net, only 1 million American will lose
515 their employer-sponsored care and be forced into the
516 exchanges? And finally, why have 1,722 waivers covering 4
517 million Americans been granted if implementing Obamacare
518 doesn't threaten current health insurance plans?

519 President Obama promised: ``If you like your health care
520 plan, you will be able to keep your health care plan. Period.
521 No one will take it away, no matter what.'' I am not sure
522 what you would call that statement, but whatever you call it,
523 it was a doozy.

524 Thank you, Mr. Chairman.

525 [The prepared statement of Senator Johnson follows:]

526 ***** INSERT 1 *****

|
527 Mr. {Stearns.} I thank you, Senator, and we recognize
528 the gentlelady from Maryland for 5 minutes.

|
529 ^TESTIMONY OF DONNA EDWARDS

530 } Ms. {Edwards.} Thank you, Mr. Chairman and Ranking
531 Member DeGette, and thanks for holding this important and
532 timely hearing on the Nation's health care system, and for
533 the opportunity to be here to testify today.

534 I represent Montgomery and Prince George's counties
535 right outside of Washington, D.C. Even in my Congressional
536 district close to the Nation's capital, there are thousands
537 of people who go without health care every day. I was
538 honored to preside over the passage of the Affordable Care
539 Act in the House and filled with pride actually to witness
540 President Obama sign the landmark bill into law.

541 Although the health care reform law has faced opposition
542 from some, I am proud and steadfast in my support of the
543 Affordable Care Act and the preventive care, the primary
544 care, the community-based care and the quality care that will
545 now be received by millions of Americans.

546 Before the enactment of the Affordable Care Act, our
547 health care system had been failing a large part of our
548 population who most needed insurance coverage. In a national
549 survey, 12.6 million non-elderly adults, 36 percent of whom
550 tried to purchase health insurance directly from an insurance

551 company in the individual market, had been discriminated
552 against because of a pre-existing condition just in the last
553 3 years. With a federal high-risk pool, these Americans will
554 have access to a critical program that provides lifesaving
555 health care coverage, and the Affordable Care Act also
556 encourages and enables people to seek out care sooner, saving
557 the system money and increasing the chance of positive health
558 outcomes in the long run. That we should look to as very
559 encouraging.

560 I worked with my colleagues, and I was interested to
561 hear you, Mr. Chairman, particularly Jan Schakowsky, in
562 championing a provision that holds insurance companies
563 accountable for excessive premium increases. That ensures
564 affordability for working families who have health care
565 coverage, but for whom costs are skyrocketing.

566 In my congressional district, this provision has already
567 helped protect 190,000 residents from price gouging by
568 requiring health insurers to post and justify rate increases
569 of 10 percent or more. This is true all across the country
570 in every single Congressional district.

571 At this important 2-year anniversary, for constituents
572 in my district and throughout the country, health care reform
573 has already delivered important and tangible benefits due to
574 a number of provisions in effect today. I am proud that our

575 system would allow me the option to keep on my health
576 insurance policy my 23-year-old up until age 26 in the event
577 that he doesn't receive coverage through an employer.

578 I visit senior centers regularly where seniors now
579 understand that the Affordable Care Act strengthens their
580 Medicare benefit by closing the prescription drug donut hole
581 and expanding coverage, all while lowering costs to them.
582 Under the expanded benefits of Medicare, seniors can receive
583 annual physical and preventive screenings. And the small
584 businesses in my district and all across this country have
585 received the benefit of a 35 percent, enhanced to 50 percent
586 in 2014, tax credit to help them as employers cover the cost
587 of premiums paid to insure their workers. And with the
588 filing deadlines approaching, employers should look for that
589 credit filing on their return.

590 And for women, and I am proud that for women all across
591 this country Affordable Care Act has had a remarkable impact
592 on their ability to finally obtain affordable and
593 comprehensive coverage. According to The Commonwealth Fund,
594 when the law is fully implemented, nearly all the 27 million
595 women in this country ages 19 to 64 who were uninsured in
596 2010 will gain health coverage that meets their needs at a
597 fair price.

598 By 2014, health care reform will keep insurance

599 companies from denying women coverage due to preexisting
600 conditions like experiencing domestic violence or pregnancy
601 or even acne. What a shame that we needed a law to ensure
602 that insurance companies would not penalize women for those
603 or other conditions, but you know what? I am happy we have
604 that law to do exactly that.

605 And further, as members of this panel, male and female,
606 know, the act of choosing a doctor for your health needs is
607 an important and personal decision. The Affordable Care Act
608 ensures that women are able to choose any doctor they trust
609 without a referral. As if the insurance companies didn't
610 have enough influence over the health care decisions of
611 women, before the passage of the Affordable Care Act insurers
612 could also choose to charge a woman more for her insurance
613 policy just because of her gender. The National Women's Law
614 Center reports the practice of charging women more than men
615 for the same coverage cost women \$1 billion a year with
616 little evidence to explain the difference.

617 And now with the Affordable Care Act in place and the
618 scientific findings of the Institute of Medicine, women will
619 receive a full range of preventive services at no cost
620 including mammograms, colonoscopies, Pap tests, as well as
621 well-woman visits, HPV testing, contraception methods, and
622 support for interpersonal and domestic violence. To date, 20

623 million women have accessed these free preventive services.

624 And for minority women like me who too often go
625 uninsured, the Affordable Care Act will provide equal access
626 to health care and close health disparity gaps that plague
627 women in underserved communities.

628 And so I appreciate the opportunity to be here today to
629 celebrate the good news of health care delivery for the
630 American people through the Affordable Care Act, and I thank
631 you, and I am happy to answer any questions.

632 [The prepared statement of Ms. Edwards follows:]

633 ***** INSERT 2 *****

|
634 Mr. {Stearns.} I thank both of you.

635 Senator Johnson, do you have time to answer any
636 questions?

637 Senator {Johnson.} I believe so. I will run out of
638 here at the last minute.

639 Mr. {Stearns.} Okay, because I saw that you might have
640 a vote here in the Senate.

641 I guess the question for you would be, what experiences
642 in the private sector have you had that give you insight into
643 our impending problem with Obamacare?

644 Senator {Johnson.} Well, really, two pretty significant
645 ones. First of all, as a small- to medium-size business
646 owner, I purchase health care for the people who worked with
647 me for over 31 years, so I certainly understand the thought
648 process, the decision-making process that will be going into
649 those health care purchasing decisions moving forward and
650 certainly the passage of Obamacare changes the equation
651 entirely. I mean, put yourself in the position of a business
652 owner trying to comply with currently 15,000 pages, and that
653 is just simply going to grow, and then take a look at the
654 cost equation. So we have totally changed the equation in
655 terms of how are we going to buy health care.

656 But the other experience, life experience, that was

657 pretty significant was the birth of our first child, our
658 daughter, Carrie, who was born with a very serious congenital
659 heart defect, her aorta and pulmonary artery reversed. So
660 the first day of life, she was rushed down where, you know,
661 one of those doctors came in 1:30 in the morning and saved
662 her life. And then 8 months later when her heart was the
663 size of a small plum, some other incredibly dedicated medical
664 professionals reconstructed the upper chamber of her heart.
665 So her heart operates backwards right now. But she is a
666 nurse herself and she is a 28-year-old woman practicing
667 medicine because my wife and I had the freedom. Again, this
668 was ordinary insurance coverage. This was no Cadillac plan.
669 We had the freedom to seek out the most advanced surgical
670 technique at the time which allowed Carrie to have such a
671 wonderful result. So I have got very direct experience both
672 in terms of buying health care as well as being on the
673 consumption side of that in a wonderful story that has a very
674 happy ending.

675 Mr. {Stearns.} Senator, I also had a small business
676 myself, and understanding the complexities. Do you think if
677 health care is put in place, do you think employers will sort
678 of dump employees all into the exchanges? What is your
679 estimation of what will happen there?

680 Senator {Johnson.} Well, that is a concern, and the CBO

681 initially estimated only a million people would, but there
682 have been surveys, and the McKenzie is the one that I quoted
683 that said 30 to 50 percent of employers--and by the way, that
684 percentage goes up the more they know about the health care
685 law--plan to do just that.

686 Now, will they actually do it? Nobody knows. But what
687 we are trying to get the CBO to do is let us give us the
688 information just in case. I mean, what if half of the people
689 that get their insurance through employer-sponsored plans
690 actually lose it and access the exchanges under very high
691 levels of subsidy? That would be 75 to 80 million people,
692 and then of course, that would result in cost shifting,
693 putting more pressure on premium rates, which would cause
694 even more employees to lose their health care overage. And
695 quite frankly, Chairman, I think that is exactly the way that
696 this health care was designed. It was designed to lead to
697 government takeover of the health care system basically a
698 single-payer system.

699 Mr. {Stearns.} Congresswoman Edwards, you heard the
700 opening statement of Ms. DeGette in which she talked about
701 the Medicare, and I think either she or Mr. Waxman talked
702 about Medicare and how the Paul Ryan budget would impact
703 Medicare. Are you concerned, I think like a lot of us are,
704 that when we passed Obamacare, there was a cut of \$500

705 billion from Medicare? Does that concern you at all that
706 these cuts are, one, feasible or are they accounting gimmicks
707 or will it ever happen, I guess?

708 Ms. {Edwards.} Thank you, Mr. Chairman, for the
709 question, but let us look at the facts. In fact, what has
710 happened is that we are actually saving seniors and providing
711 additional benefits with the savings that have been achieved
712 in Medicare, because after all, that went back into the
713 Medicare system, and so when I look at our seniors, for
714 example, who receive--who are working up to that donut hole
715 and that they now can actually receive a benefit that
716 wouldn't by closing the donut hole, those are benefits. When
717 I look at seniors who now can go for an annual physical so
718 that they can look down the line to avoid illnesses or
719 conditions that might otherwise impact them negatively, those
720 seniors are actually receiving benefits through the savings
721 that we actually achieve in Medicare. And so I think the
722 American people should actually have the facts straight in
723 terms of what we did with Medicare and what we did was
724 enhance benefits for Medicare recipients so that we can
725 ensure the coverage of preventive care, close the donut hole,
726 and make sure that we have a system where we are able to
727 enforce fraud as well.

728 Mr. {Stearns.} I would say in defense of what you said

729 is, what you are talking about, paying for subsidies, but the
730 \$500 billion is actually impacting Medicare and this is
731 something that the second panel can bring out because most of
732 us feel that \$500 billion will have a huge impact on Medicare
733 and that is going to what I think Senator Johnson talked
734 about, a lot of these doctors and others are just going to
735 not want to take Medicare.

736 With that, I recognize the ranking member.

737 Ms. {DeGette.} Thank you very much, Mr. Chairman.

738 Senator, thank you for coming over, slumming it with us
739 here in the House. When you talked about your young daughter
740 who had the heart surgery, it struck a chord with me because
741 I have a daughter who was diagnosed with type 1 diabetes at
742 age 4 when I was in my first term in Congress, and I lived
743 like you did, you know, with the uncertainty of a chronically
744 ill child who would be ill for her whole life, and I was
745 terrified for many, many years about the idea that when she
746 turned 18 or when she graduated from college, she might be
747 uninsurable. In fact, my husband and I actually went to see
748 our attorney about trying to set up some kind of a fund from
749 our earnings. You know, forget about college, we were
750 worried, could she afford to pay for her diabetes care. And
751 there is 17 million children in this country who have
752 preexisting conditions like your daughter and my daughter who

753 now will be guaranteed that they will have insurance. I
754 would imagine--I know that you are against the Affordable
755 Care Act and I know that you would like to repeal it, but I
756 would imagine you would think it would be a good thing if
757 insurance companies couldn't simply drop kids because they
758 had preexisting conditions.

759 Senator {Johnson.} Well, first of all, there is a far
760 simpler solution. We didn't need a 2,700-page bill. We
761 didn't need--

762 Ms. {DeGette.} What is that solution?

763 Senator {Johnson.} So the solution is what many States
764 have, most States have, high-risk pools, and they work very
765 well. And the way they work is, every insurance carrier that
766 is licensed in the State has to participate in those pools,
767 and it is a known risk, it is actually pooling the risk.
768 That is what insurance is all about. So that when people are
769 uninsurable, they become eligible for those high-risk pools
770 and those insurance rates are subsidized. Again, we are a
771 very compassionate society here and we want to provide a
772 strong social safety net so we are very certainly supportive
773 of that but we didn't need to pass a 2,700-page bill and a
774 virtual national takeover, federal takeover of our health
775 care system to accomplish that goal.

776 Ms. {DeGette.} So in Wisconsin, for example, under the

777 Affordable Care Act, there is 95,000 kids that would be in
778 that situation. Does Wisconsin have a high-risk pool?

779 Senator {Johnson.} Yes, it does.

780 Ms. {DeGette.} And were all of those kids covered in
781 the high-risk pool?

782 Senator {Johnson.} That I couldn't say. Am I saying
783 the high-risk pools are perfect? No, but we could have made
784 adjustments to those on a State-by-State basis as opposed to
785 a total federal government solution.

786 Ms. {DeGette.} Okay, and do you have any idea how much
787 it would cost, say, in Wisconsin or Colorado to insure 95,000
788 kids that weren't already insured in those high-risk pools?

789 Senator {Johnson.} I don't have exact figures but I
790 have in my previous life as a business owner, I have looked
791 at the insurance rates for the high-risk pool in Wisconsin.
792 They were very comparable to the same rates we were paying on
793 an annual basis with our business plan, very comparable.

794 Ms. {DeGette.} Right. And does every State have a
795 high-risk pool like that?

796 Senator {Johnson.} I am not sure. Not every State but
797 the vast majority do.

798 Ms. {DeGette.} See, the question I am asking is, all of
799 these 17 million kids who now can't be discriminated against,
800 these are kids who previously were not insured in the high-

801 risk pools. So I am just wondering if you or your staff had
802 done the math to figure out how much extra it would cost in
803 the States to give those subsidies, because I don't know
804 about your State but in my State, we are having difficulty
805 keeping our police officers and our firefighters and our
806 teachers on the payroll.

807 Senator {Johnson.} Let me just answer by saying I would
808 like to dispel a notion, because I hear it over and over
809 again that now seniors are obtaining preventive services for
810 free and we are offering coverage to, you know, children up
811 to the age of 26 for free. Nothing is free. We are just
812 spreading the risks. And I would say when we spread it and
813 we filter it through the federal government, which by the way
814 there aren't too many Americans who think that the federal
815 government is capable of taking over one-sixth of our
816 economy, to do it effectively and efficiently. I think going
817 through a federal government is the least efficient way of
818 pooling those risks and taking care of those individuals.

