

Oral Testimony
U.S. House of Representatives
House Committee on Homeland Security
Subcommittee on Cybersecurity, Infrastructure Protection,
and Security Technologies
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Stephen T. Parente, Ph.D., M.P.H., M.S.
University of Minnesota

Thank you, Chairman Meehan, Ranking Member Clarke and members of the Committee, for this opportunity to speak to you today.

My name is Steve Parente. I hold the Minnesota Insurance Industry Chair in Health Finance at the University of Minnesota. There, I serve as professor in the Finance Department at the Carlson School of Management and Director of the Medical Industry Leadership Institute, a growing MBA program. My areas of expertise are health insurance, health information technology and medical technology evaluation. I also have an appointment at the Johns Hopkins University in Baltimore, Maryland.

In Summer of 2011, I and my colleague from the Manhattan Institute Paul Howard wrote about implementation of the Affordable Care Act (ACA) and security concerns regarding the Health Insurance Exchange Hub that is scheduled to be fully operational in less than 20 days. This essay received little attention at the time. On December 7th, 2012 *USA Today* printed an op-ed on written by Dr. Howard and

myself that described the same issues as we did a year before. The 2012 op-ed received far greater attention nationally and in particular from the Administration.

The principal concern I sought to examine was the government's capability to rapidly and securely combine information at a personal level from five federal agencies in order for someone to purchase health insurance on a state or federal exchange. I have stated and continue to posit that the combination of such data would constitute the largest personal data integration government project in the history of the Republic, with up to 300 million American citizen records needing to be combined from five federal agencies.

The five agencies involved in this integration are: the Department of Health and Human Services, to facilitate the data and operating parameters of the exchanges; the Social Security Administration, to verify if the person to be insured is indeed living; the Department of Treasury, to verify income level, as well as transfer subsidies as necessary to purchase health insurance; the Department of Justice, to verify that the insured is not incarcerated; and finally, the Department of Homeland Security, to verify the citizenship of the individual.

My expressed concern is that it's not clear exactly how the data hub will operate. Ideally, the hub should function as a switch that routes information but does not retain the person-identifying information it is routing. Major credit card purchases today operate this way: where a retail vendor, at the point of purchase, uses your

credit card to link a variety of data about you to make sure you are not a credit risk and then clears you for purchase of your 70" LCD TV for the holidays. This approach minimizes privacy risks and provides good data security.

The federal data hub should operate this way, coupled to either a State or Federal insurance exchange as well as to the Social Security Administration, Treasury Department, Homeland Security and Department of Justice, et al. Operating this would create a fire-and-forget data system that would instantaneously link to an abstract piece of information and then delete it to prevent it from becoming a privacy concern. Major financial services firms have been providing these services for nearly two decades, and if there ever has been a privacy breach, it is not from a pure data switch.

Having said how you could provide reliable data privacy protection, no one has said how the data hub will actually operate to ensure no privacy breaches as well as safeguard against identity fraud. Greater transparency is needed, as well as a frank acknowledgement that the ACA's posted deadlines should take second place to reasonable data concerns. This isn't a political point, and isn't meant to impinge upon anyone's motives inside HHS. The fact that only a handful of individuals know truly how this will operate may preserve some security. Alternatively, if the Hub does not operate as planned, it may also be viewed as a failure to plan and execute with full transparency a provision of the law the agencies had over three years to implement.

HHS' job is to implement the law. And, as much as some citizens dislike an assortment of the law's underlying provisions HHS staff are doing exactly what they are supposed to do and facing constraints they can't always control. They are doing so in a politically charged environment – and crashing headlong into the constraints of scarce human capital, complex regulatory requirements, and a massive IT project with literally no technical precedent.

I believe Congress has a legitimate oversight responsibility to ensure that – whatever your feelings about the ACA – the final product is trusted, functional, and secure for all Americans. Congress should take that responsibility seriously – and the Administration should help them execute that responsibility.

In closing, I hope my efforts to bring transparency to operational parameters of the Hub only strengthen its operation. Failure to build a secure Hub could bring significant damage to the security of federal data systems. This must not be allowed to occur.

Thank for you this opportunity to be heard today. I welcome any questions.