



STATEMENT OF
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ON

“HEALTH REFORM: LESSONS LEARNED DURING THE FIRST YEAR”

BEFORE THE
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Hearing on "Health Reform: Lessons Learned During the First Year"

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Chairman Baucus, Ranking Member Hatch, and Members of the Committee, thank you for the opportunity to discuss our department's implementation of the Affordable Care Act and the enormous difference it has made in the lives of Americans since it was signed into law almost a year ago. Millions of Americans across the country are already benefiting from this law, including more than 100 million people currently enrolled in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). In addition, the law has provided valuable new benefits and assistance for individuals and small businesses, helping to make coverage more affordable and ending some of the worst abuses of insurance companies.

Over the past year, we have worked closely with doctors, nurses, other health care providers, consumer and patient advocates, employers, Governors, State Insurance Commissioners, health plans, and interested citizens to deliver many of the law's key benefits to the American people. These benefits include establishing a new Patient's Bill of Rights that puts American consumers and their families back in control of their health care coverage; offering new preventive care benefits for Medicare beneficiaries; improving seniors' access to affordable, life-saving medications; and implementing new tools to fight fraud and return money to the Medicare Trust Funds and Treasury, as well as new reforms that keep premiums down by bringing transparency and accountability to our health insurance markets. I am proud to say that we have met deadlines, established strong working partnerships, and begun laying the groundwork for reforms that will take effect in the years to come. This law means real improvements for beneficiaries and consumers now and in the future.

The Affordable Care Act has also begun to change the way that Americans receive their health care, resulting in improved value, more coordinated care and more transparent choices. My department is committed to continuing to implement the Affordable Care Act in a thoughtful and responsible manner so that Americans of all ages and in all parts of this country can realize the law's benefits.

Immediate Benefits for Individuals and Small Businesses

It has not quite been a year since the passage of the Affordable Care Act, and already Americans are seeing changes and benefits from the law. The Patient's Bill of Rights gives millions of Americans important new health insurance protections. For example, insurers can no longer cancel coverage when individuals get sick just because they made a mistake with their paperwork. Insurers can also no longer put lifetime dollar limits on essential benefits – limits that often meant coverage was gone when people needed it most. By 2014, most annual dollar limits on essential benefits will also be a thing of the past. Patients have greater freedom to choose their own doctor and to go to the nearest emergency room when they are injured or in a life-threatening situation.

In addition, more than 5,000 businesses, state and local governments, and employee trusts are participating in a new program under the Affordable Care Act that gives them relief from soaring retiree health care costs and retains coverage for Americans 55 to 64 years of age. More than 4 million small businesses have been notified that they may be eligible for a tax cut to help them provide coverage for their workers – a benefit that's already making a difference, with the number of small firms offering health benefits rising for the first time in a decade. By slowing the growth of health care costs, the new law will free businesses to invest in their own growth and create new jobs.

The health law also holds insurers accountable and will help bring down premiums. It ensures every significant health insurance rate increase will undergo a thorough review and provides \$250 million in grants to States to bolster their rate review process. For the first time, insurers will be held accountable for the way they spend consumer premiums. The new medical loss ratio regulations released last year implement the statutory requirement that insurers spend at least 80 or 85 percent, depending on the market, of premium dollars on health care and quality improvement efforts instead of marketing and CEO bonuses. Those who don't meet the standard will have two choices: reduce premiums or send rebates to their customers. In addition, the Department recognizes State flexibility. The law allows for a temporary adjustment to the

individual market MLR standard if the State requests it and demonstrates that the 80 percent MLR standard may destabilize their 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, reducing the size of their annual updates.