819 Ms. {DeGette.} Okay. I hear what you are saying. I
820 disagree but I hear what you are saying.

821 Now, Congresswoman Edwards, I just wanted to ask you a
822 question. The chairman asked you about Medicare cuts under
823 the Affordable Care Act. Have you glanced at the new Ryan
824 budget that was introduced yesterday?

825 Ms. {Edwards.} Well, it is very disturbing actually
826 because I think that what the new majority budget does it, it
827 actually undercuts Medicare. I mean, we would in effect be
828 saying to our seniors, not only are we going to get rid of
829 the program that you have known and that you trust and that
830 delivers efficient care; we would be saying to you, we are
831 going to ask you to reach into your pocket for thousands of
832 dollars that we know that you don't have in order to--I don't
833 know. It looks to me it would be turning Medicare into a
834 private kind of system where individual seniors would be kind
835 of out on the marketplace in order to obtain their health
836 care. I don't think that that is the system that the
837 American people want, and I think for the seniors that I
838 visit in my Congressional district and I would imagine that
839 this is true across the country, that those seniors right now
840 must be wondering what it is that we are thinking here on
841 Capitol Hill that we would take a system that is working,
842 that is providing a benefit that they too have paid into and
843 ripping that out from under them.

844 Ms. {DeGette.} Thank you very much.

845 Mr. {Stearns.} The gentlelady's time has expired.

846 Senator Johnson has to leave in about 5 minutes or less.

847 Anybody on my side would like to ask questions? Dr. Burgess?

848 Dr. {Burgess.} I thank the chairman for yielding.

849 Senator Johnson, this is something with which I worked
850 with the previous ranking member on the Health Subcommittee,
851 Nathan Deal, who is now Governor of Georgia, on the
852 preexisting condition issue, and I think you are exactly
853 right. In fact, when Senator McCain was running for
854 President, one of the difficulties he had when he articulated
855 a very detailed plan on health care as opposed to an
856 amorphous plan but the detailed plan that Senator McCain
857 talked about in fact built on the very structure that you
858 talked about, the already existing State risk pools, State
859 reinsurance programs and I think there were a couple of other
860 novel ways that States dealt with this. In Texas, I am a
861 physician. I practiced for a long time. I can't tell you
862 that I ever saw anyone who was covered under one of the risk
863 pools but I understand since entering into this discussion in
864 the last several years that there are many people in Texas
865 who are covered and do not want to see that coverage changed
866 in any way whatsoever. I can promise you, I never got a
867 reimbursement check from the State high-risk pool as a
868 physician, but at the same time, I think there is ample
869 evidence that they do work.

870 The problem is, that the State is limited in the amount
871 of subsidy that they can provide, so if we were going to
872 build something, it would have made a lot more sense to build

873 on those 35 State programs that already existed. Now, Nathan
874 Deal was very sensitive not wanting to create a new State
875 mandate but he suggested that a federal subsidy could be
876 available to a State that was willing to provide such
877 coverage and make it an incentive rather than a punishment.
878 Those bills were introduced in the 111th Congress, H.R. 4019,
879 4020, for anyone who is keeping score at home. Those things
880 are ready to go as part of any replacement strategy if
881 something happens to the Affordable Care Act like the Supreme
882 Court voids its existence at the end of June when they
883 provide us with their ruling.

884 So I just wanted to emphasize, I think you are right on
885 the mark. We will hear from Mr. Larsen about the high-risk
886 pools and the success they have had but we were led to
887 believe when this debate was going on, and I don't believe
888 you were in the Senate when the debate was going on, but we
889 were led to believe through the popular media and through
890 discussions with the President that this number was 5 million
891 people, 8 million people, 15 million people who were not
892 covered because of preexisting conditions, 50,000 people in
893 the first 2 years of this new federal subsidy that was set up
894 and how much more could have been done had a program been
895 designed that would have helped the States do what they were
896 doing already, in other words, augmented the help that they

897 were providing, and for the life of me I have never
898 understood why we took it upon ourselves to set up a brand-
899 new federal program, a brand-new federal agency, all new
900 computers, all new staplers, and didn't utilize the structure
901 that was already there in your State and my State and 35
902 other States across the country. Do you have any thoughts on
903 that?

904 Senator {Johnson.} Before I go, I will make two points.
905 First of all, as I recall, and I wasn't here at the point in
906 time, but it was very difficult to get people signed up for
907 the federal program initially. With the initially set
908 premiums, only a couple thousand people signed up, so they
909 had to drastically the premium rate to even get the 50,000
910 which is way under the estimate. I also want to just dispel
911 the notion that Republicans don't have solutions. We have
912 plenty of solutions. You know, why don't we reform our
913 malpractice and save hundreds of billions in defensive
914 medicine, and finally dispel the notion that Medicare and
915 federal government doesn't deny benefits. They actually deny
916 benefits to almost twice the rate of large employers at about
917 a 4 percent rate versus about a 2 percent for most large
918 insurance companies. So again, there is an awful lot of
919 misinformation, and with that, Mr. Chairman, again, I
920 appreciate it and I am going to have to go take a vote.

921 Mr. {Stearns.} Senator Johnson, thank you very much for
922 taking your time to come over from the Senate.

923 Dr. {Burgess.} Let me reserve the balance of my time.
924 We will let the Senator leave, but I just to make one other
925 point on the preexisting conditions for kids. There was a
926 drafting error in the Affordable Care Act as it was passed by
927 the House and Senate and signed. Indeed, the Affordable Care
928 Act said that insurance companies could not limit coverage
929 for kids but there was nothing that prevented them from
930 denying coverage to children. So the actual loophole that
931 would have allowed insurance companies to get out from under
932 covering preexisting conditions for children still existed at
933 the signing of the Affordable Care Act, and because most of
934 the insurance companies said hey, look, we understand it was
935 a drafting error, we will do the right thing and not deny
936 coverage to those children. In fact, that is what allowed
937 the Affordable Care Act to work. But it was just one more
938 example of the numerous drafting errors that were contained
939 in this thing, and the reason there were drafting errors was
940 because it was rushed through, it was force fed through the
941 Congress and force fed on the American people, which is why
942 it has never enjoyed immense popularity, and we are going to
943 get into more of that as this goes on. I will yield back.

944 Mr. {Stearns.} All right. We would thank the

945 gentlelady from Maryland for attending with Senator Johnson.
946 You also can leave and we will go onto our second panel.
947 Thank you.

948 I would say just a comment to my colleague from Texas,
949 that it would be nice to see on the Democrat side their plan
950 to save Medicare. Congressman Paul Ryan has come up with a
951 plan to save Medicare and it would be awfully nice to hear
952 either the President or the Democrats provide us a plan.

953 With that, the second panel is welcomed. We have just
954 one witness, my colleague, Mr. Steve Larsen, the Director of
955 the Center for Consumer information and Insurance Oversight.

956 Mr. Larsen, I think you are aware that the committee is
957 holding an investigative hearing, and when doing so has had
958 the practice of taking testimony under oath. Do you have any
959 objection to testifying under oath?

960 Mr. {Larsen.} No.

961 Mr. {Stearns.} Okay. The Chair then advises you that
962 under the rules of the House and the rules of the committee,
963 you are entitled to be advised by counsel. Do you desire to
964 be advised by counsel during your testimony this morning?

965 Mr. {Larsen.} No.

966 Mr. {Stearns.} In that case, if you would please rise
967 and raise your right hand?

968 [Witness sworn.]

969 Mr. {Stearns.} You are now under oath and subject to
970 the penalties set forth in Title XVIII, Section 1001 of the
971 United States Code. We welcome your 5-minute summary of your
972 written statement.

|
973 ^TESTIMONY OF STEVE LARSEN, DIRECTOR, CENTER FOR CONSUMER
974 INFORMATION AND INSURANCE OVERSIGHT (CCIIO), CENTERS FOR
975 MEDICARE AND MEDICAID SERVICES, U.S. DEPARTMENT OF HEALTH AND
976 HUMAN SERVICES

977 } Mr. {Larsen.} Chairman Stearns, Ranking Member DeGette,
978 members of the subcommittee, thank you for opportunity today
979 to highlight the efforts of CMS and my office, CCIIO, in
980 implementing the provisions of the Affordable Care Act.

981 Over the last 2 years, we have been focusing on
982 implementing the ACA as smoothly as possible in a way that
983 continues to strengthen the productive partnership between
984 the private sector and our office and the government.

985 I would like to highlight some of the very important
986 provisions of the ACA and the benefits that they provided to
987 millions of Americans already. For example, in the past,
988 young adults making the transition from school to work have
989 been more likely than any other group to go without health
990 insurance. The ACA makes it easier for younger Americans to
991 get health insurance coverage because the law allows young
992 adults to be covered under their parents' policies up through
993 the age of 26, and about 2-1/2 million young adults have
994 already gained health insurance coverage because of this part

995 of the law.

996 In addition to helping young people find health care
997 coverage, CMS established the Preexisting Condition Insurance
998 Program or PCIP, which we talked about. It was created under
999 the ACA and it provides an affordable coverage option for
1000 uninsured people with preexisting conditions until the
1001 broader reforms of the ACA take effect in 2014. Already,
1002 PCIP is helping 50,000 Americans with preexisting medical
1003 conditions to access critical health care services. Many of
1004 these individuals have been diagnosed with cancer and other
1005 life-threatening diseases, and without PCIP would have no
1006 other coverage options.

1007 Besides ensuring that people have access to private
1008 health insurance coverage, CMS is working to implement new
1009 rights and benefits for consumers. For example, insurance
1010 companies can no longer drop or rescind someone's policy
1011 simply because they made an unintentional mistake on their
1012 application. Insurance companies can't place lifetime limits
1013 on the dollar value of the benefits in the policy. Before,
1014 cancer patients and individuals with serious and chronic and
1015 expensive diseases often had limited treatment or went
1016 without treatment because they had reached their insurer's
1017 lifetime dollar limits on their health insurance coverage.
1018 Now with this provision in place, about 105 million Americans

1019 including nearly 28 million children enjoy better coverage
1020 without the worry of bumping up against lifetime dollar
1021 limits.

1022 Also, about 54 million Americans in new insurance plans
1023 are receiving expanded coverage for recommended preventive
1024 services without additional out-of-pocket payments including
1025 colonoscopy screenings for cancer, Pap smears and mammograms
1026 for women, well-child visits, flu shots and other preventive
1027 services.

1028 The ACA also increases transparency for consumers.
1029 Starting this September, health insurers in group health
1030 plans will have to provide clear information about health
1031 plan benefits and coverage in a consistent, easily
1032 understandable format that allows apples-to-apples
1033 comparisons.

1034 The ACA also helps make sure people get value for
1035 insurance premiums. For example, the rate review program
1036 does this by making sure that proposed rate increases that
1037 exceed 10 percent in the small group and individual market
1038 are reviewed by experts in order to make sure that they are
1039 reasonable. Rate review is primarily a state-based reform
1040 with the majority of the States, not HHS, conducting these
1041 reviews.

1042 The medical loss ratio provision makes sure that people

1043 get value for their premiums by requiring that insurance
1044 companies spend 80 or 85 percent of the premium revenue for
1045 medical care and to improve the health care quality for their
1046 customers. We know many insurers are moderating their rates
1047 in order to meet the MLR standard already.

1048 We have worked steadily towards establishing the
1049 Affordable Insurance Exchanges. We have issued extensive
1050 guidance to States and other stakeholders over the last 2
1051 years in many areas related to exchanges, and earlier this
1052 month we released the final rules on exchanges that provide
1053 flexibility to States to build exchanges that work for them
1054 in their State. And we know that States are making good
1055 progress toward establishing their own exchanges.

1056 CMS is proud of all that we have accomplished in the
1057 last 2 years, and I look forward to partnering with Congress,
1058 the States, consumers, businesses and other stakeholders
1059 across the country to strengthen insurance options.

1060 Thank you for the opportunity to discuss the work that
1061 CMS and CCIIO has been doing to implement the ACA.

1062 [The prepared statement of Mr. Larsen follows:]

1063 ***** INSERT 3 *****

|
1064 Mr. {Stearns.} Mr. Larsen, thank you very much. I will
1065 start with my questions.

1066 You know, the main point of contention is the mandate,
1067 and of course, the Supreme Court will be looking at that
1068 shortly. So if you can, just answer the question yes or no.
1069 Is your office going to be responsible for enforcing the
1070 mandate? Yes or no.

1071 Mr. {Larsen.} Well, in conjunction with our colleagues
1072 at the Department of Treasury and the IRS.

1073 Mr. {Stearns.} So will you have the main responsibility
1074 in your office for enforcing the mandate?

1075 Mr. {Larsen.} Well, the individual responsibility
1076 provisions ultimately are enforced through the Tax Code, so
1077 it is largely IRS and Treasury.

1078 Mr. {Stearns.} But have you worked out any provisions
1079 in terms of a narrative on how you are going to enforce the
1080 mandate in your office?

1081 Mr. {Larsen.} Not yet, no.

1082 Mr. {Stearns.} And since you run the exchange, how will
1083 you determine if an individual has purchased health care or
1084 not?

1085 Mr. {Larsen.} Well, that is one of the issues that we
1086 are working through now is the data that we collect through

1087 the exchanges and through employers to know who has coverage
1088 and who doesn't, and again, that is--

1089 Mr. {Stearns.} Will this data be precise? Will you be
1090 able to tell if a person has health care or not?

1091 Mr. {Larsen.} Yes.

1092 Mr. {Stearns.} And how will you determine that?

1093 Mr. {Larsen.} Well, it will involve getting information
1094 from both employees and individuals and--

1095 Mr. {Stearns.} Is this going to be voluntary?

1096 Mr. {Larsen.} --from employers to provide the
1097 information.

1098 Mr. {Stearns.} Will this be voluntary to the employees
1099 and to the employer?

1100 Mr. {Larsen.} Well, the employees and individuals will
1101 want to provide the information so that they can know that we
1102 know that they have health insurance coverage, and employers
1103 will want to give the information so that they know that
1104 they--

1105 Mr. {Stearns.} So you are saying it is all voluntary?

1106 Mr. {Larsen.} Well, I am not sure quite how to answer
1107 that because obviously there are--

1108 Mr. {Stearns.} I think it is not voluntary.

1109 Mr. {Larsen.} Well, there are financial provisions that
1110 apply.

1111 Mr. {Stearns.} It is called a mandate.

1112 Mr. {Larsen.} People can choose--

1113 Mr. {Stearns.} Let me ask you, what kind of manpower is
1114 going to be required in your office to enforce this mandate?

