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4 ``PPACA PULSE CHECK: PART 2''

5 TUESDAY, SEPTEMBER 10, 2013

6 House of Representatives,

7 Subcommittee on Health

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The subcommittee met, pursuant to call, at 10:15 a.m.,
11 in Room 2322 of the Rayburn House Office Building, Hon. Joe
12 Pitts [Chairman of the Subcommittee] presiding.

13 Present: Representatives Pitts, Burgess, Murphy,
14 Blackburn, Gingrey, Lance, Cassidy, Guthrie, Griffith,
15 Bilirakis, Ellmers, Pallone, Dingell, Matheson, Green,
16 Butterfield, Christensen, Castor, Sarbanes, DeGette and

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17 Waxman (ex officio).

18 Staff present: Clay Alspach, Chief Counsel, Health;
19 Matt Bravo, Professional Staff Member; Karen Christian, Chief
20 Counsel, Oversight; Noelle Clemente, Press Secretary; Paul
21 Edattel, Professional Staff Member, Health; Julie Goon,
22 Health Policy Advisor; Brad Grantz, Policy Coordinator,
23 Oversight and Investigations; Sydne Harwick, Legislative
24 Clerk; Sean Hayes, Counsel, Oversight and Investigations;
25 Katie Novaria, Professional Staff Member, Health; Andrew
26 Powaleny, Deputy Press Secretary; Heidi Stirrup, Health
27 Policy Coordinator; Ziky Ababiya, Democratic Staff Assistant;
28 Brian Cohen, Democratic Staff Director, Oversight and
29 Investigations, and Senior Policy Advisor; Hannah Green,
30 Democratic Staff Assistant; Elizabeth Letter, Democratic
31 Assistant Press Secretary; Karen Lightfoot, Democratic
32 Communications Director and Senior Policy Advisor; Karen
33 Nelson, Democratic Deputy Committee Staff Director for
34 Health; Stephen Salsbury, Democratic Special Assistant; and
35 Matt Siegler, Democratic Counsel.

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36 Mr. {Pitts.} This subcommittee will come to order. The
37 chair will recognize himself for an opening statement.

38 On August 1st, CMS Administrator Marilyn Tavenner
39 testified before the full committee on implementation of the
40 Affordable Care Act. She assured us that despite numerous
41 delays, including a one-year delay of the employee choice
42 provision of the SHOP exchanges, the employer mandate, and
43 verification of eligibility for insurance subsidies, that the
44 exchanges would be ready on October 1st to begin enrolling
45 Americans in new health plans and that implementation of the
46 law's other provisions was on track.

47 Since that hearing, we have learned of several troubling
48 developments. On August 13, The New York Times reported that
49 it had discovered a delay in the implementation of the law's
50 out-of-pocket caps buried in a list of 137 frequently Asked
51 questions posted on the Department of Labor's website on
52 February 20, 2013. On August 27, CMS announced that instead
53 of finalizing contracts with health plans set to participate
54 in exchanges between September 5 and September 9, as had been
55 expected, final contracts would not be signed until mid-

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56 September.

57 The Affordable Care Act's implementation involves a
58 litany of federal and state agencies, and my constituents are
59 understandably confused about what is happening with the
60 exchanges, enrollment and premiums. Considering the
61 Administration's track record on deadlines and delays,
62 reassurances from CMS officials are not comforting.

63 In our previous hearing, Administrator Tavenner also
64 made an extraordinary remark that she had only heard of
65 ``isolated incidents'' of the ACA having burdensome or
66 negative impact on Americans.

67 I would briefly like to share the experiences of some of
68 my constituents who are being harmed by the law. In April of
69 this year, Eastern Lancaster County School District and Penn
70 Manor School District in Lancaster, Pennsylvania, both
71 announced that they were outsourcing some employees to avoid
72 the costs of complying with the ACA's employer mandate.
73 Elanco will outsource approximately 90 food service workers
74 and classroom aides, and Penn Manor is shifting more than 95
75 special-education classroom aides off its payroll. The
76 affected employees work over 30 hours a week, thus triggering

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77 the employer mandate, and the school districts simply cannot
78 afford to pay for the additional expenses of covering these
79 individuals.

80 Dairy farmers in my district, members of the Mt. Joy
81 Farmers Cooperative Association, which is affiliated with
82 Dairylea Cooperative, currently enjoy a negotiated plan
83 characterized by a low-risk pool and shared savings. As of
84 January 1, 2014, they will lose this unique risk pool and be
85 forced on to the exchanges.

86 A father from my district wrote me, distraught, about
87 his daughter's work hours being cut to 28 hours a week,
88 because her employer could not absorb the cost of providing
89 her with health insurance. He is among dozens of people who
90 have told me that their hours have been cut, and they have
91 been moved from full-time to part-time as a direct result of
92 the ACA. Dozens more have expressed shock at the staggering
93 premium increases they that face in 2014. These are not
94 isolated incidents.

95 With that, I would like to welcome all of our witnesses
96 here today, and I look forward to their testimony.

97 [The prepared statement of Mr. Pitts follows:]

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98 ***** COMMITTEE INSERT *****

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|
99 Mr. {Pitts.} I yield the balance of my time to the
100 gentleman from Georgia, Dr. Gingrey.

101 Dr. {Gingrey.} Thank you, Mr. Chairman.

102 We are now 3 weeks from the beginning of open enrollment
103 for ObamaCare exchanges. It is fitting that we have before
104 us today the vendors who are charged with running the
105 exchanges. While I am sure that these companies are working
106 as best they can to meet the deadlines, the reality is that
107 most were awarded contracts within the past few months and
108 the complex system has yet to be fully tested. How can
109 taxpayers expect to feel secure with their personal
110 information in the exchange when they have not had adequate
111 security checks to determine its effectiveness.

