

**STATEMENT OF**

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**ON**

**HEALTH INSURANCE EXCHANGES: AN UPDATE FROM THE ADMINISTRATION**

**BEFORE THE**

**U. S. SENATE COMMITTEE ON FINANCE**

**NOVEMBER 6, 2013**

**Testimony of Kathleen Sebelius**  
**U.S. Department of Health and Human Services**  
**on Health Insurance Exchanges: An Update from the Administration**  
**Senate Committee on Finance**  
**November 6, 2013**

Good morning, Chairman Baucus, Ranking Member Hatch, and members of the Committee. On October 1<sup>st</sup>, we launched one of the key provisions of the Affordable Care Act—the new Health Insurance Marketplace, where people without health insurance, including those who cannot afford health insurance, and those who are not part of a group plan, can go to get affordable coverage. Consumers can access the Marketplace in several ways—through a call center, by filling out a paper application, with the help of in-person assistance, or by going online and filling out an application on HealthCare.gov.

Over the past month, millions of Americans have visited HealthCare.gov to look at their new health coverage options under the Affordable Care Act. In that time, nearly 700,000 applications have been submitted to the Federal and state marketplaces from across the Nation. This tremendous interest—with over 20 million unique visits to date to HealthCare.gov—confirms that the American people are looking for quality, affordable health coverage. Unfortunately, the experience on HealthCare.gov has been frustrating for many Americans I want to assure you that HealthCare.gov can and will be fixed, and we are working around the clock to deliver the shopping experience that you deserve. We are seeing improvements each week, and by the end of November, the experience on the site will be smooth for the vast majority of users.

**Improvements Already Made to HealthCare.gov**

To ensure that we make swift progress, and that the consumer experience continues to improve, our team called in additional help to solve some of the more complex technical issues we are encountering. We brought on board management expert and former CEO and Chairman of two publicly traded companies, Jeff Zients, to work in close cooperation with our HHS team to provide management advice and counsel to the project. We have also enlisted the help of QSSI

to serve as a general contractor for the project. They are familiar with the complexity of the system, and the work they provided for HealthCare.gov—the federal data hub—is working well and performing as it should. They will work with CMS leadership and contractors to prioritize the needed fixes and make sure they get done.

A number of fixes have already been completed. Two weeks ago, the tech team put into place enhanced monitoring tools for HealthCare.gov, enabling us to get a high level picture of the marketplace application and enrollment system. Thanks to this work, we are now better able to see how quickly pages are responding, and to measure how changes improve user experience on the site.

We reconfigured various system components to improve site responsiveness. This has increased performance across the site, but in particular the viewing and filtering of health plans during the online shopping process now responds in just seconds. It was taking minutes. We have also resolved issues with how the eligibility notices are presented to consumers. They now display properly at the completion of the application process.

Another place where we have seen a lot of consumer frustration is in their ability to successfully create an account. This issue is something that we identified on October 1st, and we have made significant progress since then to deliver a much smoother process for consumers. Users can now successfully create an account and continue through the full application and enrollment process. We are now able to process nearly 17,000 registrants per hour, or 5 per second, with almost no errors.

Other fixes include software configuration changes and optimization that have increased the efficiency of system interactions. We also added capacity by doubling the number of servers and have replaced the virtual database with a high-capacity physical one. This allowed us to be more efficient and effective in our processing time and significantly reduced the account registration failures. While significant work remains, these changes are already making the shopping process easier for consumers.

## **Expanding Access to Affordable Coverage Through the Health Insurance Marketplace**

We are committed to improving the consumer experience with HealthCare.gov, which serves as an important entry point to the new Marketplace. The new Marketplace is a place that enables people without health insurance, including those who cannot afford health insurance, and those who are not part of a group plan, to finally start getting affordable coverage.

Just a few weeks into a six-month open enrollment period, while some consumers have had to wait too long to access the Marketplace via HealthCare.gov, the Marketplace is working for others and consumers are also utilizing the call center, paper applications and in-person assistance to apply for coverage.

The idea of the Marketplace is simple. By enrolling in private health insurance through the Marketplace, consumers effectively become part of a form of statewide group coverage that spreads risk between sick people and healthy people, between young and old, and then bargains on their behalf for the best deal on health insurance. Because of enhanced competition, insurers are now eager for new business, and have created new health care plans with more choices and in many cases lower prices.