1115 Mr. {Larsen.} That I don't know yet.

1116 Mr. {Stearns.} So you have no idea whether you are
1117 going to increase the number of people?

1118 Mr. {Larsen.} Well, we have plans to increase our staff
1119 in connection with the areas that we are enforcing. I don't
1120 know what the plans are with respect to IRS.

1121 Mr. {Stearns.} Okay. When does enrollment in the
1122 exchanges begin?

1123 Mr. {Larsen.} Well, the exchanges have to be up and
1124 running in January of 2014, and so there will be an open
1125 enrollment preceding that in October of 2013.

1126 Mr. {Stearns.} What rulemaking have you issued with
1127 regard to these exchanges?

1128 Mr. {Larsen.} We have issued a number of rules both
1129 final rules, proposed rules and then guidance to the States
1130 on a range of topics. As I mentioned, we did just release
1131 the final exchange rule. There is a rule that we call the 3
1132 R's rule that is--

1133 Mr. {Stearns.} Three R's?

1134 Mr. {Larsen.} --insurance, risk adjustment and risk

1135 quarters, which are financial mechanisms to stabilize the
1136 market in 2014, so that final rule was issued. There were
1137 final rules on the Medicaid provisions that relate to
1138 exchanges as well, and there have been a number of papers and
1139 bulletins that we have released on topics such as--

1140 Mr. {Stearns.} It sounds a little complicated.

1141 Mr. {Larsen.} Well, it is not complicated but there is
1142 a lot of work to do to get ready for 2014.

1143 Mr. {Stearns.} When can we expect the rules on
1144 essential health benefits and actuarial value to be released?

1145 Mr. {Larsen.} Hopefully soon. We are working on that.
1146 We released initial guidance to the States back in December
1147 and we have issued additional guidance after that in the form
1148 of questions and answers, and we know States and issuers are
1149 anxious to get that information, so hopefully in the near
1150 future.

1151 Mr. {Stearns.} Have you conducted any analysis of the
1152 effect on family or individual premiums?

1153 Mr. {Larsen.} We have not conducted an analysis of that
1154 at this point.

1155 Mr. {Stearns.} Who is going to do that, or when it is
1156 going to be done?

1157 Mr. {Larsen.} Well, we will be doing that. I know CBO
1158 has looked at that. A number of private entities have looked

1159 at potential rate impacts. States have looked at that. It
1160 does vary--

1161 Mr. {Stearns.} Wouldn't this affect some of the
1162 decisions you make? You are saying CBO is going to do this
1163 but shouldn't you folks do analysis of your own to see the
1164 effect of the premiums on individuals and families?

1165 Mr. {Larsen.} We will.

1166 Mr. {Stearns.} You will? So you are not going to kick
1167 it to CBO, you expect to do your own?

1168 Mr. {Larsen.} Yes.

1169 Mr. {Stearns.} In the analysis that you have done so
1170 far, does it appear that the premiums are going to go up or
1171 go down?

1172 Mr. {Larsen.} It really varies by State and by the
1173 individual involved because--

1174 Mr. {Stearns.} Well, let us take Virginia, for example.

1175 Mr. {Larsen.} Well, I don't know the specifics of any
1176 particular State. I guess what I was going to say is--

1177 Mr. {Stearns.} Do you know the particulars of any
1178 State?

1179 Mr. {Larsen.} No, I don't know the particulars of any
1180 State.

1181 Mr. {Stearns.} Okay. Your testimony states that
1182 beginning in 2014, the exchanges will provide improved access

1183 to insurance coverage choices for an estimated 20 million
1184 Americans by 2016. How was this analysis done? Who did it?
1185 In-house?

1186 Mr. {Larsen.} The 20 million comes from the CBO report,
1187 in other words, when CBO estimated both the financial impact
1188 and the uptake through the exchanges, that was in their--and
1189 that was in their most recent report.

1190 Mr. {Stearns.} Are these people that already have
1191 health insurance or are these people that don't?

1192 Mr. {Larsen.} Well, it is a combination of people but
1193 it is a number of people that will be eligible for the
1194 subsidies that are available for people with incomes below
1195 400 percent, and then there will be people that aren't
1196 eligible for subsidies but will still access the exchanges.

1197 Mr. {Stearns.} Would it be fair to say a lot of those
1198 people in the 20 million already have health insurance of
1199 their own and that their employer provides?

1200 Mr. {Larsen.} Most of them won't because again,
1201 according to the CBO estimates, you have got a reduction in
1202 the number of uninsured in the United States by about 30
1203 million people as a result of the Affordable Care Act so
1204 there are many, many people that don't have access to
1205 affordable coverage today that will be able to have that.

1206 Mr. {Stearns.} All right. I will just conclude. Mr.

1207 Larsen, if you could provide this analysis for us, that would
1208 be appreciated.

1209 Mr. {Larsen.} Okay.

1210 Mr. {Stearns.} With that, the ranking member is
1211 recognized.

1212 Ms. {DeGette.} Thank you very much, Mr. Chairman.

1213 Mr. Larsen, Senator Johnson seemed to--one of his main
1214 concerns, and this is a valid concern, I think, is what will
1215 happen to employer-based coverage under the Affordable Care
1216 Act because what we tried to do was to build, as you know--we
1217 tried to build off of the employer-based system that is
1218 already in place while adding some new consumer protections
1219 and trying to increase the pool so that that will decrease
1220 actuarial costs. CBO's most recent analysis of the employer-
1221 based health insurance coverage under the Affordable Care
1222 Act, as you know, presented a range of scenarios for
1223 potential changes in employer coverage, and Senator Johnson
1224 seemed to assume that the vast majority of employers are
1225 simply going to drop their employees. But while CBO said it
1226 was possible there could be a net reduction, they said
1227 roughly maybe 3 to 5 million might lose their employer-based
1228 coverage. They also said that ``a sharp decline in
1229 employment-based health insurance as a result of the ACA is
1230 unlikely'' and the CBO maintained its position that the bill

1231 will extend health coverage to more than 30 million people.
1232 Do you agree with CBO's assessment that the new law is not
1233 likely to result in a sharp decline in employer-based
1234 coverage?

1235 Mr. {Larsen.} We don't think it will, and I think if
1236 you look at the number of models that other groups have done
1237 whether it is Rand Health or the Urban Institute, both of
1238 those groups have indicated that in fact employer-based
1239 coverage will increase, and then you are right, CBO estimated
1240 a very small reduction in employer-based coverage, but of
1241 course, that is across a base of about 160 million Americans.

1242 Ms. {DeGette.} So why would employers choose to keep
1243 their people on insurance under the Affordable Care Act? Why
1244 would they choose to keep their people on employer-based
1245 insurance under the Affordable Care Act?

1246 Mr. {Larsen.} There are many reasons. One is that both
1247 the employer and the employee get tax advantages from
1248 employer-based coverage.

1249 Ms. {DeGette.} Right. So like if there is a small
1250 employer that wants to offer insurance right now, and most
1251 employers do, I would think, they would get a tax advantage
1252 by offering that they don't have until this is implemented,
1253 right?

1254 Mr. {Larsen.} Exactly. Yes.

1255 Ms. {DeGette.} Okay. Now, let us say there are some
1256 employees who lose their employer-based insurance. They are
1257 like the Senator. They don't want a federal mandate so they
1258 say I am not going to offer the insurance. Those employees
1259 could go into the exchanges then, right?

1260 Mr. {Larsen.} Yes.

1261 Ms. {DeGette.} Now, what would happen to people like
1262 that? You know, in the economic downturn, a lot of employers
1263 just couldn't offer insurance to their employees. What
1264 happened to those employees who lose their employer-based
1265 insurance?

1266 Mr. {Larsen.} Well, they ended up in--at least now
1267 without exchanges and the protections in the market, they
1268 ended up probably without coverage.

1269 Ms. {DeGette.} I mean, they have the option in the
1270 individual market right now.

1271 Mr. {Larsen.} They do.

1272 Ms. {DeGette.} But that is wildly expensive in most
1273 places.

1274 Mr. {Larsen.} It is expensive, and there is
1275 underwriting so that if you have a preexisting condition, in
1276 most States you may not get coverage or you may not have
1277 coverage for your preexisting condition.

1278 Ms. {DeGette.} So under the Affordable Care Act, if,

1279 heaven forbid, an employer drops somebody, they can still go
1280 through the exchanges?

1281 Mr. {Larsen.} That is right.

1282 Ms. {DeGette.} And is it anticipated that those
1283 exchanges are going to be as costly for those individuals to
1284 buy insurance policies as the private market is right now?

1285 Mr. {Larsen.} Well, the exchanges bring major
1286 advantages compared to the individual market today. One is
1287 administrative efficiency, and two is a much broader risk
1288 pool that is segmented today and CBO estimated that there
1289 were reductions that would occur in premiums as a result of
1290 the better risk pool and the administrative efficiency.

1291 Ms. {DeGette.} Thank you. Now, I want to ask you a
1292 couple of questions about the women's health care benefits
1293 under the Affordable Care Act. I just want to ask you a
1294 basic question. Prior to enactment of the ACA, did all
1295 Americans and in particular women have access to basic
1296 preventative health services?

1297 Mr. {Larsen.} No.

1298 Ms. {DeGette.} Can you give me an example of the types
1299 of services that are not currently always covered by health
1300 insurance and that will be covered by the Affordable Care
1301 Act?

1302 Mr. {Larsen.} Well, many of the ones that IOM

1303 recommended including, you know, cancer screening,
1304 counseling, domestic violence screening and education,
1305 contraception, the recommendations that IOM came up with.

1306 Ms. {DeGette.} And the IOM did that on a scientific
1307 basis, deciding what actually was necessary for women's
1308 health, correct?

1309 Mr. {Larsen.} That is right.

1310 Ms. {DeGette.} And HHS implemented the recommendations
1311 of the Institute of Medicine?

1312 Mr. {Larsen.} We did.

1313 Ms. {DeGette.} Okay. Now, my understanding is that an
1314 estimated 20 million women nationwide are already benefiting
1315 from these new preventative care requirements. Is that
1316 correct?

1317 Mr. {Larsen.} Well, the broader range of preventive
1318 services that went into effect already, and of course, the
1319 specific dialog about the contraceptive services around a
1320 different schedule.

1321 Ms. {DeGette.} Okay, but everything except for the
1322 contraceptive services--

1323 Mr. {Larsen.} Yes.

1324 Ms. {DeGette.} --20 million people are already
1325 benefiting from that?

1326 Mr. {Larsen.} Yes.

1327 Ms. {DeGette.} One last question. Would you expect
1328 that preventive care benefits might result in cost savings,
1329 not only for patients but for the health care system overall?

1330 Mr. {Larsen.} Yes.

1331 Ms. {DeGette.} Thank you.

1332 Mr. {Stearns.} The gentlelady's time is expired.

1333 Dr. Burgess is recognized for 5 minutes.

1334 Dr. {Burgess.} Thank you, Mr. Chairman.

1335 Mr. Larsen, again, thank you for being here. Thank you
1336 for the information you have provided our office. In the
1337 passed law, there was a broad \$1 billion implementation fund
1338 to administer the implementation of the health care law. Is
1339 that correct?

1340 Mr. {Larsen.} That is right.

1341 Dr. {Burgess.} Section 1005, as I recall. You provided
1342 us some documents November 1st, that \$150 million of this
1343 fund had been spent by the Senator. Is that correct?

1344 Mr. {Larsen.} It sounds a little high to me but I would
1345 have to go back and look.

1346 Dr. {Burgess.} Well, the October numbers you provided
1347 showed \$116 million in outlays, so that was about a \$35
1348 million increase, but also in October you provided
1349 information that there were \$242 million in obligations.
1350 Now, the obligation figure wasn't provided for December but I

1351 have to assume that the obligation number had to go up as
1352 well as the number for outlays. Is that correct?

1353 Mr. {Larsen.} I would have to check because we executed
1354 a number of procurement contracts to help with the building
1355 of the exchanges, which would be reflected as an obligation,
1356 and those were done last year as opposed to the outlays,
1357 which were--

1358 Dr. {Burgess.} Well, here is the question. Can you
1359 tell us today how much money remains unobligated in the
1360 implementation fund?

1361 Mr. {Larsen.} The entire implementation fund? I can't.
1362 I mean, as I think you saw in the materials we provided in
1363 January, the \$1 billion implementation fund is for all
1364 agencies at this point, so IRS, Treasury, Department of
1365 Labor, HHS. So there are kind of other folks that I would
1366 have to consult with to get you that number.

1367 Dr. {Burgess.} But still, I mean, you know of our
1368 interest in this and we are having the hearing, so we need
1369 the information.

1370 Mr. {Larsen.} Okay.

1371 Dr. {Burgess.} And I referenced this in my opening
1372 statement. I mean, the Supreme Court is going to hear this
1373 case next week, and whether you think that is a good thing or
1374 a bad thing, I mean, it is a fact of life. It is going to

1375 happen. They will rule and they will provide us a ruling
1376 presumably before their term ends in June. Now, you may
1377 think that the likelihood is low that they would agree with
1378 Judge Vincent and the Federal District Court in Florida that
1379 the entire law is unconstitutional, not severable, therefore
1380 gone, and you may disagree with that, but there is a
1381 possibility that the court will find in accordance with Judge
1382 Vincent's ruling from Florida.

1383 Now, I already referenced in my opening statement that
1384 you were never authorized in statute. You don't have to
1385 worry. If they void the entire law, you weren't authorized
1386 in it anyway so you will still be there but your money won't,
1387 will it, if the entire Affordable Care Act were to be struck
1388 down, or does your money exist outside the structure of the
1389 Affordable Care Act?

1390 Mr. {Larsen.} You know, that is a--I hate to say it. I
1391 mean, I think that is a legal issue that we would have to
1392 consult with our lawyers. If the court were to strike down
1393 the law, which we don't believe it will, and that means the
1394 entire law as opposed to, you know, certain portions of it, I
1395 don't know the exact mechanism that occurs with respect to
1396 funding for the law. For example, the billion dollars
1397 largely is for the implementation of exchange-related
1398 activity.

1399 Dr. {Burgess.} You know, an observation. If I were in
1400 your position, and I thank God every day that I am not, but
1401 if I had your job and this was out there, I think I would at
1402 least have in the back of my mind some contingency plan for
1403 what happens next because you have got all these States that
1404 are planning their exchanges. They are all looking to you
1405 for guidance. They are waiting on the rules to be finalized.
1406 I mean, there is a lot of people whose lives will be turned
1407 upside down and you would be the logical place to minimize
1408 that tumultuousness, if that is a world.