112 Mr. Chairman, ObamaCare will saddle taxpayers with
113 higher premiums, fewer choices and the potential for
114 employment disruption. We must work to ensure that our
115 citizens will not face fraud and identity theft from the law
116 as well, and with that, I yield back and I thank you for the
117 time.

118 [The prepared statement of Dr. Gingrey follows:]

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120 Mr. {Pitts.} The chair thanks the gentleman.

121 At this time I would like to request unanimous consent
122 for Representative DeGette to participate in the subcommittee
123 hearing. Without objection, so ordered.

124 And the chair recognizes the ranking member, Mr.
125 Pallone, for 5 minutes for an opening statement.

126 Mr. {Pallone.} Thank you, Chairman Pitts, and a special
127 thanks to our witnesses for taking the time to be here today.
128 I know you are right in the middle of gearing up for the
129 October 1st start of open enrollment for the health care
130 exchanges and that your time is valuable.

131 I must say that I am extremely troubled by the
132 Republicans' repeated tactics to try to slow the progress of
133 all those individuals and organizations working so hard to
134 implement the Affordable Care Act. In particular, the
135 oversight letter that committee Republicans sent to 51
136 groups, primarily community organizations that receive grants
137 to serve as navigators to help the uninsured sign up for
138 benefits under the ACA I think is despicable. This is an
139 egregious abuse of the committee process and an attempt by

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140 Republicans to intimidate community organizations and
141 overwhelm them with information requests at a critical period
142 so that they don't implement the program.

143 I have been working with organizations in my district
144 such as the Food Bank of Monmouth in Ocean County, who have
145 taken on the responsibility of being navigators for the
146 community and make sure that they know their rights under the
147 committee rules, but even more so, I am encouraging them to
148 remain committed to the critical work they are doing and not
149 be detracted from their laudable goals of helping uninsured
150 people gain coverage.

151 It is time that the Republicans stop trying to obstruct
152 the law. Health care reform is undeniably moving forward.
153 It is hypocritical that Republicans are holding this hearing
154 today so say that the health exchanges are not ready and that
155 the Administration doesn't have enough staff or resources
156 when the Republicans are the ones who refuse to adequately
157 fund the law and are out advocating for it to be defunded.
158 But despite this, I think what we will hear today from our
159 witnesses is that the contractors, community organizations
160 and States are ready for October 1st.

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161 It is going to be a challenge, that is for sure. Will
162 the rollout be flawless? No. Will there likely be some
163 hiccups along the way as with any major program rollout?
164 Yes. But these groups have been working day and night to
165 make sure that they are ready for enrollment so that
166 Americans can start receiving the benefits of health
167 insurance, and starting October 1st, millions of people will
168 gain access to health care coverage they didn't have before.
169 Individuals in every State will have access to a health
170 exchange where they can select coverage from an array of
171 qualified health plans. Every health plan will offer
172 essential health benefits including preventative services
173 such as screenings and vaccines, mental health services,
174 trips to the emergency room, outpatient care, care before and
175 after your baby is born, prescription drugs, lab tests and
176 pediatric services including dental care and vision care for
177 kids.

178 Now, one area where more progress is needed is State
179 expansion of Medicaid. An important tool included in the ACA
180 was the strengthening of Medicaid by allowing States to
181 expand coverage to individuals and families who did not

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182 previously qualify for the program but also did not have the
183 resources to access affordable, quality care through the
184 private insurance market. Not only is this beneficial for
185 low-income Americans, it is an advantageous fiscal
186 arrangement for States, and I am disappointed that a number
187 of States still have not chosen to expand Medicaid coverage,
188 and anticipate we will hear from Ms. Kraus from the
189 Pennsylvania Health Access Network today about how the
190 continued refusal of States to accept federal funding and
191 expand Medicaid will hurt low-income families as well as
192 State economies.

193 So implementing the ACA is a huge undertaking. It
194 involves the coordination of a number of complicated
195 provisions. We can't expect everything to go perfectly but
196 we can support the Administration, the contractors, the
197 community partners and the States in their efforts so that
198 the American people can access health care as intended on
199 October 1st and receive the assistance they need to sign up
200 for health insurance. I just hope that my Republican
201 colleagues will realize this and stop trying to impede the
202 law and those working to implement it.

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203 I yield back, Mr. Chairman.

204 [The prepared statement of Mr. Pallone follows:]

205 ***** COMMITTEE INSERT *****

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|
206 Mr. {Pitts.} The chair thanks the gentleman and now
207 recognizes the vice chair of the subcommittee, Dr. Burgess, 5
208 minutes for opening statement.

209 Dr. {Burgess.} I thank the chairman for yielding, and
210 let me just say in reply to my friend from New Jersey that it
211 is the oversight function of this committee and its
212 subcommittees that really has been one of the cherished
213 functions in the Congress in the United States, and certainly
214 under both Democratic and Republican committee leadership,
215 the oversight function is one that other Members of Congress
216 look to. They look to the oversight function of this
217 committee. So now we are in a new situations where self-
218 attestation is going to be the launch word for people who
219 show up and sign up for benefits. Why we wouldn't have
220 questions about the vast sums of money that have been pushed
221 out the door relatively hostility to these navigator groups?
222 Why wouldn't we have questions as to their credentials, as to
223 their ability to provide what they've been required to
224 provide, and why wouldn't we have questions that other
225 Members of Congress would like answered as well. So really,

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226 it is the function of this committee to provide that
227 oversight function, and I for one, Mr. Chairman, am grateful
228 that those letters did go out, and certainly in support of
229 the fact that we are trying to simply get the information
230 that the Administration for whatever reason does not want to
231 give to the Congress.

232 Mr. {Pallone.} Would the gentleman yield?

233 Dr. {Burgess.} No, I will not. I have got some things
234 to say. If I have time at the end, you may be welcome to it.