The premiums being charged by insurers provide clear evidence that the Marketplace is encouraging plans to compete for consumers, resulting in more affordable rates. The weighted average premium for the second-lowest-cost silver plan, looking across 47 states and DC, is 16 percent below the premium level implied by earlier Congressional Budget Office (CBO) estimates.<sup>1</sup> Outside analysts have reached similar conclusions. A recent Kaiser Family Foundation report found that, “while premiums will vary significantly across the country, they are generally lower than expected,” and that fifteen of the eighteen states examined would

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<sup>1</sup>[http://aspe.hhs.gov/health/reports/2013/MarketplacePremiums/ib\\_marketplace\\_premiums.cfm#\\_ftnref18](http://aspe.hhs.gov/health/reports/2013/MarketplacePremiums/ib_marketplace_premiums.cfm#_ftnref18)

have premiums below the CBO-projected national average of \$320 per month for a 40-year-old in a silver plan.<sup>2</sup>

This is good news for consumers. In fact, some insurers lowered their proposed rates when they were finalized. In Washington, D.C., some issuers have reduced their rates by as much as 10 percent.<sup>3</sup> In Oregon, two plans requested to lower their rates by 15 percent or more.<sup>4</sup> New York State has said, on average, the approved 2014 rates for even the highest coverage levels of plans individual consumers can purchase through its Marketplace (gold and platinum) represent a 53 percent reduction compared to last year's direct-pay individual market rates.<sup>5</sup> Furthermore, states are using their rate review powers to review and adjust rates accordingly. In Oregon, the state has reduced rates for some plans by as much as 35 percent,<sup>6</sup> and in Maryland, the state has reduced some rates for coverage offered through the Marketplace by almost 30 percent,<sup>7</sup> offering consumers an even better deal on their coverage for the 2014 plan year.

In addition to the more affordable rates resulting from competition among insurers, insurance affordability programs, including premium tax credits and cost-sharing reductions, will help many eligible individuals and families, significantly reducing the monthly premiums and cost-sharing paid by consumers. Premium tax credits may be paid in advance and applied to the purchase of a qualified health plan through the Marketplace, enabling consumers to reduce the upfront cost of purchasing insurance. In addition, cost-sharing reductions will lower out-of-pocket payments for deductibles, coinsurance, and copayments for eligible individuals and families. A recent RAND report<sup>8</sup> indicated that, for the average Marketplace participant nationwide, the premium tax credits will reduce out-of-pocket premium costs by 35 percent from their unsubsidized levels.<sup>9</sup>

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<sup>2</sup> <http://kaiserfamilyfoundation.files.wordpress.com/2013/09/early-look-at-premiums-and-participation-in-marketplaces.pdf>

<sup>3</sup> <http://hbx.dc.gov/release/dc-health-link-applauds-aetna-decision-cut-rates>

<sup>4</sup> [http://www.oregonlive.com/health/index.ssf/2013/05/two\\_oregon\\_insurers\\_reconsider.html](http://www.oregonlive.com/health/index.ssf/2013/05/two_oregon_insurers_reconsider.html)

<sup>5</sup> <http://www.governor.ny.gov/press/07172013-health-benefit-exchange>

<sup>6</sup> [http://www.oregonlive.com/health/index.ssf/2013/06/oregon\\_slashes\\_2014\\_health\\_ins.html](http://www.oregonlive.com/health/index.ssf/2013/06/oregon_slashes_2014_health_ins.html)

<sup>7</sup> <http://www.kaiserhealthnews.org/stories/2013/july/26/maryland-marketplace-premiums-exchange.aspx>

<sup>8</sup> [http://www.rand.org/content/dam/rand/pubs/research\\_reports/RR100/RR189/RAND\\_RR189.pdf](http://www.rand.org/content/dam/rand/pubs/research_reports/RR100/RR189/RAND_RR189.pdf)

<sup>9</sup> This is a simple calculation based on Figure 6 of the RAND study, available at the link above.

CBO has projected that about 8 in 10 Americans who obtain coverage through the Marketplace will qualify for assistance to make their insurance more affordable, an estimated 20 million Americans by 2017.<sup>10</sup> A family's eligibility for these affordability programs depends largely on its family size, household income, and access to other types of health coverage. After taking tax credits into account, 56 percent of uninsured Americans may qualify for Medicaid, CHIP, or health coverage in the Marketplace for less than \$100 per person per month.<sup>11</sup>

The fact is that the Affordable Care Act delivered on the product: quality, affordable health insurance. The tremendous interest shown in HealthCare.gov shows that people want to buy this product. We know the initial consumer experience at HealthCare.gov has not been adequate. We will address these initial and any additional problems, and build a website that fully delivers on this promise of the Affordable Care Act.

### **Other Benefits of the Affordable Care Act**

While we are working around the clock to address problems with HealthCare.gov, it is important to remember that the Affordable Care Act is much more than the opportunity to purchase insurance through HealthCare.gov. Most Americans already have health coverage through an employer-based plan, or health benefit program, such as Medicare, Medicaid, or the Children's Health Insurance Program (CHIP). For these Americans, the Affordable Care Act provides new benefits and protections, many of which have been in place for some time. For example, because of the Affordable Care Act, millions of young adults have been able to stay on their parents' plans until they are 26. Because of the Affordable Care Act, seniors on Medicare receive greater coverage of their prescription medicine, saving them billions. Because of the Affordable Care Act, for millions of Americans, recommended preventive care like mammograms is free through employer-sponsored health coverage. And in states where governors and legislatures have allowed it, the Affordable Care Act provides the opportunity for many Americans to get covered

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<sup>10</sup>[http://www.cbo.gov/sites/default/files/cbofiles/attachments/44190\\_EffectsAffordableCareActHealthInsuranceCoverage\\_2.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/44190_EffectsAffordableCareActHealthInsuranceCoverage_2.pdf)

<sup>11</sup>[http://aspe.hhs.gov/health/reports/2013/marketplacepremiums/ib\\_premiumslandscape.pdf](http://aspe.hhs.gov/health/reports/2013/marketplacepremiums/ib_premiumslandscape.pdf).

under Medicaid for the first time. In Oregon, for example, a Medicaid eligibility expansion will help cut the number of uninsured people by 10 percent, as a result of enrollment efforts over the last few weeks, resulting in 56,000 more Americans who will now have access to affordable health care.