1409 Mr. {Larsen.} Right, but there is a whole range of
1410 activities and provisions within the ACA, not just the
1411 individual responsibility, guaranteed issue, guaranteed
1412 renewability, the market reforms and of course the exchange
1413 provisions, many of which are not I think being challenged,
1414 although some people would like to see the whole law
1415 overturned.

1416 Dr. {Burgess.} Well, again, Judge Vincent--

1417 Mr. {Larsen.} Many people are focused primarily on the
1418 individual responsibility part.

1419 Dr. {Burgess.} Right, but Judge Vincent in his opinion
1420 said the whole thing went away.

1421 Donna Edwards in her testimony, she talked about how
1422 women are going to be able to choose any doctor they want

1423 without a referral. Section 1311(h) in the law, and I
1424 questioned the Secretary about this and she seemed absolutely
1425 unprepared to answer, maybe you can help us with that. Under
1426 1311(h) in the law as written, really, you are not going to
1427 have the availability of any doctor you want. You are going
1428 to have the availability of any doctor that the Secretary
1429 says you can have, as I read Section 1311(h), the health
1430 provider only if such provider implements such mechanisms to
1431 improve health quality as the Secretary may be regulation
1432 require. Now, that could be something like board
1433 certification but it could also be quality as determined by
1434 will you accept Medicare or Medicaid as well as patients in
1435 the exchange. Have you all looked into how that actual
1436 aspect of the law is going to be administered?

1437 Mr. {Larsen.} I will have to go back and look at that
1438 because I have not focused on that particular provision.

1439 Dr. {Burgess.} It seems like no one is focusing on that
1440 within the agency but it is really going to be quite, again,
1441 tumultuous to the provider community out there if their lives
1442 are suddenly turned upside down by a ruling by the Secretary
1443 of Health and Human Services. So do everyone some--provide
1444 some value in doing that.

1445 Thank you, Mr. Chairman. I will yield back.

1446 Mr. {Stearns.} The ranking member from California is

1447 recognized for 5 minutes.

1448 Mr. {Waxman.} Mr. Chairman, the benefits from health
1449 reform are already being delivered. Millions of seniors are
1450 saving billions of dollars on Medicare prescription drugs.
1451 Hundreds of millions of Americans have new insurance
1452 protections and millions of children with preexisting
1453 conditions have access to coverage for the first time, and
1454 the law will reduce the deficit by hundreds of billions of
1455 dollars. Yesterday, the House Republicans released a new
1456 budget plan that turns its back on all this progress.

1457 Mr. Larsen, what impact would the Ryan budget have on
1458 the reforms your office has put into place?

1459 Mr. {Larsen.} Congressman Waxman, I will have to defer
1460 on that question because I actually haven't had--

1461 Mr. {Waxman.} Well, the Republican budget would repeal
1462 the important Affordable Care Act provisions that expand
1463 health care--

1464 Mr. {Dingell.} If the gentleman would yield, could you
1465 summarize for the record?

1466 Mr. {Waxman.} The Republican budget would repeal the
1467 important Affordable Care Act provisions that expand health
1468 care coverage and prevent the worst abuses performed by the
1469 insurance industry.

1470 If the Ryan budget became law, would insurance companies

1471 again be able to impose lifetime coverage limits on the 105
1472 million more Americans who now benefit from this protection?

1473 Mr. {Larsen.} If it were repealed, absolutely.

1474 Mr. {Waxman.} If the Ryan budget became law, would the
1475 2.5 million young adults who now have health insurance
1476 coverage continue to be covered under their parents' plan?

1477 Mr. {Larsen.} No.

1478 Mr. {Waxman.} If the Ryan budget became law, would
1479 insurers again be able to deny coverage to the up to 27,000
1480 children in my district and the 17 million nationwide with
1481 preexisting conditions?

1482 Mr. {Larsen.} Yes.

1483 Mr. {Waxman.} If the Ryan budget became law, would
1484 insurers again be able to spend, 30, 40, even 50 percent of
1485 enrollees' premiums on profits and administrative costs?

1486 Mr. {Larsen.} Yes.

1487 Mr. {Waxman.} And if the Ryan budget became law, what
1488 impact would it have on the number of Americans without
1489 insurance coverage?

1490 Mr. {Larsen.} Well, they would have the situation that
1491 they have today which is a very challenging, broken market
1492 where it is difficult for individuals--

1493 Mr. {Waxman.} Thirty million Americans would be covered
1494 under the Affordable Care Act who are not now covered, and I

1495 assume that they will go without coverage if the act is
1496 repealed?

1497 Mr. {Larsen.} As many are today.

1498 Mr. {Waxman.} There is no Republican alternative to the
1499 Affordable Care Act benefits. They offer only repeal. But
1500 the Republican budget goes beyond repeal. It decimates all
1501 the critical consumer protections in the Affordable Care Act
1502 without offering any solutions to the broken insurance
1503 market. It puts Americans back at the mercy of the health
1504 insurance companies, and it leads to 33 million more
1505 uninsured Americans. But that is not all it does. The Ryan
1506 budget eliminates Medicare as we know it and destroys the
1507 Medicare safety net, all in the name of tax breaks for
1508 millionaires and billionaires. The cuts are staggering and
1509 deeply disturbing.

1510 The Ryan budget cuts \$810 billion from Medicaid by
1511 turning it into a block grant and then another \$931 billion
1512 from the program by repealing the Affordable Care Act. That
1513 is a \$1.7 trillion cut over 10 years from the program that
1514 protects poor children born with disabilities and pays for
1515 the care of our sickest and most vulnerable seniors.

1516 The Republican budget could not be more wrong for
1517 America. It would roll back the clock on the dramatic
1518 benefits we are already seeing from the Affordable Care Act.

1519 It would decimate Medicaid, cutting three-quarters of our
1520 support, three-quarters of our support for the sickest and
1521 most vulnerable people in the Nation. It would cut hundreds
1522 of billions of dollars from the Medicare program on top of
1523 the cuts they complain about on the other side of the aisle
1524 in Medicare expenditures in the Affordable Care Act. They
1525 keep that in place. And they would end the Medicare
1526 program's guaranteed benefit for seniors.

1527 Mr. Chairman, this is not the right path for this
1528 Nation. I yield back my time.

1529 Mr. {Stearns.} I thank the gentleman. I assume that
1530 was a question you had.

1531 We recognize on this side, Mrs. Blackburn is not here,
1532 Mr. Scalise is recognized for 5 minutes.

1533 Mr. {Scalise.} Thank you, Mr. Chairman, and Mr. Larsen,
1534 I appreciate you coming back to our committee as we approach
1535 the 2-year anniversary. I know a lot of the questions that
1536 many of us have deal with the effects that we are already
1537 hearing from our constituents about, and, you know,
1538 unfortunately, the constituents that I talk to and especially
1539 our small business owners who I constantly meet with back
1540 home, the biggest complaint that they have is that under the
1541 rules they have already seen, let alone the rules that
1542 haven't been written, they don't see how they are going to be

1543 able to comply with the law and in fact many of them are
1544 facing the not desirable option but the almost necessity that
1545 they will no longer be able to provide health care for their
1546 employees. We have seen reports that millions of Americans
1547 will lose the health care that they have today that they
1548 like. You know, with that, one of the big promises that
1549 President Obama made was if you like what you have, you can
1550 keep it. Do you feel--you are under oath. Do you feel that
1551 that promise has been kept?

1552 Mr. {Larsen.} Yes, I do, absolutely, and I think that--

1553 Mr. {Scalise.} Well, are you denying then that there
1554 are already, millions of people that are facing losing their
1555 health care because of this law that they like?

1556 Mr. {Larsen.} Well, it is not because of this law, and
1557 I think if you look back--

1558 Mr. {Scalise.} That might be your opinion.

1559 Mr. {Larsen.} --in the last 10 or 20 years, and I have
1560 been doing this for a long time starting with when I was
1561 insurance commissioner, even back in the '90s, the rising
1562 insurance rates for small businesses was a huge issue, and
1563 that continues today, and it really illustrates why we need
1564 the Affordable Care Act.

1565 Mr. {Scalise.} Well, but if you go back to the
1566 beginning of the debate on the health care law, you know, 3

1567 or so years ago, you know, the biggest problems back then
1568 were cost and other problems like discrimination against
1569 people based on preexisting conditions. Now, we put forth
1570 legislation that would have actually lowered the cost of
1571 health care. That was rejected by the President. We put
1572 forward legislation that would prevent discrimination based
1573 on preexisting conditions. The President's health care law
1574 has actually been scored to have increased the cost of health
1575 care. It actually made it worse. The cost is worse now.
1576 And our small businesses--and maybe you talk to different
1577 people than I do, and I guess that gets to this question of
1578 the waivers. You know, so many small businesses I talk to
1579 would love to have a waiver from the law, and even components
1580 of the law, and I know, you know, we have talked about this
1581 waiver issue before, you know, but it seems like there was a
1582 lot of crony capitalism that was played in issuing of waivers
1583 to people that in many cases helped support the law, came to
1584 Washington and said pass this law, it is important to pass,
1585 and then they went to the White House and got a special
1586 waiver from the law. How many waivers have been given, you
1587 know, whether from--

1588 Mr. {Larsen.} Well, first, I do have to say that is not
1589 how the process worked. We ran a very open, transparent fair
1590 process that didn't favor anybody based on what their

1591 political background is.

1592 Mr. {Scalise.} Well, why is it that small businesses I
1593 talk to--

1594 Mr. {Larsen.} The GAO--

1595 Mr. {Scalise.} --not one of them heard about the waiver
1596 program, not one of them, and I tell them about it. They
1597 said hey, I would love to get it. I mean, we have a list
1598 here. What is the current number? I have got over 1,400
1599 companies that got a waiver from Obamacare--

1600 Mr. {Larsen.} Well, the waiver--

1601 Mr. {Scalise.} --yet small businesses I talk to never
1602 even heard about it, and once they heard about it, you all
1603 ended the program.

1604 Mr. {Larsen.} Well, the waiver was for a very targeted
1605 group of employers that offered these mini-med policies that
1606 many people don't like. They don't provide great coverage.
1607 Employees that are in the mini-med policies--

1608 Mr. {Larsen.} According to you, but somebody who has no
1609 coverage versus that coverage, and they like that coverage,
1610 you are going to sit here and testify--

1611 Mr. {Larsen.} Well, that is exactly why we had a waiver
1612 program.

1613 Mr. {Scalise.} --that is not good coverage. What if
1614 they think it is good coverage?

1615 Mr. {Larsen.} We came to the same conclusion.

1616 Mr. {Scalise.} Shouldn't that be their choice?

1617 Mr. {Larsen.} We came to the same conclusion, which was
1618 in the law, the ACA specifically permitted and authorized and
1619 contemplated this where you would have these groups of
1620 policies. They are a small percentage but nonetheless they
1621 are something for people that have them, so the law permitted
1622 the Secretary to set up a waiver program. We did that for
1623 exactly the reason that you suggest so that people that have
1624 that coverage, even though it isn't great coverage, it is
1625 something and they can continue--

1626 Mr. {Scalise.} But did you end the program? I mean,
1627 this waiver program, you know, a new company that now knows
1628 about it, because a lot of companies have heard about it
1629 because we have been telling them. You know, you go look, a
1630 lot of these labor unions that came here and said pass this
1631 law, we need this law, they went to the White House and got a
1632 waiver, and we got the list.

1633 Mr. {Larsen.} Well, the White House didn't make the
1634 waiver decisions, and only 2 percent of--

1635 Mr. {Scalise.} Well, again, I call it crony capitalism
1636 because it was a lot of the people who supported the law
1637 found out about it. Now, you say it was advertised.

1638 Mr. {Larsen.} It was.

1639 Mr. {Scalise.} Most small businesses never heard about
1640 it, so you didn't do a good enough job of advertising or
1641 maybe you only advertised to people who supported the law,
1642 but it is curious that most people that I talk to that don't
1643 like this law that are trying to figure out how to comply
1644 with it but can't, they didn't even know about this waiver
1645 program that you saw was so well advertised yet so many of
1646 the groups that came here and said pass the law conveniently
1647 found out about the waiver program and got it. They got a
1648 waiver from a program that they said we needed. They got the
1649 waiver. And the companies who didn't want it can't get the
1650 waiver and now you have ended the waiver program. Can a
1651 company that didn't know about the waiver program that now
1652 knows about it, can they apply for a waiver?

1653 Mr. {Larsen.} No, but I can say that small businesses
1654 were a very large percentage of the people that--

1655 Mr. {Scalise.} So the companies, and I have seen a long
1656 list of Fortune 500 companies that got the waivers too, but,
1657 you know, AARP, groups that supported this law, got the
1658 waiver but these small businesses I talk to, they never knew
1659 it existed. They would love to get the waiver now and you
1660 are telling me under oath that they can't get it today.

1661 Mr. {Larsen.} That is right.

1662 Mr. {Scalise.} So the other companies that got the

1663 waiver, are you going to take the waiver away from them or
1664 are you going to let them keep it?

1665 Mr. {Larsen.} No, they got notice, they applied, they
1666 met the criteria.

1667 Mr. {Scalise.} So they get to keep it. The guys that
1668 knew about it, friends that helped pass the law--

1669 Ms. {DeGette.} Mr. Chairman.

1670 Mr. {Scalise.} --get to keep the waiver from it. They
1671 don't have to comply with it, and the folks that--

1672 Mr. {Larsen.} Well, as I said, the GAO looked at the
1673 way we ran the process and found--

1674 Ms. {DeGette.} Excuse me, Mr. Chairman.

1675 Mr. {Scalise.} --crony capitalism. I yield back the
1676 balance of my time.

1677 Mr. {Stearns.} The gentleman yields back the balance of
1678 his time.

1679 Ms. {DeGette.} I would just make an observation, which
1680 is, if members would actually like the witness to answer
1681 questions, I would suggest they would stop badgering--

1682 Mr. {Scalise.} It is not badgering.

1683 Ms. {DeGette.} --and give them the time to answer the
1684 question.

1685 Mr. {Scalise.} We recognize the gentleman from
1686 Michigan. Mr. Dingell, you are recognized for 5 minutes.

1687 Take the Floor. You are on.

1688 Mr. {Dingell.} Coming to the waiver question, I would
1689 like a yes or no. At the time of this hearing, waivers have
1690 been granted to over 90 percent of the applicants. The
1691 average wait time for a decision is 13 days, and union health
1692 plans are less likely to receive waivers than non-union plans
1693 were. Isn't that true?