235 We have 3 weeks, 3 short weeks, 21 days, ready or not,
236 October 1st, the health exchanges including the Federally
237 Facilitated Marketplaces run by the Obama Administration will
238 open while the White House, Treasury and Health and Human
239 Services continue to report that everything will be ready,
240 everything is fine. We have only seen missed deadlines,
241 delays and really an overall lack of information.

242 The most significant function for the operation of the
243 exchanges as it turns out is not in the hands of the
244 Administration but has been outsourced. It has been
245 contracted to organizations, and many of those witnesses are
246 before us today and we appreciate your participation. The

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247 federal hub will be the centerpiece of the exchanges,
248 coordinating data from other five federal agencies, millions
249 of individuals, hundreds of insurance carriers and in all 50
250 States. Not surprisingly, the complexity involving
251 coordinating the exchange has led several States, notably
252 Oregon and California, to indicate that they will likely need
253 to delay access to their online marketplaces. States have
254 begun making contingency plans but the Administration
255 continues the same refrain: we will be ready.

256 Instead of communicating with Congress, the
257 Administration has decided just to open the door to
258 eligibility errors and fraud and inappropriate payments by
259 removing verification requirements and allowing consumers to
260 simply use self-attestation. Because the agency is silent,
261 because Health and Human Services will not speak on this, we
262 must go to the source--the contractors who have to live in a
263 world. Your world is comprised of contingencies and
264 possibilities, deadlines and an ever-shifting environment.
265 You know you deal with contingencies all the time.

266 The President's health care law continues to create more
267 chaos, more uncertainty for Americans. Since the

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268 Administration won't admit the enormity and complexity of the
269 task they have undertaken, we have our witnesses today, and I
270 hope that we will hear from them, from these people who are
271 actually preparing the systems will be able to tell us the
272 real status of the implementation of the Affordable Care Act.

273 Let me then yield to the chairman of the Oversight
274 Subcommittee, Mr. Murphy.

275 [The prepared statement of Dr. Burgess follows:]

276 ***** COMMITTEE INSERT *****

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277 |
277 Mr. {Murphy.} Thank you very much, Doctor.

278 You know, it is kind of a preposterous thing the
279 gentleman from New Jersey says, as if the Oversight and
280 Investigations Committee has no business having oversight and
281 investigation.

282 When we had multiple hearings, we heard from people from
283 the Administration that everything was fine for business
284 rollout, only to say well, it wasn't ready and they had to
285 slip in little unknown statements they were going to delay it
286 for a year. They said the exchanges actually were supposed
287 to start their training August 1. They didn't even start
288 hiring until lately. Also, we saw the Administration had to
289 waive some of the rules for caps on copayments and
290 deductible. Labor has to take out full-page expensive ads to
291 get the attention of CMS, who wasn't talking to them.
292 Treasury came before us and said they haven't heard any
293 concerns from individuals. And by law and by design, the way
294 the bill was written, the navigators have to be people who
295 are inexperienced with selling insurance by law.

296 So we have every right to ask questions on behalf of the

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297 American people. That is what oversight is supposed to do.
298 Quite frankly, I am puzzled by people who are trying to say
299 that we are trying to delay this. No, I think the delays
300 have been there because the Administration, even though they
301 have had a few years to do this, simply is not ready to bring
302 this forward upon the American people. So we will continue
303 to ask questions about how this program is going. If
304 everything is fine, people will have nothing to be afraid of,
305 but quite frankly, I think we have a lot to be afraid of, and
306 that is why things aren't fine. Thank you.

307 [The prepared statement of Mr. Murphy follows:]

308 ***** COMMITTEE INSERT *****

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|
309 Mr. {Pitts.} The chair thanks the gentleman and now
310 recognizes the ranking member of the full committee, Mr.
311 Waxman, 5 minutes for an opening statement.

312 Mr. {Waxman.} Thank you, Mr. Chairman.

313 It is an interesting example today of the Republicans
314 ignoring their own oversight findings. They started this
315 investigation in August. They did interviews. They got
316 documents. They learned that the contractors were doing
317 everything right and they were on target to meet the
318 deadlines. Rather than talk about that, they are attacking
319 the law which they have attacked from the very beginning.
320 They want to portray health reform as an impossibly complex,
321 inevitably doomed enterprise, and that is what we are hearing
322 again today.

323 We have four private-sector contractors who are actually
324 in the trenches with the Administration implementing this
325 law. Today's witnesses are not political. They will tell
326 us that the Administration is making steady, step-by-step
327 progress. Their testimony will deflate the overheated
328 Republican rhetoric of a coming health care apocalypse.

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329 Last month, the committee launched an extensive
330 investigation into these contractors. They peppered them
331 with questions and they scoured the documents for signs of
332 impropriety. What they found can be summarized in one word:
333 nothing. The facts don't measure up to their doom-and-gloom
334 talk. That is why they have said virtually nothing about
335 their own investigation.

336 To fill this void, the Democratic staff is releasing a
337 supplemental memo outlining what we learned from the
338 oversight investigation. The key findings are as follows.
339 One, the contractors and CMS have numerous systems in place
340 to secure the privacy of consumer information; two, the
341 contractors are on track to complete their remaining tasks by
342 October 1; three, CMS's management of the program is sound;
343 and four, these contractors are creating thousands of jobs
344 throughout the country.

345 In my view, the timing of the committee's investigation
346 is under suspicion. Burdensome demands came during the most
347 critical phase of these contractors' work. The committee is
348 taking the same approach in its investigation of the health
349 care navigators. But having launched the investigation and

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350 received extensive responses, we should not ignore what we
351 have learned. That is why I ask unanimous consent that this
352 memorandum that I referred to be made part of the record.

353 Mr. {Pitts.} Without objection, so ordered.

354 [The information follows:]

355 ***** COMMITTEE INSERT *****

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|
356 Mr. {Waxman.} I want to make just a couple of points
357 before I yield. Inevitably, there will be some glitches and
358 hiccups in implementation of this law, and I expect every
359 time they find any hiccup, the Republicans here in Washington
360 will make a hue and cry about it. I believe we should keep
361 our eyes on the bigger picture: problems that arise will be
362 fixed, and we are on a steady path to offering every American
363 quality, affordable health coverage and making our health
364 care system more sensible, efficient and fair.

