

ONE HUNDRED TWELFTH CONGRESS  
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**House of Representatives**  
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**Statement of the Honorable Frank Pallone, Jr., Ranking Member**  
**House Energy and Commerce Health Subcommittee**  
**Hearing on “Expanding Health Care Options: Allowing Americans to Purchase Affordable Coverage Across State Lines”**  
**May 25, 2011**

Thank you, Mr. Chairman.

Allowing Americans to purchase insurance coverage across state lines is not a new idea. In fact, it’s an idea that has been promoted by Republicans for many years and one that was extensively debated in this Committee in 2005. I think many who sit here today remember those proceedings, so you all know very well that I am strongly opposed to such proposals.

But what I am even more opposed to is the way Republicans purport this idea as a proposal that would give consumers choices and access to more affordable health insurance - because the truth is, it does nothing of the sort.

The only choices offered by this proposal are for insurance companies. It gives the insurance industry the choice to do business in the states that has the most favorable business climate and the weakest consumer protections. The result is a complete circumvention and pre-emption of state laws.

My colleagues on the other side might refer to this as eliminating states rights, as I’ve heard them say in past debates. But regardless of how you coin it - it would end state regulation as we know it.

State regulation and patient protections are vital to protect those who reside in that State from unscrupulous actors. Regulation is needed to protect those who would otherwise have no protection. If HR 371, a bill introduced by Rep. Blackburn entitled the Health Care Choice Act, or any other bill that attempts to allow an insurance company to license their product in one state and sell insurance in other states, would quickly result in a race to the bottom among health insurance plans – a race that would drag down patients in its wake.

It allows them to choose to operate under the laws of states with weaker consumer protection and risk-pooling standards. By doing so, plans will be allowed to cherry-pick the best risk, leaving older, sicker individuals isolated in pools without healthier individuals to offset their medical costs. The result will be insurance markets in disarray, without any real pooling of risk.

Furthermore, state regulators would be unable to provide assistance to individuals in their own states who opt to purchase coverage from a carrier selling under a second state's laws. In my home State of New Jersey, we have enacted extensive reforms that go beyond what many other States offer. Thanks to these consumer protections, New Jersey is able to ensure that its residents have access to quality individual insurance products. But in order for New Jersey to guarantee access to this kind of insurance, it must be able to spread risk throughout the market. That means pooling low and high risks together.

If HR 371 were enacted, it would completely dismantle New Jersey's existing risk pool and completely undermine that promise. Younger and healthier consumers would flee New Jersey's market in order to obtain cheaper policies that provide less coverage, leaving only high-risk consumers in the market.

We cannot move back to a system with zero patient protections, putting insurance companies back in charge. This is the very thing Democrats aimed to reverse when we passed the Affordable Care Act. So, I can't conclude without pointing out that HR 371 also repeals the very popular, and critical, patient bill of rights provisions of the Affordable Care Act (ACA). These protections include, among others:

- prohibiting gender rating,
- prohibiting the denial of people and children with pre-existing conditions insurance,
- outlawing rescissions and
- prohibiting annual and lifetime limits on insurance.

The ACA also created State-Based Health Insurance Exchanges, which would allow other insurance carriers to come into states, thereby increasing competition and lowering premiums. The stark difference, of course, is the insurance company would have to comply with federal and state mandates for coverage.

I'll also point out that the ACA includes a provision known as Health Care Choice Compacts that allow insurers to sell insurance across state lines and only be subject to laws in the issuing state – but it includes protections for states and consumers. It puts the decision to allow insurer to sell across state lines in the hands of the state where the product would be sold – not in the hands of insurance companies.

If this is the Republican's "replace" plan, this country's health system is in a lot of trouble.

I yield back.