1694 Mr. {Larsen.} That is true.

1695 Mr. {Dingell.} Now, some other yes or no questions. As
1696 you know, the Affordable Care Act provides \$40 billion in tax
1697 credits for small businesses so that they may offer health
1698 insurance to their workers. I believe that it is true that
1699 in 2011, 360,000 small employers took advantage of the small
1700 business tax credit, providing insurance for better than 2
1701 million employees. Yes or no?

1702 Mr. {Larsen.} I think that is right, yes.

1703 Mr. {Dingell.} It is true that since the implementation
1704 of the Affordable Care Act, that Medicare Part B deductible
1705 has gone down for the first time in Medicare history? Yes or
1706 no.

1707 Mr. {Larsen.} Yes.

1708 Mr. {Dingell.} Is it true that over 2 million
1709 additional young adults are now insured because ACA allows
1710 them to stay on their parents' plans until they are 26? Yes

1711 or no.

1712 Mr. {Larsen.} Yes.

1713 Mr. {Dingell.} Prior to ACA, many people faced lifetime
1714 limits on health insurance. These limits had potential to
1715 financially cripple people if they faced a chronic disease or
1716 severe illness such as cancer. These limits would also force
1717 them to make decisions to compromise the quality of health
1718 care. Isn't it true that since the implementation of ACA in
1719 2010, 105 million Americans no longer face lifetime limits on
1720 their insurance?

1721 Mr. {Larsen.} Yes.

1722 Mr. {Dingell.} Is it true that once the Affordable Care
1723 Act is fully implemented in 2014, 20 million more Americans
1724 who still lack coverage will become insured? Yes or no.

1725 Mr. {Larsen.} Yes.

1726 Mr. {Dingell.} Is it true that CCIIO's implementation
1727 of the Transitional Preexisting Condition Insurance Plan led
1728 to health coverage for tens of thousands of previously
1729 uninsured Americans?

1730 Mr. {Larsen.} Yes.

1731 Mr. {Dingell.} Is it true that CCIIO is moving now
1732 towards full implementation of the Affordable Care Act in
1733 2014 by working with States to make sure that the health
1734 insurance exchanges required by ACA are designed properly to

1735 meet the needs of each of the individual States?

1736 Mr. {Larsen.} Yes, sir.

1737 Mr. {Dingell.} Finally, as we move toward the future, I
1738 am very much concerned about the Americans who will lose
1739 coverage if my colleagues on the other side are successful in
1740 repealing this bill. Am I correct in saying that 33 million
1741 Americans will lose insurance if my colleagues on the other
1742 side of the aisle repeal ACA?

1743 Mr. {Larsen.} Yes.

1744 Mr. {Dingell.} Now, wouldn't such an increase in the
1745 number of our uninsured in this country increase costs to the
1746 health care system?

1747 Mr. {Larsen.} Yes.

1748 Mr. {Dingell.} Now, isn't it a fact that the ACA has in
1749 fact reduced the deficit?

1750 Mr. {Larsen.} It is projected to reduce the deficit.

1751 Mr. {Dingell.} All right. Now, isn't it a fact that in
1752 2008, people without insurance did not pay for 63 percent of
1753 their health care cost?

1754 Mr. {Larsen.} I think that is right.

1755 Mr. {Dingell.} All right. Now, when President Obama
1756 was elected, he quickly recognized the inescapable truth: an
1757 individual mandate was essential to make the plan work.
1758 Without that, the larger pool of premium payers, there is no

1759 feasible way to require insurance companies to cover all
1760 applicants and charge the same amount regardless of the
1761 health status of the beneficiaries?

1762 Mr. {Larsen.} Individual responsibility is an important
1763 part of the matrix.

1764 Mr. {Dingell.} Now, I believe this is an overwhelming
1765 truth: Those with insurance now are supporting those who do
1766 not have insurance, and they are winding up paying much of
1767 the bill for those who do not have insurance and that those
1768 people are running up health costs of about \$116 billion
1769 annually.

1770 Mr. {Larsen.} That is right.

1771 Mr. {Dingell.} And so this means that the families and
1772 persons with insurance are now paying more than \$1,000 a year
1773 for those who do not have health insurance?

1774 Mr. {Larsen.} That is right.

1775 Mr. {Dingell.} Now, the function of insurance is to
1776 spread the risk. Previous to the time ACA was passed, we
1777 found the insurance companies had to avoid the risk and so
1778 now we have a broad pool which covers everybody. Isn't that
1779 right?

1780 Mr. {Larsen.} That is right.

1781 Mr. {Dingell.} And that makes it possible for insurance
1782 companies to do the things that are mandated in the ACA.

1783 Isn't that right?

1784 Mr. {Larsen.} Right.

1785 Mr. {Dingell.} And without that, we are going to go
1786 back to the dismal days when we were not able to take care of
1787 our people, see to it that young people stayed on their
1788 parents' policies and we won't be able to see to it that
1789 preexisting conditions are dealt with without cost and charge
1790 to people?

1791 Mr. {Larsen.} That is right.

1792 Mr. {Dingell.} Thank you, Mr. Chairman.

1793 Mr. {Stearns.} I thank the gentleman.

1794 Mr. Griffith is recognized for 5 minutes.

1795 Mr. {Griffith.} Thank you, Mr. Chairman.

1796 Our staff is going to hand you some excerpts from the
1797 February 17, 2012, Early Retirement Reinsurance Program
1798 update. This is a list of those who received money from the
1799 program. Now, I will give you a second to take a look at
1800 that as well. But before I get to that, as I understand your
1801 testimony, the Early Retirement Reinsurance Program has spent
1802 \$4.73 billion of the \$5 billion allocated. Is that correct?

1803 Mr. {Larsen.} That is correct.

1804 Mr. {Griffith.} Now, that number appeared in that
1805 February 17th report and in your testimony today but surely
1806 there has been some of the small amount left spent in that

1807 last month. Is that not true?

1808 Mr. {Larsen.} Well, there will be, because as we go
1809 through and make sure that all the claims have been submitted
1810 appropriately, it may turn out that we have the money--

1811 Mr. {Griffith.} But at this point it is certain that
1812 \$4.73 billion of the \$5 billion has already been spent?

1813 Mr. {Larsen.} We are effectively at the end of the
1814 program. There will be some continued claims.

1815 Mr. {Griffith.} But wasn't the program supposed to go
1816 through 2014?

1817 Mr. {Larsen.} I think it was originally intended to go
1818 through 2014 but many sponsors took advantage of the program,
1819 which I think reflects the outstanding need for the program.

1820 Mr. {Griffith.} Can you take a quick look at that
1821 material that was handed to you?

1822 Mr. {Larsen.} Is there anything in particular you want
1823 to me to--the highlighted ones?

1824 Mr. {Griffith.} Well, I am getting ready to ask you
1825 about all those companies that are highlighted.

1826 Mr. {Larsen.} Okay.

1827 Mr. {Griffith.} Could you provide me a yes or no answer
1828 to the following, and I am going to ask you, of the companies
1829 I am going to name off, if they received money from the Early
1830 Retiree Reinsurance Program, and I think the one that you

1831 have got that I am going to ask you about are highlighted so
1832 you can see them easily. ConocoPhillips?

1833 Mr. {Larsen.} It looks like they did, yes.

1834 Mr. {Griffith.} General Electric?

1835 Mr. {Larsen.} They are listed here as well.

1836 Mr. {Griffith.} General Motors?

1837 Mr. {Larsen.} They are listed on the sheet that you
1838 have given me.

1839 Mr. {Griffith.} Bank of America?

1840 Mr. {Larsen.} They are here.

1841 Mr. {Griffith.} Ford Motor Company?

1842 Mr. {Larsen.} I see Ford Motor Company.

1843 Mr. {Griffith.} Hewlett Packard Company?

1844 Mr. {Larsen.} That is here.

1845 Mr. {Griffith.} AT&T?

1846 Mr. {Larsen.} Yes.

1847 Mr. {Griffith.} J.P. Morgan?

1848 Mr. {Larsen.} Yes.

1849 Mr. {Griffith.} Citigroup?

1850 Mr. {Larsen.} Yes.

1851 Mr. {Griffith.} Verizon?

1852 Mr. {Larsen.} Yes.

1853 Mr. {Griffith.} AIG?

1854 Mr. {Larsen.} Yes.

1855 Mr. {Griffith.} IBM?

1856 Mr. {Larsen.} Yes.

1857 Mr. {Griffith.} Now, what we just went over is a list
1858 of companies that are not just in the Fortune 500 but that
1859 receive this taxpayer money but are companies that are in the
1860 top 20. Twelve of the top 20 of the Fortune 500 received
1861 money from this program. And I think you told us in a
1862 previous hearing that that is because the underlying law
1863 didn't make a distinction for those that needed the money, it
1864 was just out there if you met the criteria.

1865 Mr. {Larsen.} The law was based on the fact that
1866 historically, the number of companies that are able to
1867 provide retiree coverage has dropped off, I think by half in
1868 the last 10 years. So it was not needs-based. And I think
1869 as you probably saw, many of the biggest recipients of the
1870 funds were in fact State retiree programs, State teachers,
1871 State employees.

1872 Mr. {Griffith.} One of my concerns, though, is that if
1873 the intent of the bill was to give this early retirement
1874 assistance to companies so that they could fund their
1875 programs, I think we have the same problem Mr. Scalise
1876 pointed out. A lot of the big companies got in, the rich
1877 folks got it because they had people to monitor all this
1878 stuff and keep track of it. I am not sure that the small

1879 companies that probably needed the assistance got it.

1880 Wouldn't you say that is a fair assessment?

1881 Mr. {Larsen.} I don't think so. We have had, I think,
1882 over 2,800 sponsors of a wide range of size and background
1883 come to get money from this program. Remember, it has to be
1884 companies that are already providing benefits to their
1885 retirees, so that is, you know, typically going to be some
1886 larger companies, although, as I said, it is frequently
1887 States and their State employee retirement systems that got
1888 the money as well as some of the companies you mentioned
1889 here.

1890 Mr. {Griffith.} Now, you said in testimony--and I am
1891 switching gears on you. You said in testimony earlier that
1892 this would not necessarily be enforced, the act would not be
1893 enforced by your agency but by the IRS because it was--

1894 Mr. {Larsen.} Getting back to the individual
1895 responsibility provision?

1896 Mr. {Griffith.} Yes. And that would be enforced by the
1897 IRS. Is that the 16,000 new IRS agents we have heard so much
1898 about?

1899 Mr. {Larsen.} I don't believe so. I don't think that
1900 it is how it enforced. It will be enforced electronically
1901 through the filing and through the verification of whether
1902 someone has purchased insurance. And that doesn't occur

1903 until 2015 because that is when the responsibility provisions
1904 actually kick in to confirm that someone had coverage in
1905 2014.

1906 Mr. {Griffith.} All right. My time is just about up
1907 but I want to ask you about CBO said it going to cost more
1908 than the trillion that we were originally told it was going
1909 to cost when this passed before I got here, and it looks
1910 like, is it fair to say that based on that information over
1911 the 10 years that this may actually cost \$2 trillion or more?

1912 Mr. {Larsen.} Actually, the CBO report found that there
1913 would be about 50 billion fewer costs associated with
1914 implementing this because of the number of changes that they
1915 highlighted, so the numbers in the CBO report that just came
1916 out said that over the 10-year period from 2012 to 2021 would
1917 be \$49 billion or \$50 billion less than what they had
1918 projected a year ago in March of 2011.

1919 Mr. {Griffith.} But it is going to be more for the
1920 first 10 years. Isn't that correct? Isn't that what CBO
1921 said?

1922 Mr. {Larsen.} No.

1923 Mr. {Griffith.} All right. I yield back, Mr. Chairman.

1924 Mr. {Stearns.} The gentlelady, Ms. Christensen, is
1925 recognized for 5 minutes.

1926 Dr. {Christensen.} Thank you, Mr. Chairman. And Mr.

1927 Chairman, before I ask my question, I just wanted to make
1928 some comments about the Early Retiree Reinsurance Program
1929 because the attacks on it are really unfair and unjustified.

1930 Prior to the passage of the Affordable Care Act,
1931 employers were dropping coverage for their retirees at an
1932 alarming rate or finding themselves saddled with huge and
1933 rapidly increasing health care costs. The program was an
1934 effort to help employers bridge the transition to 2014 when
1935 more affordable coverage options will be available, and in
1936 the face of overwhelming need, the ERRP program had great
1937 results. The program has helped more than 2,800 employee
1938 health plans sponsors across the country cover the cost of
1939 medical care for early retirees. These plans cover more than
1940 19 million beneficiaries. ERRP funds support employers that
1941 continue to provide private health coverage and help early
1942 retirees keep the private coverage they already have. This
1943 important transitional program worked to support employers
1944 making the right choice for their retirees, and I think it is
1945 an important way to support that choice.

1946 Mr. Larsen, let me ask you some questions about the
1947 Preexisting Condition Insurance Plan. You testified before
1948 the subcommittee on April 1st to discuss the Preexisting
1949 Condition Insurance Plans, the PCIP, or high-risk pools
1950 established under the Affordable Care Act. In that hearing,

1951 we heard about thousands of Americans with preexisting
1952 conditions who finally had access to coverage, and we
1953 established that maybe somewhere around 50,000 Americans have
1954 enrolled in the PCIP. And I understand that many of these
1955 individuals have serious health conditions including 1,900
1956 individuals with cancer, nearly 4,700 with heart disease.
1957 What type of coverage options did these individual with
1958 preexisting conditions have before we passed the Affordable
1959 Care Act?

1960 Mr. {Larsen.} Well, the fact is that they really
1961 wouldn't have any other coverage options. I think many of
1962 these people would be diagnosed with cancer and end up in the
1963 emergency room or not get care at all for their condition.

1964 Dr. {Christensen.} And how will those options improve
1965 in 2014?

1966 Mr. {Larsen.} Well, when the insurance reforms kick in,
1967 at that point we will have guaranteed issue, guaranteed
1968 renewability and so we will have a much larger insurance pool
1969 and people that would get locked out of the system today by
1970 the insurance companies won't be locked out in the future,
1971 but we will also have many, many more people in the insurance
1972 pool to offset those costs.

1973 Dr. {Christensen.} Thank you. The only complaint I
1974 have about that program is that it didn't extend to the

1975 territories, Mr. Larsen. Still working on that.

1976 But, you know, Republicans should love the PCIP program.
1977 It has been the centerpiece of their past reform proposals,
1978 but instead they attack it because they say it is not popular
1979 enough unless of course they are attacking it for the
1980 opposite reason, that it is too popular and may spend too
1981 much money. So Mr. Larsen, what happens if the program
1982 becomes so popular that the expenditures might exceed \$5
1983 billion?