365 It is also important to remember that most of the
366 implementation problems are likely to come from Republican
367 State leaders who are openly obstructing the goals of the
368 law. Antoinette Kraus of Pennsylvania Health Action has
369 firsthand knowledge of what this senseless intransigence
370 means to the hardworking Americans caught in the middle.

371 I am now going to yield 2 minutes to my colleague and
372 friend, Mr. Butterfield.

373 [The prepared statement of Mr. Waxman follows:]

374 ***** COMMITTEE INSERT *****

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|
375 Mr. {Butterfield.} Thank you very much, Mr. Waxman, for
376 yielding time. Mr. Waxman, I want to associate myself
377 completely with your statement and that of Mr. Pallone.

378 Mr. Chairman, I am absolutely outraged that the chairmen
379 of the full committee and Subcommittees on Health and
380 Oversight as well as other Republican members of this
381 committee sent a 3-page investigatory letter to 51 grant
382 recipients demanding that they answer questions giving them
383 only 2 weeks to provide detailed descriptions of the
384 anticipated scope of wrong, among other very specific
385 questions, to provide all documentation and communications
386 related to their grant. My question to my staff and to you,
387 my friends: how can 15 members of this committee simply get
388 together and send a letter without committee action? Wasn't
389 the vast majority of the information being sought by Chairmen
390 Upton and Pitts and Murphy included in the navigator's
391 application to CMS?

392 These grant recipients only received word they were
393 selected to receive the grant on August 15th. Might I remind
394 my colleagues that the marketplace goes live on October 1st,

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395 less than one month away? The majority is forcing these
396 recipients away from their important work of getting ready on
397 October 1st and diverting their limited resources to
398 entertain its fishing expedition. Yes, that is what I am
399 calling it, a fishing expedition, that will surely come back
400 empty-handed. There is no evidence of any kind that any
401 navigator grantees have misappropriated or misused grant
402 funds in any way whatsoever. This is a gross misuse of the
403 company's investigative authority and just another way this
404 majority is attempting to derail the Affordable Care Act.

405 I am outraged by your actions. I want you to tell me
406 when these letters came back what you have discovered. I
407 believe you will come back empty-handed.

408 Thank you. I yield back to Mr. Waxman.

409 [The prepared statement of Mr. Butterfield follows:]

410 ***** COMMITTEE INSERT *****

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|

411 Mr. {Waxman.} I yield back my time.

412 Mr. {Pitts.} The chair thanks the gentleman.

413 That concludes the--

414 Mr. {Butterfield.} May I ask unanimous consent to

415 include in the record a copy of Mr. Waxman's letter dated

416 August 30th? Mr. Waxman's letter to Mr. Upton dated August

417 30th, may I include this in the record?

418 Mr. {Pitts.} Without objection, so ordered.

419 Mr. {Butterfield.} Thank you, Mr. Chairman.

420 [The information follows:]

421 ***** COMMITTEE INSERT *****

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|
422 Mr. {Pitts.} All right. We have one panel, seven
423 witnesses today. First, we have Mr. Brett Graham, Partner
424 and Director of Exchange Programs, Leavitt Partners. We have
425 Ms. Antoinette Kraus, Director of Pennsylvania Health Access
426 Network; Mr. Edward Lenz, Senior Counsel, American Staffing
427 Association, testifying on behalf of the Employers for
428 Flexibility in Health Care Coalition; Ms. Cheryl Campbell,
429 Senior Vice President of CGI Federal; Mr. John Lau, Program
430 Director of Serco; Ms. Lynn Spellecy, Corporate Counsel,
431 Equifax Workforce Solutions; and Mr. Michael Finkel,
432 Executive Vice President of Program Delivery, QSSI.

433 Thank you for coming today. You have 5 minutes to
434 summary your testimony. Your written testimony will be
435 placed in the record.

436 At this point I will recognize Mr. Graham for 5 minutes
437 for his summary.

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|
438 ^STATEMENTS OF BRETT GRAHAM, MANAGING PARTNER, LEAVITT
439 PARTNERS; ANTOINETTE KRAUS, DIRECTOR, PENNSYLVANIA HEALTH
440 ACCESS NETWORK; EDWARD LENZ, SENIOR COUNSEL, AMERICAN
441 STAFFING ASSOCIATION, TESTIFYING ON BEHALF OF THE EMPLOYERS
442 FOR FLEXIBILITY IN HEALTH CARE COALITION; CHERYL CAMPBELL,
443 SENIOR VICE PRESIDENT, CGI FEDERAL; JOHN LAU, PROGRAM
444 DIRECTOR, SERCO; LYNN SPELLECY, CORPORATE COUNSEL, EQUIFAX
445 WORKFORCE SOLUTIONS; AND MICHAEL FINKEL, EXECUTIVE VICE
446 PRESIDENT OF PROGRAM DELIVERY, QSSI

|
447 ^STATEMENT OF BRETT GRAHAM

448 } Mr. {Graham.} Good morning, Chairman Pitts, members of
449 the subcommittee. Thank you for the opportunity to testify
450 today about the ACA as well as State readiness around State
451 health insurance exchanges. I am the Managing Director of
452 Leavitt Partners Center for Health Care Intelligence around
453 health insurance exchanges. We advise clients on the health
454 insurance exchange landscape. Several of my colleagues have
455 been very involved in both the design and development of

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456 insurance exchanges both in the private sector as well as
457 publicly. Leavitt Partners has also been very involved in
458 advising clients on implementation and being ready for that
459 implementation.

