

STATEMENT OF

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ON

**EXPANDING HEALTH CARE OPTIONS:
ALLOWING AMERICANS TO PURCHASE AFFORDABLE COVERAGE
ACROSS STATE LINES**

BEFORE THE

**U. S. HOUSE COMMITTEE ON ENERGY & COMMERCE,
SUBCOMMITTEE ON HEALTH**

MAY 25, 2011

House Committee on Energy & Commerce
Subcommittee on Health
Hearing on “Expanding Health Care Options:
Allowing Americans to Purchase Affordable Coverage Across State Lines”
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Chairman Pitts, Ranking Member Pallone, and Members of the Subcommittee, thank you for the opportunity to discuss important health insurance reforms that promote choice, affordability, and options for American families. The Patient Protection and Affordable Care Act (P.L.111-148) and the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152), collectively referred to as the Affordable Care Act, ushered in a new era in American health care. The Affordable Care Act improves America’s private health insurance system by instituting reforms that will help make affordable, high-quality insurance coverage accessible to millions of Americans, many of whom were not insured at the time of its passage.

As a former insurance commissioner, these issues are particularly important to me. For the past 14 months, my office, the Center for Consumer Information & Insurance Oversight (CCIIO) within the Centers for Medicare & Medicaid Services (CMS), has been steadily working to implement provisions of the Affordable Care Act that expand access to affordable coverage to millions of Americans, strengthen consumer protections, and help to end some of the worst insurance company abuses. These reforms create an important foundation of patients’ rights in the private health insurance market, increase choices and options for families, and put Americans back in charge of their own health care. To date, we have already implemented several important private market reforms, including: eliminating pre-existing condition exclusions for children; prohibiting insurance companies from rescinding coverage and imposing lifetime dollar limits on coverage; and enabling many adult children to stay on their parent’s insurance plan up to age 26.

The Affordable Care Act also established new programs that make health care more affordable and accessible, such as the Pre-Existing Condition Insurance Plan (PCIP) program and the Early Retiree Reinsurance Program, as a bridge to 2014 when all Americans will have access to

affordable coverage choices. With the Affordable Care Act, our country is finally moving away from the broken health insurance system of the past to a new system that insures more Americans at more affordable rates with more benefits and protections. Because of the new protections and provisions in the law, many insurers will no longer be able to discriminate against the sick, limit coverage, and profit at the expense of America's families.

Selling Insurance Across State Lines

Thanks to the Affordable Care Act, today, Americans have many more health care choices. In 2014, State-based health insurance Exchanges will be in place, providing more options and better value for consumers and small businesses. Health insurance Exchanges, market reforms, and other policies contained in the Affordable Care Act create a health insurance market where health plans will have to compete on price and quality by providing consumers with easy-to-understand choices.

Selling insurance across State lines has long been proposed as an option to increase competition and choices in health insurance, but there are serious pitfalls with this approach when it is not coupled with adequate consumer protections. The Affordable Care Act allows health care to be sold across State lines when both States agree and consumer protections are maintained. Without the consumer protections included in the Affordable Care Act, we run the risk of creating an environment where there is a "race to the bottom" in which insurers have an incentive to sell plans from the State with fewest consumer protections. Under section 1333, by July 1, 2013, the Secretary of HHS, in consultation with the National Association of Insurance Commissioners (NAIC), will issue regulations for the creation of health care choice compacts. Under these compacts, two or more States may agree to allow qualified health plans to sell insurance in their States. Plans will be subject to the laws and regulations of the State in which the plan was written or issued. Additionally, these plans must offer the same required by the consumer's State. Health care choice compacts are effective beginning January 1, 2016. These provisions ensure that interstate sale of health insurance is not a back-door attempt to disadvantage higher-risk individuals or preempt critical consumer protections.