1984 Mr. {Larsen.} Well, we have to manage within the amount
1985 that Congress has appropriated for this so we continue to
1986 monitor the progress that States are making in their
1987 enrollment and their costs, and if we have to make
1988 adjustments in the future, we will do so.

1989 Dr. {Christensen.} Are there procedures in place to
1990 make sure that they don't exceed the program costs?

1991 Mr. {Larsen.} We have to make sure that we don't exceed
1992 program costs.

1993 Dr. {Christensen.} And what happens if you do not spend
1994 the entire \$5 billion?

1995 Mr. {Larsen.} That is a good--I don't know the exact
1996 answer to that but I will say that if we exceed our costs,
1997 then there are a number of different options that we can
1998 pursue to make sure that we stay within the \$5 billion.

1999 Dr. {Christensen.} Okay. So we have a win-win scenario
2000 here. In one case, the program becomes extremely popular,
2001 many people receive coverage and you still have processes in
2002 place to protect taxpayers and to make sure expenditures do
2003 not exceed authorized amounts. The other scenario involves
2004 low enrollment. In that case, I think what happens is you
2005 will return the extra money to the Treasury, which would help
2006 reduce the national debt. So I appreciate your walking us
2007 how the money is being spent.

2008 I know that there are many unfair attacks against the
2009 health reform law, the Patient Protection and Affordable Care
2010 Act, but I think the record is clear that you are
2011 administering the PCIP program and the law as a whole in a
2012 very effective and efficient fashion, and it is a humongous
2013 task, so we really commend CCIIO and the entire department
2014 for the way that you are doing it. And I do have some
2015 specific territory-related questions that I will submit for
2016 the record.

2017 Mr. {Larsen.} Okay. We will look forward to answering
2018 those.

2019 Dr. {Christensen.} Thank you, Mr. Chairman.

2020 Mr. {Terry.} [Presiding] Thank you. Now the chair
2021 recognizes the gentlelady from Tennessee for her 5 minutes.

2022 Mrs. {Blackburn.} Thank you, Mr. Chairman, and Mr.

2023 Larsen, we are pleased that you are back with us today.

2024 I want to talk about the nonprofits. You said that you
2025 had awarded more than \$638 million in loans already from the
2026 consumer operated and oriented plan, but OMB has estimated
2027 that under the co-op program, that taxpayers could lose \$370
2028 million from unpaid loans to the nonprofit insurers. Do you
2029 think that is accurate? Are we missing something here? Are
2030 they missing something?

2031 Mr. {Larsen.} Well, I guess for purposes of the loan
2032 program, OMB has to make some type of projection as they
2033 would for any loan program about the rate at which recipients
2034 would not repay their loans. I can tell you that in our
2035 review process for the applicants that we got, we hired an
2036 outside consultant with extensive financial expertise to look
2037 at the applications that we got. So OMB has to make some
2038 assumptions, I guess, for purposes of releasing the money.
2039 But we are running a very vigorous process and we--

2040 Mrs. {Blackburn.} So basically you are saying this is a
2041 bad investment for the taxpayer?

2042 Mr. {Larsen.} Not at all, no.

2043 Mrs. {Blackburn.} You are not saying that?

2044 Mr. {Larsen.} I am not saying that.

2045 Mrs. {Blackburn.} You are saying the taxpayer should
2046 expect to lose money because \$370 million--

2047 Mr. {Larsen.} No, I am not. I am saying the opposite.

2048 Mrs. {Blackburn.} --is a health care Solyndra. Well,
2049 you just told me that you thought OMB has to expect a certain
2050 amount of this, and, you know, if they are saying as much as
2051 50 percent of the loans issued under the program may not be
2052 repaid, I mean, do you think that is accurate?

2053 Mr. {Larsen.} Well, we don't think there is going to be
2054 a default rate on these loans. I think they have to make
2055 projections for certain purposes, but again, I can tell you
2056 from our perspective, we are doing everything we can to make
2057 sure that we only provide the loans to--

2058 Mrs. {Blackburn.} Then let me approach it this way with
2059 you because reading this is of concern to me, and after what
2060 this committee has been through looking at the DOE loan
2061 program and the bankruptcies that are there, let us kind of
2062 agree to get out ahead of this, and what I would love for you
2063 to do is to submit the analysis and the documents related to
2064 the program and then your approval of or rejection of the
2065 loans. I think as we oversee this, that that would be very
2066 helpful to do that. Would you submit that to us for the
2067 record?

2068 Mr. {Larsen.} Yes, assuming that we can provide that
2069 application material, but I would be happy to kind of explain
2070 for you exactly what process we ran to make sure that we got

2071 the best applicants.

2072 Mrs. {Blackburn.} That would be great. I have got just
2073 a little bit of time left, and I do have another question for
2074 you. Last time you were with us and we discussed the
2075 waivers, I asked if you had a plan B for when the waivers ran
2076 out, and you did not have a plan B, and now we are looking at
2077 is, what is it, 1,800 waivers that have been given, as you
2078 look at your cost in the coming years and you look at 2014
2079 when these waivers--have you come up with a plan B for how
2080 you are going to integrate these programs and what the
2081 expectations are going to be for the impact on the system?

2082 Mr. {Larsen.} Well, essentially the plan B or the
2083 transition is that in 2014, when the requirements of the
2084 annual limits provisions would apply, these mini-med policies
2085 would no longer be offered because employees would have
2086 access to full, comprehensive coverage. Many of them would
2087 be able to access the tax credits that are available because
2088 it is often lower income workers that are in these mini-med
2089 plans and those are exactly the kinds of people--

2090 Mrs. {Blackburn.} Okay. Let me ask you this--

2091 Mr. {Larsen.} --who would have access to the tax credit
2092 in 2014.

2093 Mrs. {Blackburn.} Okay. All right. As you have gone
2094 through the waiver program, how many people were denied

2095 waivers? How many companies were denied waivers?

2096 Mr. {Larsen.} It was a very--we approved over 90
2097 percent. I think it was only, 90 or 100 that were denied.

2098 Mrs. {Blackburn.} Okay. And the waiver program is
2099 closed. You can no longer get a waiver?

2100 Mr. {Larsen.} That is right.

2101 Mrs. {Blackburn.} All right. The ones that were
2102 denied, what was the reason for the denial to them?

2103 Mr. {Larsen.} Well, to be approved for the waiver
2104 program, you had to show that applying the high annual
2105 limits, at the time, \$750,000 annual limits, to your policy
2106 would result in a substantial increase in premiums or a
2107 decrease in access to coverage. So for policies that had
2108 coverage of \$25,000 or \$5,000, which are these mini-med
2109 policies, typically applying that standard, it would raise
2110 premiums. Some people might not be able to afford them. So
2111 that is how you were approved for a waiver. If you weren't
2112 approved for a waiver, it meant that you didn't meet the
2113 regulatory criteria. In other words, it wasn't going to
2114 cause a large increase in premiums to comply with the annual
2115 limits provisions that were in place at the time.

2116 Mrs. {Blackburn.} All right. Yield back.

2117 Mr. {Terry.} I thank the gentlelady from Tennessee.

2118 Now we recognize the gentleman from Texas, Mr. Green.

2119 Mr. {Green.} Thank you, Mr. Chairman, and again,
2120 welcome, Mr. Larsen.

2121 I know there are some concerns, and our committee
2122 actually spent a lot of time on the Affordable Care Act when
2123 we were marking it up both in our subcommittee and the full
2124 committee 2 years ago, and I have a district that has such a
2125 huge impact the Affordable Care Act will do. Before the
2126 passage, the 29th district that I represent had the largest
2127 percentage of uninsured in any district in our country, a
2128 very urban area in Houston, again, not a wealthy area. We
2129 still have a lot of work to do but things are getting better.
2130 As many as 53,000 children in our district can't lose the
2131 security offered by health insurance due to preexisting
2132 conditions. Thirty-four hundred seniors have saved an
2133 average of \$540 on prescription drugs and 9,000 young adults
2134 have health insurance they couldn't have before the
2135 Affordable Care Act. Additionally, about 60,000 of my
2136 constituents, most of them minority and historically
2137 underserved communities, are receiving an array of preventive
2138 health services without copays, coinsurance or premiums, and
2139 this is a result of the Affordable Care Act and its
2140 tremendous help toward reducing health care disparities in
2141 our district particularly but in our country.

2142 I am proud to represent part of Houston. We have a

2143 great Texas Medical Center there, I think one of the largest
2144 in the country. It is just hard for my folks to get there
2145 except through our public hospital system. Individuals in
2146 underserved communities, minorities, rural areas and
2147 communities with high poverty rates need the Affordable Care
2148 Act, and I would like to ask you some questions about how
2149 this act is serving the underserved areas.

2150 First, what are some of the biggest barriers to access
2151 to care for these underserved communities, again, very urban
2152 like mine or even rural areas?

2153 Mr. {Larsen.} One of the main ones is cost for lower-
2154 income individuals, the cost of coverage and access and
2155 coverage, and the Affordable Care Act of course addresses
2156 that through the tax subsidies that are available for people.

2157 Mr. {Green.} The health care law provides billions of
2158 dollars in public health grants for community health center
2159 expansion. I know we had received some of those grants in
2160 our district and we need more because Houston in Harris
2161 county is the fourth largest city in the country and yet we
2162 are behind the curve on community-based health centers, and I
2163 know a few years ago when we authorized it, we had a
2164 provision in there that if you are a very urban area and all
2165 being equal, if you had a huge underserved population, that
2166 your grant application was given a higher priority. I know

2167 that is helpful, but will the Affordable Care Act address
2168 some of those barriers, expanding and health care providers
2169 and community health centers?

2170 Mr. {Larsen.} It will, and there are provisions in the
2171 exchange rule that requires network adequacy to make sure
2172 that health plans have a full network of providers including
2173 essential community providers, which are an important part of
2174 the support for the individuals you are referring to.

2175 Mr. {Green.} Can you just verbalize some of the
2176 preventative health care benefits that we are seeing now on
2177 the second year anniversary?

2178 Mr. {Larsen.} Well, there is a whole range,
2179 particularly for wellness visits for women, for children,
2180 cancer screenings, colonoscopy screenings, you know, the
2181 things that have been approved by IOM that have been shown to
2182 be effective in terms of prevention.

2183 Mr. {Green.} Okay. I realize this is not your area but
2184 the health care reform law also contained funding and new
2185 programs to help expand the health care workforce, especially
2186 primary care workforce. Can you give us an update on how
2187 that will help, not only minorities and underserved but
2188 individuals in those underserved areas?

2189 Mr. {Larsen.} I know that there is substantial funding
2190 available in HHS for a number of workforce initiatives, which

2191 is extremely important and it is significant, the details of
2192 which I don't have in front of me but I know that it is a key
2193 part of this law.

2194 Mr. {Green.} Finally, the Affordable Care Act coverage
2195 provisions, expansion of Medicaid, new health care credits
2196 for small businesses and the State insurance exchanges that
2197 will make health insurance less expensive and easier for
2198 individuals. I know, for example, in Texas, and a lot of
2199 States, I think 26 States, are waiting until the Supreme
2200 Court decides whether they are going to participate, even
2201 though my home State received planning money for it, they
2202 have decided to wait. But even if they are waiting, HHS will
2203 provide an exchange system for those States that do not
2204 participate.

2205 Mr. {Larsen.} We will. One way or another, there will
2206 be an exchange for the health care consumers in each State
2207 including Texas, although many States, even States that are
2208 challenging the law, actually have applied for and received
2209 extensive grants and are moving forward to be ready in 2014.

2210 Mr. {Green.} And I know in Texas, again, the political
2211 decision has been made, but hopefully the Supreme Court will
2212 come back with an argument and realize that health care is
2213 just like Social Security, like a lot of other things, Farm
2214 Bill, things like that, that Congress has the right to make

2215 that mandatory.

2216 So Mr. Chairman, thank you for your time.

2217 Mr. {Terry.} Thank you, Mr. Green.

2218 The chair recognizes the gentleman from Pennsylvania,
2219 Mr. Murphy, for 5 minutes.

2220 Mr. {Murphy.} Thank you, Mr. Chairman.

2221 Mr. Larsen, do we have any numbers yet of what we
2222 estimate an individual will pay for their premium and copay
2223 under new insurance plans under the Affordable Care Act?

2224 Mr. {Larsen.} I don't have an estimate, and the
2225 estimate really varies depending on the State and how old
2226 they are and whether they are buying in the individual and
2227 small group market.

2228 Mr. {Murphy.} Will it be \$1,000 a year, do you think?

2229 Mr. {Larsen.} I don't know.

2230 Mr. {Murphy.} Well, current policies now average what
2231 nationwide?

2232 Mr. {Larsen.} You know, I think the typical estimate is
2233 for, you know, \$12,000 for an individual. I think that is in
2234 the individual market.

2235 Mr. {Murphy.} I understand. Now, with regard to this
2236 plan, will it be open enrollment year round, a person can
2237 sign up for an insurance plan?

2238 Mr. {Larsen.} Now, there will be open enrollment

2239 periods, you know. In the reg that we put out, there is an
2240 initial open enrollment period that is a little longer and
2241 then each year there will be open enrollment windows.

2242 Mr. {Murphy.} And do we have estimates of how much we
2243 think that coverage under the Affordable Care Act will
2244 increase or decrease? I know as part of the mandate,
2245 everybody is supposed to get a policy. There is a belief
2246 that somehow that will have an impact. But do we know
2247 exactly how much it may reduce individual costs, keep it the
2248 same, increase, slow growth?

2249 Mr. {Larsen.} You know, there are a number of different
2250 estimates. I know CBO did one that said for the small group
2251 market, it could be flat to advantageous because of the
2252 economies of scale you get coming in. It somewhat depends in
2253 a particular State whether they have a full range of benefits
2254 today or a modest range, and then you get of course the
2255 efficiencies in the individual market of having everyone in
2256 one single insurance pool in a State.

2257 Mr. {Murphy.} But as far as the States go, there still
2258 is a required amount of coverage that each plan has to have
2259 but some States--

2260 Mr. {Larsen.} That is the essential health benefits.

2261 Mr. {Murphy.} So some States have very few mandates,
2262 some States have a lot. This will have a set amount that

2263 every plan has to have?

2264 Mr. {Larsen.} Well, one of the things we did in the
2265 bulletin that we issued was to allow States to select their
2266 own benchmark for essential health benefits so you are
2267 exactly right. In some States they have more mandates than
2268 other States, and that State could select that as their
2269 benchmark, and the State that has a small, a thinner mandate,
2270 benefit package, assuming that it kind of met the basic
2271 criteria, could choose that as their benchmark.