460 First, let me say that it has been very impressive all
461 the work that States have done to be ready for the open
462 enrollment season, which is just 3 weeks away. What they
463 have done has been impressive. That being said, today where
464 we stand, there is not a single State that is completely
465 ready for open enrollment 3 weeks away. In an ideal world,
466 States would be well into their outreach and education
467 campaigns with all of the exchange operations and
468 functionality fully tested and completed. In the current
469 situation, however, uncertainty and doubt still surrounds how
470 functional these systems will be on October 1st.

471 The bottom line is that while Leavitt Partners believes
472 that a very baseline functionality of State-based exchanges
473 will be up and running on October 1st, it can be expected
474 that most, if not all, exchanges will experience a rocky
475 enrollment period as they work to overcome both known and
476 unanticipated challenges that arise. Today I would like to

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477 focus on four critical challenges that States are facing as
478 they work towards implementation in the short term.

479 The first challenge States are facing is the complexity
480 of an exchange's architecture itself. The establishment of
481 these health insurance exchanges is one of the most
482 aggressive and complex IT projects the federal government has
483 ever undertaken, certainly in the health care space.
484 Coupling the complexity of these challenges with the
485 informational delays has clearly strained States' capacity to
486 complete their exchanges both on time and as originally
487 scoped. In fact, as States are making final preparations for
488 open enrollment, many have had to de-scope the capabilities
489 they planned in order to be up and running on October 1st.
490 While this is the right thing to do from a management
491 perspective, it will certainly have an impact on consumers as
492 they go to the exchanges.

493 The second challenge that is facing States is data
494 verification and integration with the Federal Data Services
495 Hub. Our surveillance of the exchange landscape shows that
496 while some States have completed testing, others are working
497 through the final testing phases despite still being in the

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498 building stage of development. This is problematic. Several
499 States have expressed to us concern about using the Federal
500 Data Services hub and where possible are planning to use
501 their own data resources for verification.

502 The third challenge is privacy and security. In
503 addition to integration challenges, there are also serious
504 concerns regarding security of the hub's data. The Office of
505 the Inspector General recently stated that any additional
506 delays in completing the security authorization package would
507 result in an incomplete assessment of system risks and needed
508 security controls.

509 The fourth challenge should not be underestimated. It
510 is achieving optimal enrollment. Because of the compressed
511 timeline, States have not been able to devote the necessary
512 resources to outreach and education. Tens of thousands of
513 consumers, if not hundreds of thousands of consumers, will
514 come to these exchanges with little or no prior exposure to
515 health insurance coverage. They will need comprehensive
516 assistance to be able to make these very important decisions.
517 A lack of information and a high potential for misinformation
518 will increase the likelihood for error, increase the

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519 possibility consumers will select suboptimal products and
520 possibly result in a delayed enrollment.

521 In conclusion, Mr. Chairman, let me restate that
522 although Leavitt Partners believes that baseline
523 functionality of State-based exchanges will be up and running
524 in 3 weeks, it can be expected that due to the challenges
525 associated with, number one, the complexity of the IT
526 exchange infrastructure and architecture, number two, the
527 Federal Data Services Hub, three, privacy and security, and
528 finally, four, the necessary arrangements and outreach
529 associated with achieving optimal enrollment. Very few
530 States will have a comprehensive working exchange on October
531 1st. This will result in a rocky enrollment period. Thank
532 you.

533 [The prepared statement of Mr. Graham follows:]

534 ***** INSERT 1 *****

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|
535 Mr. {Pitts.} The chair thanks the gentleman and
536 recognizes Ms. Kraus 5 minutes for an opening statement.

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|

537 ^STATEMENT OF ANTOINETTE KRAUS

538 } Ms. {Kraus.} Mr. Chairman and members of the committee,
539 thank you for the opportunity to speak on the implementation
540 of the Affordable Care Act in Pennsylvania.

541 I am the Director of the Pennsylvania Health Access
542 Network. We are a statewide coalition representing over 60
543 organizations and 1 million Pennsylvanian consumers. Some of
544 our partners include local health centers, physician groups,
545 churches, retiree associations and community groups. Our
546 mission is to make sure every Pennsylvanian has access to
547 quality, affordable health care. In my work, I meet people
548 from all walks of life: working moms and dads, retirees,
549 young adults, laid-off workers and small business owners.
550 They come from different backgrounds and live in different
551 places, but their fears and anxieties over health care are
552 the same: How do I find coverage? Can I afford to keep it?
553 What do I do now that I have been denied because of a
554 preexisting condition? Thankfully, we have the opportunity
555 to address these fears and relieve the anxiety that so many

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556 of our neighbors, and your constituents, live with daily. We
557 can do that by moving forward to fully implement the
558 Affordable Care Act in Pennsylvania.

559 We can often get caught up in talking about the
560 mechanics of implementing this law, but we should never lose
561 sight of what this means for working families. Already in
562 Pennsylvania, the Affordable Care Act has brought 177,000
563 children with preexisting conditions freedom from no longer
564 being denied coverage; a boost for the bottom line of 160,000
565 small businesses, who are eligible for tax credits; stability
566 for 91,000 young adults who have been able to stay covered on
567 their parents' insurance; and soon in just 21 days, all
568 Pennsylvanians will enjoy the freedom and feel the security
569 that comes from knowing that affordable health care is within
570 reach no matter where you work, how much you earn or if you
571 have been sick in the past.

572 I want to tell you about two of these folks. Karen and
573 Gary Capanello, they live in Waterford, which is a small town
574 in Erie County. Karen and Gary own their own small business,
575 a commercial cleaning company. For the last 2 years, Karen
576 and Gary have been uninsured. The couple makes too much to

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577 qualify for Medicaid but nowhere near enough to afford the
578 prices charged to people with preexisting conditions. Gary
579 has heart problems and Karen has a torn tendon in her foot.
580 Karen worries every day about Gary and all the things he is
581 forced to put off. She is scared that if the couple
582 continues to delay treatment, they might not be around to see
583 their youngest son Tony graduate from high school. That is a
584 fear no mom should have, especially one who works as hard as
585 Karen. Thankfully, Karen and Gary won't have to live with
586 fear much longer. On October 1st, they will be able to start
587 looking for coverage in the Health Insurance Marketplace.
588 They will choose from the same plans as all of you. They
589 will have quality options that will cover the services Karen
590 needs to fix her foot and the preventative care Gary needs to
591 keep his heart healthy.