Ensuring Coverage for More Americans

The Affordable Care Act ensures that more Americans have health insurance coverage through programs that are already helping young adults and people with chronic health problems receive the coverage they need. As a result of the Affordable Care Act, most insurance companies now must allow adult children to stay on a parent's plan until age 26 and may not deny children health insurance benefits or coverage because of a health problem. CCIIO has already implemented the Pre-Existing Conditions Insurance Plan (PCIP) program, which makes health coverage available to uninsured Americans who have been without coverage for over six months and have a pre-existing condition - providing a bridge to 2014 when affordable coverage options will be widely available without discrimination. Thousands of Americans who had been turned away by insurers because of their health history are now getting critical treatments and medicines thanks to PCIP.

Between February 1, 2011 and April 1, 2011, enrollment in PCIP has increased by nearly 50 percent, with over 18,000 individuals currently receiving coverage under this important program.¹ The PCIP program has provided invaluable help to people like Jerry Garner. Mr. Garner, a real estate agent from Gowen, Michigan who the *New York Times* recently featured, lost his health insurance after undergoing a kidney transplant. Because of his pre-existing condition, he was unable to obtain new insurance to cover the \$2,000 monthly bills for the immunosuppressive medications that transplant patients must take to prevent rejection of a new organ. Mr. Garner signed up for Michigan's PCIP program and is now paying lower premiums than he did under his previous insurance and is receiving more comprehensive coverage. Mr. Garner's wife told the *New York Times* that the PCIP program "was definitely an answered prayer."²

Before the passage of the Affordable Care Act, many young adults who were enrolled in college or starting in the workforce in entry-level jobs could not maintain coverage under their parent's

¹ "State by State Enrollment in the Pre-Existing Condition Insurance Plan, as of March 31, 2011." Link [here](#).

² Walecia Konrad, "Pre-existing Condition? Now, a Health Policy May Not Be Impossible." *The New York Times*, March 18, 2011, link [here](#).

health plan. Young adults are more than twice as likely to be uninsured than older adults, making it harder for them to get the health care they need, and putting them at risk of going into debt from high medical bills. Now, thanks to the Affordable Care Act, most health plans that cover children must make coverage available to adult children up to age 26. Alexander Lataille, 23, of Laurel, Maryland is one of many young adults who have benefited from this provision. Alexander graduated from college last spring and was worried his insurance company would kick him off his parent's plan, especially since he has asthma. As a result of the Affordable Care Act, his insurance company allowed him to stay enrolled in his parent's plan, giving him peace of mind while he looked for full-time employment. "It was a big relief," Mr. Lataille told *Kaiser Health News*.³ Because of the Affordable Care Act, over 600,000 young adults⁴ have already signed up for their parent's health plan; we estimate that a total of 1.24 million young adults will gain coverage through this provision in 2011.

In the future, more people will obtain coverage or more comprehensive benefits or realize lower health insurance premiums because of the critical protections of the Affordable Care Act. The Congressional Budget Office estimates that by 2019, 24 million people will gain insurance coverage through the new health insurance Exchanges.⁵ These Exchanges will create affordable, quality insurance options for many Americans who previously did not have health insurance coverage, had inadequate coverage, or were at risk of losing the coverage they had. The Exchanges will make purchasing private health coverage easier by providing eligible consumers and small businesses with "one-stop-shopping" to compare and select from a range of affordable plans.

Additional Consumer Protections and Resources

The Affordable Care Act gives millions of Americans important new health insurance protections. The Affordable Care Act also prohibits most insurers from discriminating against

³ Phil Galewitz, "At Least 600,000 Young Adults Join Parents' Health Plans Under New Law." *Kaiser Health News*, May 3, 2011, link [here](#).

⁴ Phil Galewitz, "At Least 600,000 Young Adults Join Parents' Health Plans Under New Law." *Kaiser Health News*, May 3, 2011, link [here](#).

⁵ CBO's March 2011 Baseline: Health Insurance Exchanges. Link, [here](#).

patients with health conditions like cancer and diabetes. About one in 12 Americans suffer from diabetes,⁶ and nearly one in 25 Americans has cancer.⁷ The Affordable Care Act helps ensure these Americans have access to care. Before passage of the Affordable Care Act, tens of thousands of people were denied insurance each year because of an illness or condition. Today, most plans cannot deny coverage to children because of a pre-existing condition. Up to 72,000 uninsured children are expected to gain coverage through this provision.⁸ In 2014, most insurance companies cannot discriminate against someone because of a pre-existing condition.

