



May 20, 2013

Chairman Tim Murphy
House Energy & Commerce
Subcommittee on Oversight & Investigations
2125 Rayburn House Office Building
Washington, DC 20515

Ranking Member Diana DeGette
House Energy & Commerce
Subcommittee on Oversight & Investigations
2322A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Murphy and Ranking Member DeGette:

Between 1999 and 2009, health insurance premiums rose 131 percent while inflation over that same period was just 28 percent.¹ Such increases have taken a significant toll on Americans and their ability to pay for basic needs or save for retirement. At the same time, the coverage for which people pay has gotten less comprehensive. The Affordable Care Act (ACA) begins to address these challenges. Under the ACA, the coverage offered to all Americans will be better than previously available and critical subsidies and tax credits will be provided to help offset barriers posed by affordability.

We have begun to see evidence in the states of the effect of a transparent marketplace on prices. Last week, Washington State reported that Premera Blue Cross will offer a plan for 21-year-old non-smokers that previously cost \$325 per month but will now be available on the exchange for \$276, a reduction of 15 percent. And while a plan aimed at Washington's 40 year old non-smokers offered by another carrier will show a small increase of \$32 per month, it will provide more benefits because of the ACA and also offer critical prescription drug coverage. In Oregon, we have now seen plans reduce their proposed rates after viewing their competition's prices in the exchanges, with one Oregon carrier requesting their initial proposal be reduced by 15 percent.

Under the ACA, Americans will no longer face coverage that comes with lifetime caps, and no one can be denied coverage due to a pre-existing condition. Coverage will be improved through an essential health benefits package, a limit on out-of-pocket expenses, and a requirement that an insurer spend 80 cents of every dollar on health

¹ *Kaiser Family Foundation And Health Research and Family Trust Annual Survey 2009*, "Employer Health Benefits," page 2: <http://kaiserfamilyfoundation.files.wordpress.com/2013/04/7936.pdf>

coverage rather than administrative costs. In short, Americans will obtain better coverage for their premium dollar.

Nearly 60 percent of Americans get their health insurance coverage through their employer. About seven percent of non-elderly Americans currently purchase health insurance on the individual market. Older Americans not yet eligible for Medicare are among the fastest growing group of uninsured. These older Americans – as well as other uninsured Americans, will now be eligible for coverage via the competitive insurance marketplaces being established across the nation. For Americans who are uninsured and/or make less than 400 percent of the federal poverty level, tax credits and subsidies will be available to assist in purchasing coverage. Many young Americans have already received coverage by staying on their parents' coverage. A recent analysis also found, "Over 90 percent of young adults age 21–27 purchasing single non-group coverage in the exchanges [will] receive significant subsidies that limit their costs as a share of their income."²

AARP also supports efforts to encourage employment, including the elimination of barriers to self-employment. One of those barriers, particularly for older Americans, is often the need for health insurance. We are hopeful that those older entrepreneurial Americans, freed from the need to stay with an employer in order to continue health coverage – a concept known as "entrepreneurship lock" – will be more able to begin their own businesses. In fact, a Kauffman-RAND Institute for Entrepreneurship Public Policy study said the elimination of job lock could increase the number of new U.S. businesses by as much as 33 percent over several years as prospective entrepreneurs feel less constrained to stay in a job simply to keep their health coverage.³ This is especially important for our members age 50-64, many of whom have considerable professional experience, yet continue to face trouble securing full time employment as well as still need health insurance. The ACA's market reforms and new purchasing options will assist older Americans in protecting their health while, at the same time, allowing them greater freedom to start their own businesses. We see this as a win-win.

Throughout the development of the ACA, AARP was especially concerned about the long-term health prospects of our members age 50-64 who, prior to passage, were often either denied coverage outright due to pre-existing conditions or asked to pay prohibitively more in premiums than younger people. We supported limiting age rating in order to protect older Americans from an individual market which often made health insurance either unaffordable or unobtainable. The Urban Institute study found, "use of the 3:1 band ... results in age-based premiums that more accurately match age-related costs among likely purchasers than would a looser rate band. The now-common 5:1

² *Urban Institute*, "Why the ACA's Limits on Age-Rating Will Not Cause "Rate Shock": Distributional Implications of Limited Age Rating Bands in Nongroup Health Insurance, *Quick Takes*, March 2013

³ Maltby, Emily. "Will Health-Care Law Beget Entrepreneurs?" *The Wall Street Journal* 8 May 2013, www.wsj.com.

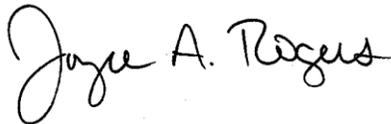
age rating tends to undercharge young adults relative to their actual health care expenses and to overcharge older adults relative to theirs...”⁴

As the ACA continues to be implemented, AARP and its members welcome the market reforms contained within the law compelling health insurance companies to offer products protecting policy holders from the financial ravages of unforeseen medical challenges. We applaud the significant payment reforms the ACA brings in terms of affordability and assistance to cover as many Americans as possible. We believe the marketplace improvements will have long-term benefits, both from a healthier citizenry and for the long-term economic outlook of the United States.

Our 38 million members all across the nation find many of the provisions of the ACA to be beneficial for not just older Americans – but also for the entire healthcare system. While much progress has been made, there is still more to be done to tackle high and wasteful health care spending. AARP remains committed to continuing to make our members’ voices heard to promote critical health insurance protections, market reforms and affordability programs that help all Americans access the care they need at a price they can afford.

If you have any questions, please feel free to contact me or have your staff contact Ariel Gonzalez of our Government Affairs staff at 202-434-3770 or agonzalez@aarp.org.

Sincerely,

A handwritten signature in black ink that reads "Joyce A. Rogers". The signature is written in a cursive, flowing style.

Joyce Rogers
Senior VP, Government Affairs

⁴ *Urban Institute*, “Implications of Limited Age Rating Bands Under the Affordable Care Act,” Timely Analysis of Immediate Health Policy Issues, March 2013.