The Affordable Care Act is also holding insurers accountable for the rates they charge consumers. For example, insurance companies are now required to justify a rate increase of 10 percent or more, shedding light on unnecessary costs. Since this rule was implemented,<sup>12</sup> the proportion of rate filings requesting insurance premium increases of 10 percent or more has plummeted from 75 percent in 2010<sup>13</sup> to an estimated 14 percent in the first quarter of 2013,<sup>14</sup> saving Americans an estimated \$1.2 billion on their health insurance premiums.<sup>15</sup> These figures strongly suggest that the rate review program has materially influenced premiums that ultimately get charged to individuals and small businesses.

The rate review program works in conjunction with the so-called 80/20 rule (or Medical Loss Ratio rule),<sup>16</sup> which generally requires insurance companies in the individual and small group markets to spend at least 80 percent of premiums on health care and quality improvement activities and no more than 20 percent on administrative costs (such as executive salaries and marketing) and profits. In the large group market (generally coverage sold to employers with more than 50 employees), insurers must spend at least 85 percent of premiums on medical care and quality improvement activities. If insurers fail to meet their medical loss ratio requirement, they must provide rebates to their customers.

New rules will help make health insurance even more affordable for more Americans beginning

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<sup>12</sup> Health Insurance Rate Review – Final Rule on Rate Increase Disclosure and Review:

<http://www.gpo.gov/fdsys/pkg/FR-2011-05-23/pdf/2011-12631.pdf>

<sup>13</sup> <http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/rate-review09112012a.html>

<sup>14</sup> <http://aspe.hhs.gov/health/reports/2013/rateIncreaseIndvMkt/rb.cfm>

<sup>15</sup> [http://aspe.hhs.gov/health/reports/2013/acaannualreport/ratereview\\_rpt.cfm](http://aspe.hhs.gov/health/reports/2013/acaannualreport/ratereview_rpt.cfm)

<sup>16</sup> Medical Loss Ratio Final Rule: <https://www.federalregister.gov/articles/2012/05/16/2012-11753/medical-loss-ratio-requirements-under-the-patient-protection-and-affordable-care-act>

next year.<sup>17</sup> Marketplace health insurance plans will be prohibited from charging higher premiums to applicants because of their current or past health problems or gender, and will be limited in how much more they can charge Americans based on their age.

Additionally, there are signs that the Affordable Care Act is helping to slow the growth in health care spending. The law is contributing substantially to recent reductions in the growth rate of Medicare spending per beneficiary without reducing benefits for beneficiaries.<sup>18</sup> If recent projections hold, growth in national health expenditures in the three years since the Affordable Care Act was signed into law will be the lowest since we began tracking these data in the 1960s. Employers are also reporting slower growth in health insurance premiums.<sup>19</sup> CBO analyzed the net impact on premiums by market and found that for the large group market, the Affordable Care Act will result in a 0 to 3 percent premium reduction.<sup>20</sup> This slowdown in healthcare cost growth is good for families, job creation, and the deficit.<sup>21</sup>

## **Conclusion**

The Affordable Care Act has already provided new benefits and protections to Americans with health coverage, and we are committed to improving the experience for consumers using HealthCare.gov so that all other Americans can easily access the quality, affordable health coverage they need. By enlisting additional technical help, aggressively monitoring for errors, testing to prevent new issues from emerging, and regularly deploying fixes to the site, we have already made significant improvements to the performance and functionality of HealthCare.gov. These continuing improvements will ensure that HealthCare.gov will be fully functional for the vast majority of consumers by the end of November. I appreciate the Committee's ongoing interest in our efforts to deliver on the promise of the Affordable Care Act, and I look forward to your questions.

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<sup>17</sup> Health Insurance Market Rules: <http://www.gpo.gov/fdsys/pkg/FR-2013-02-27/pdf/2013-04335.pdf>.

<sup>18</sup> <http://aspe.hhs.gov/health/reports/2013/medicarespendinggrowth/ib.cfm>.

<sup>19</sup> <http://kaiserfamilyfoundation.files.wordpress.com/2013/03/8345-employer-health-benefits-annual-survey-full-report-0912.pdf>.

<sup>20</sup> <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/107xx/doc10781/11-30-premiums.pdf>.

<sup>21</sup> <http://www.whitehouse.gov/blog/2013/09/19/dramatic-slowdown-health-costs-and-what-it-means-economy-families-and-budget>.