

“Protecting America’s Sick and Chronically Ill”

House Committee on Energy and Commerce

Subcommittee on Health

Written Statement for the Record by

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Mr. Chairman and Members of the Committee:

Thank you for inviting Families USA to testify today at this very important hearing about how best to protect Americans who have a pre-existing health condition. Since 1982, Families USA has worked to promote high-quality, affordable health care for all Americans. We are pleased to be invited to testify about how the Affordable Care Act will offer concrete help to the millions of people who are sick or who have a chronic condition that could lead them to be denied coverage by a health insurance company.

A Pervasive Problem

Last year, Families USA commissioned The Lewin Group to quantify the number of Americans who have been diagnosed with pre-existing health conditions. Looking only at those serious conditions that are commonly linked to coverage denials, we found that more than 64.8 million non-elderly Americans have been diagnosed with pre-existing conditions that could lead to denials of coverage if the Affordable Care Act did not exist. This means that one in every four non-elderly Americans (24.9 percent) would be at risk of being denied coverage today without the health care law.

No group is immune to the effects of this pervasive problem. People across the states, young and old, black and white, rich and poor, all have a great deal to gain from the Affordable Care Act’s protections against discrimination based on pre-existing conditions. We found that one in five young adults aged 18 to 24 has a pre-existing condition that could lead to a denial of coverage, while nearly half of adults aged 55 to 64 have a pre-existing condition. Americans at every income level have a similar likelihood of having a pre-existing condition that could lead to a denial of coverage. We also discovered that 28.3

percent of white, non-Hispanic Americans have a pre-existing condition, 24.1 percent of black, non-Hispanic Americans have a pre-existing condition, and 18.1 percent of Hispanic Americans have a pre-existing condition.

Our analysis captures only those who have already been diagnosed with pre-existing conditions, focusing solely on those conditions that frequently result in denials of coverage. Our data depicts only those people who were diagnosed or treated for one or more of a list of pre-existing conditions within the year 2009.

The Affordable Care Act: A Permanent Solution

Millions of Americans have already been diagnosed with conditions such as diabetes, heart disease, and cancer. Millions more will develop such conditions over the course of their lives. Each of these people will be helped by the health care law's protections against discrimination based on pre-existing conditions.

Under the Affordable Care Act, insurers are no longer able to deny coverage to children because of pre-existing conditions, nor are they allowed to exclude care for kids with pre-existing conditions. Beginning in 2014, no American, regardless of age, can be denied coverage. Equally important, starting in 2014, insurers will no longer be allowed to charge higher premiums based on health status or sell policies that exclude coverage for certain benefits based on a person's pre-existing condition. The health care law also created a temporary bridge program, the Pre-Existing Condition Insurance Plan (PCIP), to help people who have been denied coverage by an insurance company due to a pre-existing condition obtain health coverage until the law goes fully into effect in 2014. The PCIP will be discussed later in this testimony.

Before the passage of the Affordable Care Act, insurers were generally free to treat individuals with pre-existing conditions unfairly. In most states, insurers have been able to refuse to sell individuals policies for a variety of reasons, including their medical history, health status, and health risks. The consequences of such denials can be dire.

Frequently, uninsured people are forced to delay or go without care due to the high cost of health services. According to the Kaiser Family Foundation, uninsured adults are more than six times as likely as those with private insurance to go without needed care due to cost (26 percent versus 4 percent).¹ And uninsured adults are nearly four times more likely than insured adults to delay or forgo getting a preventive care screening, such as a cancer screening, due to cost (36 percent versus 10 percent).²

Only when a condition becomes so serious that treatment can no longer be put off do the uninsured seek care. Quite often, people who are uninsured suffer devastating financial consequences as a result of paying for this care. Uninsured patients are unable to negotiate the same discounts on hospital and doctor charges that insurance companies do. As a result, uninsured patients are often charged more than 2.5 times what insured patients are charged for hospital services.³ Uninsured people often suffer financial catastrophe because of medical bills. In 2007, illness or medical bills were contributing factors in nearly two-thirds of all personal bankruptcies filed.⁴

In addition, the fear of going without health coverage negatively affects productivity and the labor market because many Americans make decisions about what job to choose, or whether to stay in a job, based on whether the job provides health coverage – a phenomenon known as “job lock.”

The Pre-Existing Condition Insurance Pool: A Bridge to a Permanent Solution

The Affordable Care Act created a new, temporary program that allows uninsured adults with pre-existing conditions to buy health coverage in state-based insurance pools. Congress appropriated \$5 billion for the Pre-Existing Condition Insurance Plan (PCIP), and it allowed states to choose to operate the pools on their own or to defer to the federal government to operate the plan. The PCIP was

¹ Kaiser Family Foundation, *How Private Health Coverage Works: A Primer, Key Facts about Americans without Health Insurance* (Washington: Kaiser Family Foundation, October 2011).

² Sara R. Collins, Michelle M. Doty, Ruth Robertson, and Tracy Garber, *Help on the Horizon: How the Recession Has Left Millions of Workers without Health Insurance, and How Health Reform Will Bring Relief* (New York: The Commonwealth Fund, March 2011).

³ Gerard Anderson, “From ‘Soak the Rich’ to ‘Soak the Poor’: Recent Trends in Hospital Pricing,” *Health Affairs* 26, no.3 (May/June 2007): 780-789.

⁴ David U. Himmelstein, Deborah Thorne, Elizabeth Warren, and Steffie Woolhandler, “Medical Bankruptcy in the United States, 2007: Results of a National Study,” *The American Journal of Medicine* 122, no. 8 (June 2008): 741-746.

designed to serve as a short-term “bridge” program for consumers with pre-existing conditions whose insurance companies had denied them coverage. Congress intended for the plan to act as a stop-gap measure to help consumers until 2014, when the Affordable Care Act’s new rules will kick in to protect sick people from being denied health coverage.

The Department of Health and Human Services recently announced that the Pre-Existing Condition Insurance Plan will no longer accept new applications for services. The 100,000 individuals nationwide who are currently enrolled in the PCIP will continue to be served. Most of the enrollees in the plan have serious and expensive conditions. Because the program has limited funding, the Department of Health and Human Services made the decision to suspend enrollment to ensure that the program would continue to have the money it needs to keep people who are currently enrolled covered until the new health insurance rules go into effect in 2014.

The PCIP was never expected to permanently solve the problem of providing health care to sick individuals who had been denied coverage by insurance companies. The short-comings of high-risk pools, such as the PCIP, were well-known even before the passage of the Affordable Care Act. Numerous states operated high-risk pools with their own funding (and in some cases, with a small amount of federal funding), before the creation of the PCIP. Those pools have suffered from very low enrollment and very high costs. States have discovered that high-risk pools are prohibitively expensive to operate. Therefore, they keep enrollment low and charge consumers very steep premiums. Health economists agree that it is far better to include sicker, more expensive consumers in a larger insurance pool that includes healthier consumers in order to help spread and share the costs of care. That is why the ultimate solution for people with pre-existing conditions is to end the practice of insurance companies denying them coverage.

The bottom line is this: thanks to the Affordable Care Act, millions of Americans who have a pre-existing condition will be helped by 2014 and can rest easier knowing that they cannot be discriminated against because of their health.