2272 Mr. {Murphy.} So we are still not clear on this. Now,
2273 we do know that if an employer drops coverage, they would pay
2274 a \$2,000 fine?

2275 Mr. {Larsen.} There is a penalty, yes, for not offering
2276 coverage.

2277 Mr. {Murphy.} And I have seen estimates all over the
2278 place as have you. I have seen some as high as 85 million
2279 people may not be covered. Some say it may be 10 million.
2280 It is all over the board. Some say 20 million won't be
2281 covered by employers. Does that sound right, estimates all
2282 over the place?

2283 Mr. {Larsen.} Well, I would say this. There are many
2284 different estimates but I think most of the estimates like
2285 CBO suggest, there could be a small number of people that
2286 have it today that might not have it then, but then there are

2287 many other people that don't get it offered today that will
2288 have it offered in the future. So when you net those things
2289 out--

2290 Mr. {Murphy.} Big question mark there. I know that is
2291 estimated about \$40 billion a year is lost for uncompensated
2292 care that hospitals say they need that money, or is it more
2293 than that? Do you know?

2294 Mr. {Larsen.} Right. I mean, that that was one of the
2295 premises of the act that we all pay for that uncompensated
2296 care.

2297 Mr. {Murphy.} And what they are looking at, so an
2298 employer may drop coverage and pay a \$2,000 fine. As I
2299 understand it, an individual, if they choose not to have
2300 coverage, they will pay, I think, a fine of \$695 or 2-1/2
2301 percent of their income, whatever is higher. Am I correct?

2302 Mr. {Larsen.} Right.

2303 Mr. {Murphy.} Now, given what people are facing here
2304 now, there are multiple open enrollment periods during the
2305 year, you have people also facing increased energy costs with
2306 the policies where many coal-fired power plants are going to
2307 drop, we are going to lose about 20 percent of our power
2308 generation so people's electric bills are estimated to go up
2309 30 to 40 percent, with gasoline costs going up now where an
2310 individual this year is paying about \$2,500 or \$5,000 more a

2311 year, families are going to continue to make individual
2312 choices. So although there is a mandate to require people to
2313 purchase health care, you still can't make them purchase
2314 health care. If they decide to not purchase it, they can
2315 still hold off and not purchase it?

2316 Mr. {Larsen.} Well, they pay the financial penalty.

2317 Mr. {Murphy.} But if they say look, I will pay \$695
2318 versus several thousand dollars, they may make that decision?

2319 Mr. {Larsen.} Some could, although for many lower-
2320 income individuals, up to 400 percent of poverty, there are
2321 the tax credits available that significantly offset the cost.

2322 Mr. {Murphy.} A tax credit for somebody who is on
2323 poverty and doesn't pay taxes?

2324 Mr. {Larsen.} Well, many of them do. I mean, obviously
2325 people that are on Medicaid may not but the credits are
2326 available for people up to 400 percent of poverty.

2327 Mr. {Murphy.} I mean, the issue that still baffles me
2328 is the preventative care issues. I mean, there is still--we
2329 know that there is decreased cost for people who don't see a
2330 doctor. There is decreased cost for people who eat healthy
2331 foods, decreased cost for people who have optimal weight. I
2332 think obesity costs our health care system \$147 billion a
2333 year. Decreased costs for people who exercise regularly,
2334 follow their prescriptions carefully. I think misusing

2335 prescriptions is a \$250 billion drain a year. People who are
2336 chronically ill, if you monitor them, work with them on
2337 health, there can be a 40 percent cost savings. If this is
2338 the where all the costs are, will we be mandating those
2339 things in order to really save? Because those things add up
2340 to be several hundred billion dollars a year. Will we be
2341 mandating these behavior changes too?

2342 Mr. {Larsen.} Well, not behavior changes certainly but
2343 there are a lot of incentives in the Affordable Care Act for
2344 health and wellness programs for insurance companies who will
2345 get a credit on their medical loss ratio calculation if they
2346 provide health and wellness programs.

2347 Mr. {Murphy.} So you are believing that the financial
2348 incentives to help people drive to behavior changes on this
2349 versus mandating them?

2350 Mr. {Larsen.} I think in this case, yes, for the health
2351 and wellness.

2352 Mr. {Murphy.} Thank you.

2353 Mr. {Stearns.} The gentleman's time has expired. I
2354 think we are ready, I would say to my ranking member, we will
2355 go a second round to Mr. Larsen, and I will start with this,
2356 and I tell members who would like to stay a second round,
2357 stick around.

2358 Let me just start by sort of asking you, Mr. Larsen, a

2359 sort of general question. We have heard from Mr. Waxman and
2360 others how the cost of health care is going to come down. Do
2361 you actually believe that the cost of health care in America
2362 will come down? Is that what you are saying to us today,
2363 that Obamacare will cause the cost of health care to come
2364 down?

2365 Mr. {Larsen.} Well, many aspects of the ACA will lower
2366 health care costs, first by getting more people--

2367 Mr. {Stearns.} I understand, but has it lowered
2368 premiums so far? I mean, this bill has been enacted 2 years.
2369 Have you seen the premiums come down, in your opinion?

2370 Mr. {Larsen.} The provisions that help address the--

2371 Mr. {Stearns.} I mean yes or no.

2372 Mr. {Larsen.} --insurance premiums don't take effect
2373 until 2014.

2374 Mr. {Stearns.} So you say it is too early to see the
2375 impact of Obamacare?

2376 Mr. {Larsen.} Well, with respect to premiums. I mean,
2377 we have expanded coverage, we have provided people with
2378 better coverage. The provisions that help address some of
2379 the cost efficiencies with the exchanges don't--

2380 Mr. {Stearns.} But the fact is, health insurance
2381 premiums have shot up 9 percent, three times the rate of
2382 inflation. This is according to the Kaiser Family

2383 Foundation. And I think you would agree that the Kaiser
2384 Family Foundation said the costs have gone up 9 percent, 3
2385 percent above inflation. Wouldn't that indicate that a lot
2386 of the things that you have talked about that have been
2387 implemented have really not brought costs down?

2388 Mr. {Larsen.} Well, first of all, that rate of increase
2389 has been consistent over the last 10 years, which is why we
2390 need--

2391 Mr. {Stearns.} So the fact is, it has not changed with
2392 Obamacare.

2393 Mr. {Larsen.} Well, in fact, I think the CBO in their
2394 recent report found that the rate of health care spending and
2395 premiums had actually moderated in the last year when they
2396 looked at the estimates for the costs--

2397 Mr. {Stearns.} Don't you think that is probably the
2398 economy more than anything?

2399 Mr. {Larsen.} Well, it could be a number of factors. I
2400 guess what I saying is, that we don't think the provisions of
2401 the ACA are what is at work when you look at the historical
2402 rate of increase of premiums year over year. The ACA will
2403 help fix those provisions.

2404 Mr. {Stearns.} So Mr. Larsen, you are saying today, we
2405 can expect health care costs for families to go down?

2406 Mr. {Larsen.} We hope and expect that costs will

2407 moderate with the provisions of the ACA.

2408 Mr. {Stearns.} Now, the President promised lower
2409 premiums by an average of \$2,500 per family. Do you think
2410 this is going to happen?

2411 Mr. {Larsen.} I think costs will be much lower compared
2412 to what they would have been if the ACA hadn't been enacted.

2413 Mr. {Stearns.} Your testimony talked about the rate
2414 review on insurance increases in New Mexico, Connecticut,
2415 Oregon, New York and Rhode Island, correct?

2416 Mr. {Larsen.} That is right.

2417 Mr. {Stearns.} In any of these situations, did the
2418 premiums go down?

2419 Mr. {Larsen.} I think in the examples we cited, that
2420 the insurance commissioner in that State worked to lower the
2421 initial rate filings that came in.

2422 Mr. {Stearns.} Well, I think your testimony indicated
2423 that the rate review situation resulted in premiums going up.
2424 The government really said they couldn't go up so much but I
2425 think that is true.

2426 Mr. {Larsen.} Oh, I see. You mean their increases were
2427 approved but they were lower than what originally was filed
2428 by the insurance company?

2429 Mr. {Stearns.} Yes.

2430 Mr. {Larsen.} Right.

2431 Mr. {Stearns.} Where in your testimony do you discuss
2432 lowering premiums?

2433 Mr. {Larsen.} Well, lowering--it is all relative,
2434 right? I mean, lowering premiums means lower than what they
2435 would have been if we hadn't had these types of provisions.

2436 Mr. {Stearns.} That is like we do in Congress. We say
2437 we reduce spending by lowering the spending more than we
2438 projected.

2439 The example you cite, you say that ``The Government
2440 Accountability Office found that in a survey of seven
2441 insurers, most of the insurers were adjusting premiums.'' Is
2442 that it?

2443 Mr. {Larsen.} Well, that was a result of the medical
2444 loss ratio provisions. GAO did a very limited survey of a
2445 number of companies to see whether they were taking action to
2446 comply with the MLR and what it is, and in some cases,
2447 companies were moderating their premium increases. We did
2448 have an example, and there may be others, of a company that
2449 actually lowered premiums. There is a case--

2450 Mr. {Stearns.} Can you give me a specific example?

2451 Mr. {Larsen.} Aetna Insurance Company in Connecticut
2452 actually lowered premiums.

2453 Mr. {Stearns.} Okay. So is that the only one, Aetna of
2454 Connecticut?

2455 Mr. {Larsen.} Well, that is the one that I am aware of.

2456 Mr. {Stearns.} Can you name anyone else that has

2457 lowered premiums specifically because of Obamacare?

2458 Mr. {Larsen.} Well, when you say lowered, you mean

2459 moderated the premium increases that would occur?

2460 Mr. {Stearns.} To use your term--

2461 Mr. {Larsen.} I can find that and get it to you writing

2462 because, yes, many companies have been on the record both

2463 with us and in Wall Street indicating that they were

2464 moderating their rate increases based on the MLR provisions

2465 in the Affordable Care Act.

2466 Mr. {Stearns.} Do you provide waivers if companies find

2467 out that their premiums are going up significantly? Is that

2468 one of the factors which you provide a waiver for?

2469 Mr. {Larsen.} Well, in the waiver program that we don't

2470 operate anymore, but at the time, that was one of the

2471 criteria, that is right.

2472 Mr. {Stearns.} Mr. Scalise talked about, I don't know,

2473 1,200, 1,400, I think there is 1,700 entities that got

2474 waivers. Isn't that true?

2475 Mr. {Larsen.} Overall, though that included about 400

2476 or 500 companies that offered HRAs, or health reimbursement

2477 accounts, that we really concluded didn't need a waiver under

2478 the law.

2479 Mr. {Stearns.} All right. My time is expired. Mr.
2480 Dingell is recognized for 5 minutes.

2481 Mr. {Dingell.} Thank you, Mr. Chairman. You have,
2482 first of all, Mr. Larsen, given us a very good statement
2483 today, and Mr. Chairman, I think that the information that we
2484 got in this hearing has been most helpful in understanding
2485 how we are doing and moving forward, and also in having some
2486 significant appreciation of the chores which yet remain. I
2487 think if we all are willing to work together, we are going to
2488 see this program be a good one of which we will all be proud.

2489 Mr. Larsen, you made some points here. In your
2490 statement, you said States are already using this authority
2491 to save money for families and small business. Starting out
2492 in New Mexico, the State insurance division denied a request
2493 from Presbyterian Health Care for a 9 percent rate hike,
2494 lowering it to 4.7 percent. In Connecticut, the State
2495 stopped Anthem Blue Cross Blue Shield, the State's largest
2496 insurer, from hiking rates by a proposed 9 percent, instead
2497 limiting to a 3.9 percent increase. In Oregon, the State
2498 denied a proposed 22 percent rate hike by Regency, limiting
2499 it to 12.8 percent. In New York, the State denied increases
2500 for Emblem, Oxford and Aetna that averaged 12.7 percent,
2501 holding it instead to an 8.2 percent increase. In Rhode
2502 Island, the State denied rate hikes to United Health Care of

2503 New England ranging from 18 to 21 percent, instead seeing
2504 them cut to 9.6 to 10.6 percent. I know what you are telling
2505 us, that these provisions are working in terms of assuring
2506 the protection of consumers. Is that a fair statement?

2507 Mr. {Larsen.} Yes, sir.

2508 Mr. {Dingell.} Now, we have talked a little bit about
2509 the health insurance exchanges. You will note that as you
2510 have indicated, CCIIO is charged with helping States set up
2511 these exchanges. Isn't that right?

2512 Mr. {Larsen.} Yes.

2513 Mr. {Dingell.} How will these exchanges change
2514 consumers' experience in purchasing health insurance on the
2515 individual market?

2516 Mr. {Larsen.} Well, individuals will now have access to
2517 a competitive market, an affordable market.

2518 Mr. {Dingell.} Will he know what he is getting?

2519 Mr. {Larsen.} They will know what they are getting, and
2520 they will get comprehensive coverage and they will have the
2521 ability to get tax credits if they meet the criteria.

2522 Mr. {Dingell.} They will be written in a simple,
2523 understandable way?

2524 Mr. {Larsen.} Yes.

2525 Mr. {Dingell.} So that the purchaser of the insurance
2526 policy will be able to understand what he is buying and what

2527 the advantages of the different plans might happen to be. Is
2528 that right?

2529 Mr. {Larsen.} Exactly.

2530 Mr. {Dingell.} And you don't need to be a Philadelphia
2531 lawyer to understand this. Is that right?

2532 Mr. {Larsen.} That is right.

2533 Mr. {Dingell.} So in addition to improving the market
2534 for individual coverage, then we must assume that the
2535 exchanges will also provide for small businesses to have for
2536 the first time ever the ability to pool their risk and buying
2537 power together to drive down costs. Is that right?

2538 Mr. {Larsen.} That is right.

2539 Mr. {Dingell.} Now, there seems to be some
2540 misunderstanding here. Insurance companies over the years
2541 have been forced to go to the idea that they will avoid the
2542 risk because they didn't have a decent insurance pool, so
2543 what they did is, they curtailed the size of the pool by
2544 getting rid of the most risky people, and that is why they
2545 used preexisting conditions and other things to prevent
2546 certain classes of people from buying insurance. Is that
2547 right?

2548 Mr. {Larsen.} That is right.

2549 Mr. {Dingell.} So now the insurance companies are going
2550 to be able to engage in the practice that is so important in

2551 terms of having real insurance. They will cover everybody.