We have also prohibited insurance company rescissions, so most insurers can no longer cancel coverage when individuals get sick just because they made a mistake with their application paperwork. We have put an end to lifetime dollar limits on essential benefits – limits that in the past often meant coverage was gone when people needed it most. Patients in non-grandfathered health plans now have greater freedom to choose their own doctor and to go to the nearest emergency room when they are injured or face a life-threatening health situation. By 2014, annual dollar limits on essential benefits will also mostly be a thing of the past. Americans are already benefiting from new rules that require coverage of preventive services; important early detection services like mammograms and colonoscopies must now be available to Americans in new plans without expensive co-pays or deductibles.

Consumers today have unprecedented access to critically important information about insurance options and public programs available to them on a geographic basis. During the past several months, www.HealthCare.gov has had millions of visitors and the information housed in this on-line tool continues to grow rapidly. Visitors can get easy-to-understand information in English and Spanish about the coverage options available to them, their protections, and their rights as health care consumers.

⁶ “Data from the 2011 National Diabetes Fact Sheet.” January 26, 2011, link [here](#).

⁷ “Cancer Prevalence: How Many People Have Cancer?” October 7, 2010, link [here](#).

⁸ “Patient Protection and Affordable Care Act: Preexisting Condition Exclusions, Lifetime and Annual Limits, Rescissions, and Patients Protections.” (OCIIO-9994-IFC), link [here](#).

Affordable Coverage for All Americans

The Affordable Care Act makes coverage more affordable by holding insurers accountable for the premiums they charge consumers and helping employers maintain or offer health benefits. Significant health insurance premium hikes proposed by insurers will be publicly available on the internet and will be subject to a review. States will receive \$250 million in grants to bolster their own rate review process. For the first time, insurers will be held accountable for how premium dollars are spent. The new medical loss ratio (MLR) protections implemented last year ensure that insurers spend at least 80 or 85 percent (depending on the market) of premium dollars on actual health care services and quality improvement efforts - not marketing and CEO bonuses. Insurance companies that do not meet the standard will have two choices: reduce premiums or send cash rebates to their customers. Recognizing State flexibility, the law allows for a temporary adjustment to the individual market MLR standard if a State requests it and demonstrates that the 80 percent MLR standard may destabilize its individual insurance market. We are already seeing indications that the MLR and rate review policies are causing insurance companies to think twice about their premium increases and, in some cases, mitigate annual premium hikes. For example, more than 15,000 Aetna customers in Connecticut may see their health insurance premiums drop by between five and 19.5 percent due to, in part, the new MLR policy.⁹

The Affordable Care Act also provides new programs and tax credits to assist employers that offer health benefits to their workers. More than 5,000 businesses, State and local governments, and employee trusts are participating in a new program under the Affordable Care Act¹⁰ that helps employers retain retiree coverage for Americans 55 to 64 years of age. Also, more than 4 million small businesses have been notified that they may be eligible for tax relief to help provide insurance coverage to their workers.¹¹

⁹ Arielle Levin Becker, "As Federal Health Reforms Take Effect, Aetna Proposes Rate Cuts." The Connecticut Mirror. May 11, 2011, link, [here](#).

¹⁰ Progress Report on the Early Retiree Reinsurance Program, March 31, 2011. Link, [here](#).

¹¹ White House Fact Sheet: Small Business Health Care Tax Credit. April 1, 2010. Link, [here](#).

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

Moving Forward

Through new coverage options and consumer protections, the Affordable Care Act has already improved America’s health care system for millions of Americans. And every day we move forward to full implementation of the law, when all Americans will have access to quality, affordable health insurance free of restrictions due to pre-existing conditions or benefit caps. In the meantime, I look forward to continuing to implement provisions of the Affordable Care Act, while considering stakeholders’ ideas and input.