592 We are less than a month away from the day the door
593 opens to 1.2 million Pennsylvanians who are sitting where
594 Karen and Gary are today on the outside of our health care
595 system looking it, hoping, praying, waiting to get in and to
596 get the care they need. The Affordable Care Act opened that
597 door. Political posturing, partisanship and delays threaten

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598 to keep it slammed shut.

599 Unfortunately, in Pennsylvania, we have seen our
600 Governor, Tom Corbett, work to block 1.2 million uninsured
601 Pennsylvanians from feeling the full benefit of the
602 Affordable Care Act. While the new law gave each State the
603 flexibility and tools to create a marketplace that fosters
604 real competition, offers family and small businesses the best
605 quality choices and ensures rates are reasonable,
606 Pennsylvania, like several other States, chose to reject this
607 opportunity and relinquish its responsibilities to the
608 federal government. Instead of working in the best interest
609 of our Commonwealth, Pennsylvania officials have been slow to
610 implement the Affordable Care Act, delaying and defaulting on
611 key provisions of the law.

612 I want to be very clear about what it is at stake for
613 Pennsylvania and its decision over Medicaid expansion. The
614 choice Governor Corbett and State House leaders make will
615 determine whether or not our Commonwealth brings in \$43
616 billion in new federal funding over the next decade, whether
617 or not we create up to 40,000 family-sustaining jobs, whether
618 we continue to burden taxpayers with \$1 billion in

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619 uncompensated care, and whether or not we leave 400,000
620 Pennsylvanians shut out from getting affordable coverage.
621 Too many hardworking Pennsylvanians are forced to gamble
622 every day with their lives and their likelihoods. They are
623 counting down the days until they can sign up for coverage in
624 the marketplace and they are praying that Governor Corbett
625 will move forward with Medicaid expansion. They are looking
626 forward to secure coverage no matter what the economic
627 situation is.

628 There is a fundamental opportunity in the Affordable
629 Care Act: the chance to make our future secure, the chance
630 for us and working families and small business owners to be
631 in control. We know there will be bumps along the way as
632 there always are with any new major piece of legislation.
633 Medicare and Social Security didn't enjoy a perfect rollout.
634 There were challenges, tweaks and changes along the way but
635 we worked together to make those laws work for the American
636 people. That is what we need to do today.

637 The Affordable Care Act has already made the lives of
638 millions of Pennsylvanians better, and if we get out of the
639 way and let it work, this will open the door to stable,

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640 quality, affordable health care for 1.2 million of our
641 uninsured neighbors. Too many lives and too many likelihoods
642 are on the line to keep that door shut.

643 Thank you for allowing me today, and I look forward to
644 your questions.

645 [The prepared statement of Ms. Kraus follows:]

646 ***** INSERT 2 *****

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|
647 Mr. {Pitts.} The chair thanks the gentlelady and now
648 recognizes Mr. Lenz 5 minutes for your opening statement.

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|
649 ^STATEMENT OF EDWARD A. LENZ

650 } Mr. {Lenz.} Good morning, Mr. Chairman and members of
651 the subcommittee. I am Senior Counsel of the American
652 Staffing Association, which is a founding member of the
653 Employers for Flexibility in Health Care Coalition, which is
654 called E-FLEX, and I am appearing today on behalf of the
655 coalition.

656 E-FLEX represents leading trade associations and
657 businesses in the retail, restaurant, hospitality,
658 construction, temporary staffing, supermarket and other
659 service-related industries. It also represents employer-
660 sponsored health plans that insure millions of American
661 workers. The coalition strongly supports employer-sponsored
662 coverage, and we have been working to ensure that it remains
663 a vibrant and competitive option under the ACA. Our members
664 employ a major portion of the U.S. workforce each year,
665 upwards of 30 million people. We offer flexible work
666 opportunities, and the jobs we create are leading the jobs
667 recovery.

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668 But the high turnover rates and the fluctuating work
669 schedules of our employees pose unique challenges in offering
670 ACA-compliant health coverage, and we have been working with
671 the Administration to address those challenges in a way that
672 does not impose unnecessary operational complexity that could
673 disrupt our workforces or the labor markets. To that end,
674 proposed regulations issued earlier in the year would a look-
675 back measurement period to determine the full-time status of
676 so-called variable-hour employees for purposes of offering
677 coverage, but offering coverage is only part of the equation.

678 Many other issues affecting employers, which are
679 integrally related to the employer mandate and the offer of
680 coverage, have not been resolved, for example, the processes
681 for determining employee eligibility for premium tax
682 assistance and the employer reporting requirements, and for
683 that reason, E-FLEX members supported the Administration's 1-
684 year delay in enforcement of the employer mandate.

685 As you know, the Administration issued proposed employer
686 reporting rules just last week. We have not fully evaluated
687 the proposal but our initial reaction is that they do not
688 take the holistic approach that we have been urging that

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689 takes into account all of the processes affecting employers'
690 coverage obligations, especially the process for determining
691 eligibility for subsidies and the interaction between
692 employers, health insurance exchanges and the multiple
693 federal agencies involved in making those determinations.
694 Given that our members' software and other systems must be in
695 place by January 1st of this coming year to start tracking
696 employees' hours in order to get ready for 2015, the absence
697 of final reporting rules creates major uncertainty for
698 employers as they head into the coming year.