2552 Mr. {Larsen.} That is correct.

2553 Mr. {Dingell.} And this is going to enable insurance
2554 companies to then practice insurance in the classical sense
2555 by making it available to all persons and then we will all
2556 share the risk that flows from the possibility of sickness or
2557 illness or debilitation. Is that right?

2558 Mr. {Larsen.} That is correct.

2559 Mr. {Dingell.} And this is one of the main ways in
2560 which we are going to see significant savings of monies to
2561 the federal government, to the employers and to of course the
2562 purchasers of the insurance. Is that right?

2563 Mr. {Larsen.} That is right.

2564 Mr. {Dingell.} Mr. Chairman, I am going to surprise
2565 you. It is 38 seconds I yield back.

2566 Mr. {Stearns.} All right. Thank you, Mr. Dingell.

2567 Dr. Burgess is recognized for 5 minutes in our second
2568 round.

2569 Dr. {Burgess.} Thank you, Mr. Chairman. I am tempted
2570 to actually go to the left of John Dingell but I am going to
2571 resist the temptation.

2572 He was talking about--and we do this all the time--the
2573 ERISA market is not the same as the small group market and
2574 the individual market. Mr. Dingell's questions really were

2575 about the small group market and the individual market, not
2576 the employer-sponsored insurance market, because preexisting
2577 conditions are covered then in the open enrollment, are they
2578 not?

2579 Mr. {Larsen.} You mean for the self-insured market?

2580 Dr. {Burgess.} No, no, I am talking about for someone
2581 who works for, say, a big telecom company that is known only
2582 by its--

2583 Mr. {Larsen.} Yes, that is one of the big advantages of
2584 working for a large company.

2585 Dr. {Burgess.} Right. Those individuals in the large
2586 group market were not subject to the same constraints that
2587 Mr. Dingell was just discussing. Is that correct?

2588 Mr. {Larsen.} Typically that is right, yes.

2589 Dr. {Burgess.} And it really seems like had we wanted
2590 to reform the system, we would have tried to help the
2591 individual market and the small group market behave more like
2592 the large group market, and I think we could have gotten a
2593 lot more bang for the buck, but that is another story. We
2594 didn't get to do it. Am I going to be able to keep my HSA?

2595 Mr. {Larsen.} There is nothing in the Affordable Care
2596 Act--

2597 Dr. {Burgess.} There is not? What about the medical
2598 loss ratio? Are you going to count the amount of money that

2599 I contribute to my health savings account as a medical
2600 expense or is that administrative expense?

2601 Mr. {Larsen.} Well, at this point I don't think it
2602 counts in the MLR provisions but we are looking at HSAs and
2603 HRAs in connection with--

2604 Dr. {Burgess.} Can you guarantee me that I will be able
2605 to keep my HSA when this thing is fully implemented?

2606 Mr. {Larsen.} I don't see any reason why you couldn't
2607 keep your HSA.

2608 Dr. {Burgess.} Well, I will tell you, my read of it is
2609 that there is a risk, and if we really want to control costs
2610 without rationing, and I do, because I don't like rationing,
2611 but if we really want to control costs, we will leave the
2612 health care consumer, the patient, in charge of a lot of the
2613 decisions and the money of their expenditures because I know
2614 from my own experience, I am a much more cost-conscious
2615 shopper in health care because it is my money that I am
2616 spending, that money being designated from my health savings
2617 account. President Obama himself, and he is from the White
2618 House, told us this last year when he had all us down there
2619 to talk to us about the debt limit, he referenced how
2620 expensive health care was, and he said he got a rash on his
2621 back, he put some cream on it and there was a \$5 copay but he
2622 was out on the campaign trail, he didn't have his card, and

2623 he went to the pharmacist to explain his predicament. The
2624 pharmacist got the prescription transferred--thank you,
2625 electronic health records--but when the prescription was
2626 handed up to him, he was told that it would be \$400, and the
2627 President said you know, this rash is not that bad. And
2628 exactly right, Mr. President. You became an informed health
2629 care consumer. So the power of putting--putting this power
2630 in the hands of the consumer really can be a powerful
2631 incentive to hold costs down, and the only other thing you
2632 have got, the only other lever you can pull is you say we are
2633 going to have waiting lists or rationing, or we are going to
2634 cut reimbursements to physicians. We saw what happened in
2635 Medicare with the SGR. You cut my reimbursement. My fixed
2636 costs remain the same, so what do I do? I do my stuff so I
2637 cost you more money because I have still got to pay the same
2638 bills that I had to pay before. So I really think getting
2639 away from an HSA-type model, especially for people who are in
2640 the immediate pre-Medicare years, that is going to be a big
2641 mistake and it is going to drive costs up, not the other way
2642 around.

2643 Now, having been in practice and having seen what
2644 happened when an insurance company went bankrupt and seeing
2645 the effect on patients and the people who are supposed to be
2646 paid by all those claims that didn't get paid and yeah, there

2647 was a small State fund that we could go to but nowhere near
2648 covered the expenses, are you concerned at all that when a
2649 company comes to you and says we need to raise our rate and
2650 it is based on actuarial evidence, are you concerned at all
2651 when you hold these rates down that you may be driving
2652 companies toward insolvency, maybe not tomorrow, maybe not
2653 next year, but over time?

2654 Mr. {Larsen.} Well, first of all, HHS, when we review
2655 rates in the small number of States that we do it, we don't
2656 have the ability or the authority under the ACA to actually
2657 force the company to do anything different. We make a
2658 conclusion and the company can proceed if they want to with
2659 the rate, and certainly in the States that do have the
2660 authority to modify rates, it is something that they--and I
2661 did this as well--you need to take into account when you are
2662 looking at their--

2663 Dr. {Burgess.} Wait a minute. I thought under the
2664 Affordable Care Act rates are going to go down because you
2665 are going to prevent large increases from the insurance
2666 companies? Did I not hear that said several times this
2667 morning?

2668 Mr. {Larsen.} And I think the evidence shows that that
2669 is happening. I think all I am saying is that when
2670 regulators look at the rates, they have to make sure they are

2671 reasonable and not excessive, and you are absolutely right.
2672 They have to make sure they are not inadequate as well and
2673 that companies--

2674 Dr. {Burgess.} So a recent news story--

2675 Mr. {Larsen.} --and that companies have enough revenue.

2676 Dr. {Burgess.} --said rates went up 26 percent in
2677 Alaska, 23 percent in Florida, 20 percent in Washington
2678 State, all since the implementation of the Affordable Care
2679 Act. Is that going to be modified in the future? Are those
2680 rates are going to be going up less because of the Affordable
2681 Care Act?

2682 Mr. {Larsen.} I am not sure what you are citing there.

2683 Dr. {Burgess.} Well, there was an article in the
2684 general news.

2685 Mr. Chairman, I will yield back at this point, but I am
2686 going to submit that question with more detail, and I would
2687 appreciate a thoughtful answer to that.

2688 Mr. {Larsen.} Okay.

2689 Mr. {Stearns.} All right. The gentleman's time is
2690 expired.

2691 The gentleman from Virginia is recognized for 5 minutes.

2692 Mr. {Griffith.} Thank you, Mr. Chairman.

2693 Let us talk about medical loss ratio rebates. Your
2694 testimony states ``Consumers will receive a notice explaining

2695 their carrier's medical loss ratio, MLR, if their carrier
2696 owes them a rebate on their premium payments.' ' Now, as I
2697 understand it, this is to be issued in August of 2012. Is
2698 that correct?

2699 Mr. {Larsen.} That is right. If rebates are repaid,
2700 they would come out--they are supposed to be done by August.

2701 Mr. {Griffith.} By August of 2012?

2702 Mr. {Larsen.} Um-hum.

2703 Mr. {Griffith.} And the law requires the companies to
2704 send these notices out, or the rebates out?

2705 Mr. {Larsen.} Yes. I mean, we proposed in our
2706 regulations that when an individual gets a rebate, that they
2707 would get a notice from their insurance company describing
2708 what it is they are getting and whether their company
2709 complied with the law and what the MLR was.

2710 Mr. {Griffith.} Let me ask you this question. Does the
2711 carrier have to send all of their customers a letter whether
2712 or not they get a rebate or only if they get a rebate?

2713 Mr. {Larsen.} Well, two things. One, in the rule
2714 that's on the books now, we from the beginning had made it
2715 clear that when there is a rebate to be provided, yeah, the
2716 consumer would get a notice. We did propose for
2717 consideration and posted the idea that for consumers whose
2718 company complied with the MLR requirements but didn't get a

2719 rebate, that they would get a notice so the company would--
2720 the consumer would understand that their company complied
2721 with the law and they got value for their insurance premium.
2722 So that is a proposal that we have made and we haven't
2723 finalized that idea yet.

2724 Mr. {Griffith.} So if that proposal were to be
2725 finalized, everybody would receive a letter in August 2012
2726 talking about either rebates or we complied with the law in
2727 regard to this section--

2728 Mr. {Larsen.} Yes.

2729 Mr. {Griffith.} --right before the election, but all
2730 the costs under the bill to the hardworking American
2731 taxpayers occur after the election. Isn't that correct?

2732 Mr. {Larsen.} Well, the timing--

2733 Mr. {Griffith.} You didn't fix the timing. I
2734 understand that.

2735 Mr. {Larsen.} And it doesn't have anything to do with
2736 the election.

2737 Mr. {Griffith.} But it is an accurate statement, is it
2738 not, sir?

2739 Mr. {Larsen.} It is accurate--

2740 Mr. {Griffith.} Thank you very much. I yield to Dr.
2741 Burgess.

2742 Dr. {Burgess.} Just one last series of questions on the

2743 budget, and going back to Section 1311(a) on the authority
2744 that you have, CCIIO has, to draw funds from the Treasury and
2745 administer grants to the States and territories to establish
2746 exchanges, the end of November 2011, I think you told us,
2747 \$733 million was obligated to the States and \$27 million had
2748 actually been spent. Does that sound about right?

2749 Mr. {Larsen.} Yes.

2750 Dr. {Burgess.} So that was November. You may not have
2751 in right in front of you but can you provide to the committee
2752 what has gone out to the States since November?

2753 Mr. {Larsen.} Yeah, we had another round of
2754 establishment grants so I think the total grants including
2755 everything--innovation grants, planning grants, establishment
2756 grants--I think is up to \$800 million or \$900 million. The
2757 rate at which States are drawing down on that money continues
2758 to lag behind the grants that we make as they go out and they
2759 do a procurement to hire outside experts and IT consultants
2760 and then procurement has to come on board and then the
2761 procurement agency has to bill, so there is a lag between the
2762 obligations and the outlays for the State grants.

2763 Dr. {Burgess.} Well, the previous projections estimated
2764 total of \$2 billion would be spent in the exchange grants
2765 over the life of the program. When do you expect this money
2766 will be fully exhausted?

2767 Mr. {Larsen.} Well, unlike the \$1 billion, the money
2768 that is available to provide grants to States is not limited.
2769 It is from a separate funding source.

2770 Dr. {Burgess.} So do you have a new projection for us
2771 on what the--

2772 Mr. {Larsen.} On how much States ultimately will spend?
2773 We don't. I mean, we are getting better insight into that as
2774 States come in with their grant applications and tell us what
2775 they think it is going to cost to build an exchange in their
2776 State, so--

2777 Dr. {Burgess.} Let me just ask you something. There
2778 are a lot of things that the last Congress and this Congress
2779 has done to sort of kick cans down various roads, and it
2780 looks to me like all the roads end in December of this year.

2781 Mr. {Larsen.} December of this year?

2782 Dr. {Burgess.} Yes, the doc fix, the unemployment
2783 insurance expiration, the unemployment insurance payroll tax
2784 holiday, Bush-Obama tax cuts, a lot of things expire at the
2785 end of this year. Of course, the alternative minimum tax
2786 always expires at the end of every year, so there is a lot of
2787 stuff that is going to happen at the end of this year. It is
2788 quite possible we will be at or near exceeding the statutory
2789 debt limit of the United States of America by that time as
2790 well. It is difficult as the increase in the debt limit was

2791 in August of last year. This time it will be without all the
2792 good feelings that we had last August. Do you worry at all
2793 that the subsidies and the exchange, which Mr. Griffith has
2794 already talked about, are you concerned that that may have to
2795 be postponed simply because we are out of money and cannot
2796 afford it?

2797 Mr. {Larsen.} Well, I certainly hope not and hope that
2798 everyone will come together to make sure that that doesn't
2799 happen because they are an important part of expanding the
2800 coverage provisions in the ACA.

2801 Dr. {Burgess.} Even if we are borrowing in excess of 40
2802 percent of those dollars that we are going to be handing out
2803 to people to subsidize their insurance?

2804 Mr. {Larsen.} We hope it doesn't happen because, you
2805 know, it is such an important part of the Affordable Care
2806 Act.

2807 Dr. {Burgess.} There is no place else to go for another
2808 sequester other than the Affordable Care Act. It has been
2809 remarkably protected. It has led a charmed life with all the
2810 other budget-cutting things that are going on. I have to
2811 believe at some point that charmed life expires.

2812 Thank you, Mr. Chairman. You have been generous. I
2813 will yield back.

2814 Mr. {Stearns.} I thank the gentleman, and we are all

2815 finished with our hearing. Does the chairman emeritus have
2816 any closing comments before I close the committee?

2817 Mr. {Dingell.} Just to thank you, Mr. Chairman, and
2818 thank our witness. Mr. Larsen, you have done a superb job.

2819 Mr. {Larsen.} Thank you.

2820 Mr. {Dingell.} I think it has been a very useful and
2821 very helpful hearing, Mr. Chairman, and I commend you for it.

2822 Mr. {Stearns.} All right. Thank you.

2823 Mr. {Dingell.} And I think that we have laid to rest a
2824 lot of the concerns that I have heard expressed, and we have
2825 been able to observe that some of the concerns I have heard
2826 have been essentially red herrings drawn diligently across
2827 the pathway of success in the future. I want to thank you
2828 for your fine participation in this, Mr. Chairman, and you,
2829 Mr. Larsen, thank you for your kindness. To my colleagues
2830 here, I want to say we appreciate your getting these
2831 questions out because they are valuable and they will lead us
2832 to a better understanding of the events before us in this
2833 legislation. Thank you, Mr. Chairman.

2834 Mr. {Stearns.} And with that, I would agree that this
2835 hearing will give us a better understanding of Obamacare.

2836 I want to thank the witness for coming today and for the
2837 testimony and members for their devotion to this hearing
2838 today. The committee rules provide that members have 10 days

2839 to submit additional questions for the record to the witness.

2840 With that, the Subcommittee is adjourned.

2841 [Whereupon, at 12:24 p.m., the Subcommittee was

2842 adjourned.]