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Opening Statement of Rep. Henry A. Waxman
Ranking Member, Committee on Energy and Commerce
"PPACA's Effects on Maintaining Health Coverage and Jobs"
Subcommittee on Health
June 2, 2011

I want to thank all the witnesses for joining us to discuss the important insurance reforms in the Affordable Care Act and their implementation. I want to say a special thanks to Steve Larsen who has become a regular fixture at Energy and Commerce – we may even have to get him a permanent name plate.

This hearing is intended to cover all of the regulations issued under the Affordable Care Act and those yet to come.

It is an ambitious hearing that gives us the chance to review important new consumer protections being implemented by the Department, including rate review, the grandfathering rules, and the medical loss ratio provision.

Provisions such as rate review and medical loss ratio provide consumers with protections from insurance company rate hikes and help them receive a good value for their premium dollars.

Rate review requires transparency so that insurers are required to justify why premiums continue to increase. Premium increases are a hardship for consumers facing a tough job market and a struggling economy. And they are hard to understand given that insurer profits have risen by staggering amounts.

Over the last ten years, the premium cost of family health insurance has increased 131 percent. This has led to soaring profits. In just the last three years, the profits of the nation's largest insurers have risen over 50 percent.

Rate review gives consumers protections against this kind of abuse. Contrary to the claims of critics, the law works to review rates based on existing state authorities. Some states have more authorities, including the right to review rates and deny unjustified increases, while others merely have transparency requirements. The federal minimum rate review provision provides some consistency across the country and offers an easy-to-understand explanation of premium increases and their justifications for consumers.

The health care reform law's new minimum medical loss ratio requirement is aimed at protecting consumers and ensuring that their hard earned dollars are spent on benefits and quality improvements and less on insurer profits and CEO salaries.

A number of states have medical loss ratio rules and the new federal law standardizes the calculations and sets a minimum of value for consumers wherever they live. The calculation allows for quality improvements, innovation, and fraud detection to be counted as medical expenses.

Today we will hear from the association that represents brokers and agents that the medical loss ratio calculation should exclude their commissions. Many brokers and agents provide a valuable benefit for their consumers. But exempting their commissions from the medical loss ratio in effect means increasing premiums and overhead expenses for the consumer.

It is time to hold insurance companies accountable, particularly in markets such as the individual and small group markets where they have had the upper hand for years. Weakening rules that require them to provide better value to their consumers moves us in the opposite direction.

The Affordable Care Act provides a series of popular insurance reforms that have already gone into effect such as allowing adult children up to the age of 26 to stay on their parent's insurance, eliminating lifetime limits , and prohibiting rescissions of insurance when someone gets sick. These applied to all plans six months after enactment, overriding the grandfathering rules because of their importance to families.

The dependents to 26 policy has been immensely helpful in responding to the downturn in the economy; the prohibition of rescissions is responsive to insurance company abuses and has received bipartisan support; and the prohibition on lifetime limits of benefits is necessary protection for a person with cancer or hemophilia who has nowhere left to turn when he or she has exhausted lifetime maximums.

In 2014, these benefits will be greatly expanded, truly reforming the insurance marketplace in the United States. The market will no longer reward companies that avoid risk and leave some of our sickest with no options. It will be inclusive, accessible, affordable, and built on the notion of individual responsibility.

It is important that we understand the implementation of these rules, but we need to do so in a constructive manner that serves our constituents' needs. We should all want a future where the insurance marketplace is healthy, competitive, and providing quality care.