Improved Value for Seniors and People with Disabilities

The Affordable Care Act is making Medicare stronger and more sustainable. People with Medicare will have access to improved guaranteed benefits every year, and Medicare's long-term sustainability is stronger as a result of efficiencies, new tools, resources to reduce waste and fraud, and slower growth in Medicare costs. These important changes will produce savings for the taxpayers and help to prolong the life of the Medicare Hospital Insurance Trust Fund. These changes will also benefit people with Medicare by keeping their cost sharing lower than under the law previously, as well as by keeping Part B premiums lower. Thanks to the Affordable Care Act, Medicare beneficiaries will enjoy better quality care, better access to care, and a more innovative care delivery system that will improve outcomes and reduce cost. Here are just a few examples:

Improving Medicare beneficiaries' access to life-saving medicines: As a result of new provisions in the Affordable Care Act, people with Medicare are receiving immediate relief from the cost of their prescription medications. More than 3 million eligible seniors and people with disabilities who reached the Part D prescription drug coverage gap in 2010 received help through a one-time, tax-free \$250 rebate check to help reimburse them for out-of-pocket costs in the Part D prescription drug coverage gap known as the "donut hole." In addition, people with Medicare Part D will pay a smaller share of their prescription drug costs in the coverage gap every year from now until 2020, when the coverage gap will be closed. This year, eligible Medicare beneficiaries will get a 50 percent discount on covered brand name prescription drugs in the coverage gap.

Increased access to preventive care: Thanks to the Affordable Care Act, people with Medicare are eligible to receive critical preventive care, like mammograms and colonoscopies, with no coinsurance or deductible. Beneficiaries also have access to a new annual wellness visit this year. Improving access to preventive care can improve early detection and treatment options, potentially reducing the cost of care and improving the health of our Medicare population in the long run.

High quality Medicare Advantage benefits: This year, HHS has improved its oversight and management of the Medicare Advantage (MA) program. The results for the 2011 plan year show that when the Centers for Medicare & Medicaid Services (CMS) strengthens its oversight and management of MA plans, seniors and people living with disabilities will have clearer plan choices that, on average, offer improved protections and stable benefits at lower premiums. Contrary to projections of its decline, in 2011 MA enrollment is up six percent and average premiums are down six percent compared to 2010, while benefit and cost-sharing levels remain roughly the same. Access to MA remains strong, as more than 99 percent of Medicare beneficiaries have a choice of MA plans as an alternative to Original Medicare. As part of the Administration's national strategy for implementing quality improvement in health care, CMS is also working to create new incentives for all MA plans to improve the care they offer to Medicare beneficiaries. Beginning in 2012, CMS will implement a demonstration that builds on the quality bonus payments authorized in the Affordable Care Act by providing stronger incentives for plans to improve their performance, thereby accelerating quality improvements. These enhanced incentives will help to provide a smooth transition as MA payments are gradually aligned more closely with costs in the Medicare fee-for-service program.

Increased support for primary care: Thanks to the Affordable Care Act, physicians have better incentives to provide vital primary care services to Medicare beneficiaries. Beginning January 1, 2011, the Affordable Care Act provides for a new 10 percent bonus payment for primary care services furnished by a primary care practitioner and for major surgical procedures furnished by a general surgeon in a health professional shortage area. Primary care practitioners of family medicine, internal medicine, geriatric medicine or pediatric medicine, as well as

general surgeons, nurse practitioners, clinical nurse specialists, and physician assistants could be eligible to receive this new incentive.

Coordinated Care and Partnership with States

The Affordable Care Act not only provides new benefits to individuals and families, it is beginning to change the way care is delivered. Too often, health care takes place in a series of fragments or episodes. We need to make it possible for entirely new levels of seamlessness, coordination, and cooperation to emerge among the people and the entities that provide health care, so as to smooth the journeys of patients and families – especially those coping with chronic illness – through their care over time and in different places.

For example, coordination is critically needed in providing care provided to beneficiaries eligible for both Medicare and Medicaid, also known as dual-eligibles. The Affordable Care Act established a Federal Coordinated Health Care Office to improve coordination of the care provided these beneficiaries. This population consists of the most vulnerable and chronically ill beneficiaries, who represent 15 percent of Medicaid enrollees and 39 percent of Medicaid expenditures and 16 percent of Medicare enrollees and 27 percent of Medicare expenditures. These individuals have not been well served by our current system. Dual eligibles need to navigate two separate systems: Medicare for coverage of basic health care services, and Medicaid for coverage of long-term care supports and services, and help with Medicare premiums and cost-sharing. The Federal Coordinated Health Care Office will work to better streamline care for dual-eligibles, while also developing strategies to provide these beneficiaries full access to the items and services that will result in better health care outcomes. Last December, we announced that States may apply for resources to support the design of new demonstration projects, with funding for up to 15 State program design contracts of up to \$1 million each. These design contracts will support the development of new models that integrate the full range of acute, behavioral health, and long-term care supports and services for dual eligible individuals.