699 I would like to touch briefly on three other major
700 issues of concern to E-FLEX. First is the definition of
701 full-time employee under the ACA. Full-time, as you know, is
702 defined as 30 hours per week. It is below what most
703 employers consider to be full time, and unfortunately, it is
704 creating perverse economic incentives to reduce employee
705 hours. We think that increasing hours to 35 or 40 would
706 benefit employees by increasing their take-home pay, allowing
707 employers to offer better coverage, allowing for more
708 flexible employee work schedules, and interestingly, also
709 because of how the Medicaid and ACA tax credit eligibility

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710 rules work, increasing the hours would actually allow more
711 lower-income employees to be eligible for those benefits.

712 The 30-hour definition is already having an adverse
713 impact in the market. We see that. And once those changes
714 occur, employees won't be able to recapture the lost wages,
715 the flexible hours or the better benefits that they might
716 otherwise have had. So we strongly encourage Congress to act
717 now to bring the definition of full-time employee more in
718 line with current workforce practices.

719 Another key issue is the definition of large employer.
720 The ACA defines a large employer as one having 50 or more
721 full-time employees including full-time-equivalent employees.
722 Full-time equivalence, the inclusion of full-time
723 equivalence, greatly expands the scope of the law to cover
724 many smaller businesses, and our concern is that this will
725 stifle their ability to manage their workforces and in some
726 cases may even discourage them from expanding their
727 businesses or offering health coverage.

728 Finally, we remain concerned about the law's requirement
729 that large employers enroll full-time employees into coverage
730 automatically if an employee does not make an election. We

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731 think it is inappropriate to enroll employees in coverage
732 they didn't select and may not want or need. It would impose
733 a major administrative employer on employers and would result
734 in unexpected and certainly undesired payroll deductions for
735 many employees.

736 We greatly appreciate the opportunity to present the
737 views of E-FLEX and we look forward to continuing to work
738 with you and the Administration to resolve the many
739 outstanding issues that remain to be addressed. Thank you.

740 [The prepared statement of Mr. Lenz follows:]

741 ***** INSERT 3 *****

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|
742 Mr. {Pitts.} The chair thanks the gentleman and now
743 recognizes Ms. Campbell 5 minutes for an opening statement.

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|
744 ^STATEMENT OF CHERYL CAMPBELL

745 } Ms. {Campbell.} Good morning, Chairman Pitts,
746 Congressman Pallone, members of the committee. Thank you
747 very much for the opportunity to appear before you today. My
748 name is Cheryl Campbell. I am the Senior Vice President at
749 CGI Federal, a company that has provided information
750 technology services to the federal government for more than
751 36 years. In my role, I lead CGI Federal's Health and
752 Compliance Business Unit. I am responsible for all projects
753 at the Department of Health and Human Services and several
754 other federal agencies. It is my pleasure to appear today to
755 discuss CGI Federal's role as the contractor designing and
756 developing the IT application known as the Federally
757 Facilitated Marketplace, which I will call the marketplace.
758 This application is one of several components being developed
759 that will allow citizens, health insurance issuers, CMS and
760 many States to participate in the marketplace for health
761 insurance mandated by the Patient Protection and Affordable
762 Care Act.

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763 CMS conducted a competitive procurement, and on
764 September 30, 2011, selected CGI Federal to design and
765 develop the marketplace consistent with requirements
766 established by CMS. At the time of contract award, most of
767 these requirements were not fully defined. For that reason,
768 the contract was issued as a cost reimbursement-type
769 contract, and the project's original scope was defined
770 broadly. During the course of performance, CMS has modified
771 the contract on several occasions generally in response to
772 more detailed requirements.

773 CGI Federal's scope of work includes the following three
774 work streams: architecting and developing a marketplace that
775 may be used by any State that opts out of building and
776 operating its own; second, designing an IT solution that is
777 adaptable and modular to accommodate the implementation of
778 additional functional requirements and services; and third,
779 participating in a collaborative environment and relationship
780 in support of coordination between CMS and its primary
781 partners.

782 When open enrollment begins on October 1, 2013, the
783 marketplace will have three key functions to assist citizens

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784 in comparing, selecting and enrolling in qualified health
785 plans. First, eligibility and enrollment, which serves as
786 the front door for consumers to determine eligibility for and
787 enroll in a qualified plan; second, plan management which
788 serves as the entry point for health insurers to submit their
789 plans for CMS certification as qualified health plans; and
790 third, financial management, which allows CMS to manage
791 financial transactions with issuers.

792 The IT solution developed by CGI Federal has been
793 structured to support CMS as it provides pre-implementation
794 models to the States. The Federally Facilitated Marketplace,
795 the State Partnership Marketplace and the State-Based
796 Marketplace. To date, the marketplace implementation has
797 achieved all of its key milestones from the initial
798 architecture review in October 2011 to project baseline
799 review in March 2012, and most recently, the operational
800 readiness review in September 2013. Additionally, in April
801 2013, health insurers began submitting their plans to the
802 system for review by CMS. Starting in August 2013, consumers
803 were able to go into the system and register their counts.
804 At this time, CGI Federal is confident that it will deliver

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805 the functionality that CMS has directed to enable qualified
806 individuals to begin enrolling in coverage when the initial
807 enrollment period begins in October 1, 2013.

808 Moving forward, CGI Federal is confident in its ability
809 to deliver successfully on its contract and remains committed
810 to the success of the marketplace as a mechanism for
811 providing health insurance coverage by the statutory deadline
812 of January 1, 2014.

813 I appreciate the opportunity to appear before you today
814 and would be pleased to answer any questions that you may
815 have. Thank you.

816 [The prepared statement of Ms. Campbell follows:]

817 ***** INSERT 4 *****

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|
818 Mr. {Pitts.} The chair thanks the gentlelady and now
819 recognizes Mr. Lau 5 minutes for an opening statement.

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|
820 ^STATEMENT OF JOHN LAU

821 } Mr. {Lau.} Good morning, Mr. Chairman, Congressman
822 Pallone, other members of the subcommittee. My name is John
823 Lau. I represent Serco Inc., and I am the Program Director
824 for CMS contract. Thank you for the opportunity to appear
825 today to discuss Serco's role in this program. For the next
826 several minutes, I will provide you with an overview of
827 Serco, my background, the contract we have been awarded, and
828 the status of our work to date.