The Affordable Care Act is also responsible for other efforts to improve the coordination of care for Medicaid beneficiaries such as the creation of health homes, where teams of health care

professionals will be paid to coordinate care for Medicaid beneficiaries with chronic conditions. States will receive 90 percent Federal match for eight fiscal quarters for services rendered to beneficiaries in health homes. The Department made funding available on January 1, 2011 and seven States have expressed either interest in learning more about or taking up this option.

Finally, while not explicitly part of the Affordable Care Act, I recently directed CMS to conduct an unprecedented level of outreach to States to help them strategize on ways to improve the efficiency of their Medicaid programs in light of current State budget challenges. To accomplish this task, CMS has created Medicaid State Technical Assistance Teams (MSTATs) who are ready to provide intensive and tailored assistance to States on day-to-day operations as well as on new initiatives. As of early March, CMS has been contacted by 19 States for technical assistance.

As a result of the flexibility and extra support provided to States by the Affordable Care Act, Connecticut, Minnesota and the District of Columbia expect to provide Medicaid coverage to over 180,000 people who were previously uninsured or covered using state-only funds.

Connecticut and the District of Columbia are well on their way to accomplishing their goals, having already enrolled more than 88,000 people – Minnesota’s expansion just began on March 1 and they expect to enroll 95,000 previously uninsured or State-only beneficiaries in Medicaid. The Administration is committed to ensuring that Medicaid is a strong and vibrant part of the health care system and we want to work with States to ensure that is the case.

Program Integrity

As we move forward with new and exciting benefits and care models, we are redoubling our efforts to minimize waste, fraud, and abuse in Federal health care programs. A greater focus on program integrity is integral to the success of health care reform. The Affordable Care Act offers additional front-end protections to keep those who commit fraud out of Federal health care programs, as well as new tools for deterring wasteful and fiscally abusive practices, promptly identifying and addressing fraudulent payment issues, and ensuring the integrity of our programs. Recently, CMS consolidated Medicare and Medicaid program integrity efforts into one office, the Center for Program Integrity. The Affordable Care Act enhances this organizational change by providing CMS with the ability to improve its program integrity capabilities and by providing

an opportunity to jointly develop Medicare, Medicaid and CHIP policy on these new authorities. For example, many Affordable Care Act provisions, such as enhanced screening requirements for new providers and suppliers, apply across the programs.

The Affordable Care Act provided new tools to help tailor interventions to address areas of the most significant risk. Enhanced screening requirements for providers and suppliers to enroll in Medicare, Medicaid and CHIP, along with oversight controls such as temporary enrollment moratoria and a temporary withhold on payment of claims for new durable medical equipment suppliers, will allow us to better focus our resources on addressing the areas of greatest concern and highest dollar impact. Applying knowledge from our Medicare experiences, we issued proposed regulations and a State Medicaid Director letter last fall and are actively working with States to tailor the use of Recovery Audit Contractors to the Medicaid context.

Finally, through the Health Care Fraud Prevention and Enforcement Action Team, or “HEAT,” CMS has joined forces with our law-enforcement partners at the Department of Justice (DOJ) and the Department of Health and Human Services’ (HHS) Office of Inspector General (OIG) to collaborate and streamline our efforts to prevent, identify, and prosecute health care fraud.

Conclusion

The accomplishments listed above are just some of the many benefits that the Affordable Care Act has provided. I have personally seen the difference this law will make. Today, as we approach the one-year anniversary of the Affordable Care Act, we should reflect on all the good the law has accomplished for Americans already. There are names and faces that go along with this law and we are moving forward with real rights and reforms that are improving people’s lives every day.

Since March of last year, our Department has focused on working with Congress and our partners across the country to implement this law quickly and effectively. In the coming months, I look forward to working with all of you to continue that work and make sure that Americans can take full advantage of all that the law has to offer. Thank you for your time.