829 Serco is a U.S. company based in Reston, Virginia, and
830 we employ over 8,000 Americans across 45 States. We provide
831 professional, technology and management services, primarily
832 to the U.S. government and our customers include every branch
833 of the U.S. military, numerous federal civilian agencies, and
834 the intelligence community. We are a wholly owned subsidiary
835 of Serco Group PLC headquartered in the U.K. However, Serco
836 Inc. maintains a separate board of directors and separate
837 management under the terms of a special security agreement
838 with the Department of Defense.

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839 Serco has decades of award-winning experience in
840 government-related records management and processing support
841 programs. Examples of this experience include processing
842 large volumes of visa applications for the Department of
843 State, patent application processing and classification for
844 the U.S. Commerce's Patent and Trademark Office, records
845 management and application and petition processing for the
846 Department of Homeland Security, and records management
847 services at the U.S. Citizenship and Immigration Services
848 National Benefits Center. Personally, I have over 30 years
849 of experience specializing in implementation and management
850 of large Health and Human Services programs such as Medicaid
851 and other public assistance programs. I have been
852 responsible for overseeing eligibility and enrollment support
853 programs for up to 30 million citizens involving 50 million
854 or more transactions per year, and those experiences include
855 the California State Children's Health Insurance Program, the
856 Texas Eligibility Support System for Medicaid, Children's
857 Health Insurance Program, food stamps, and at the time,
858 Temporary Assistance for Needy Families. This experience
859 gives me the confidence to say that our team is dedicated and

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860 equipped to deliver on our contractual commitments.

861 Under the CMS contract, which was awarded to us on July
862 1, we will provide support services in the determination of
863 eligibility for the Federally Facilitated Marketplace and the
864 State-Based Marketplace for the eligibility support tasks
865 under the Affordable Care Act. The contract tasks include
866 intake, routing, review, troubleshooting of applications
867 submitted for enrollment into a qualified health plan, and
868 for insurance affordable programs including but not limited
869 to advanced payment of premium tax credits, cost-sharing
870 reductions, Medicaid Children's Health Insurance Program, and
871 the Basic Health Program were applicable beginning on October
872 1, 2013. It includes 10 base tasks and potentially three
873 optional tasks, and in my written testimony, I have a lot
874 more detail on those tasks, which I think it is best in the
875 interest of time to review there.

876 The funded base year of the contract totals \$114
877 million, and our role is to support a process that is as
878 efficient, accurate and protective of personal privacy as is
879 technologically possible. I will just in full disclosure,
880 there are two pending modifications to our contract, which

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881 may change some of the scope that we currently have.
882 However, we are prepared to manage the estimated 6.2 million
883 paper applications representing about 30 percent of the total
884 applications projected to be received between October 1st and
885 March 31, 2014. We don't do recruitment of Americans to
886 submit applications nor are we involved in eligibility or
887 enrollment decisions.

888 We are on schedule to deliver all requirements for our
889 contract, and I look forward and am happy to answer any
890 questions you might have.

891 [The prepared statement of Mr. Lau follows:]

892 ***** INSERT 5 *****

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|
893 Mr. {Pitts.} The chair thanks the gentleman and now
894 recognizes Ms. Spellecy 5 minutes for an opening statement.

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|
895 ^STATEMENT OF LYNN SPELLECY

896 } Ms. {Spellecy.} Good morning, Chairman Pitts,
897 Congressman Pallone and distinguished member of the
898 subcommittee. My name is Lynn Spellecy, and I serve as
899 Senior Director and Corporate Counsel for Equifax Workforce
900 Solutions. In that role, I am the primary attorney
901 responsible for the day-to-day legal operations of the
902 business unit, and I provide guidance, advice and legal
903 support. I appreciate the opportunity today to provide
904 information related to the income verification services that
905 Equifax Workforce Solutions will be providing to CMS to
906 assist them in their benefit eligibility determination
907 requirements under the Affordable Care Act.

908 Equifax Workforce Solutions is a wholly owned subsidiary
909 of Equifax Incorporated. Workforce Solutions provides
910 employers with various human resources-related services. We
911 serve employer clients by providing services like
912 unemployment claims management, W-2 processing, I-9
913 management and similar other functions.

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914 One of the largest parts of our business is providing
915 income verification on behalf of employers. Workforce
916 Solutions responds to requests for employment and income
917 information on behalf of our employer clients so that the
918 employers do not have to devote resources to answering the
919 phone and dealing with these requests, which typically come
920 from lenders, social services agencies and any other entity
921 that has the need to verify a consumer's employment or income
922 information.

923 In order to provide this service for our employer
924 clients, our clients send us a data feed every time they
925 process their payroll so every couple of weeks usually. This
926 feed contains information regarding their employees' salary
927 information and employment history. We take that information
928 and store it in a database that we call The Work Number. We
929 then accept requests from verifier clients--the lenders,
930 social services agencies and others mentioned previously--and
931 provide consumer employment and income information in
932 response to those verifier requests. The Work Number is a
933 consumer recording database that is regulated by the Consumer
934 Financial Protection Bureau and is subject to the Federal

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935 Fair Credit Reporting Act. Therefore, we credential all of
936 our verifier clients to be sure that the entity making the
937 request is entitled to receive the information that they are
938 requesting. Subject to federal laws, we make sure that the
939 verifier client has a permissible purpose to access the data,
940 and we require that the verifier obtain consumer consent
941 before we release income information.

942 By providing automated access to employment and income
943 information, we alleviate the need for employers to have
944 human resources staff verifying income when their employees
945 are seeking a loan, for example. On the verification side,
946 we can give verifiers the information so that they can
947 process loans more quickly and reliably. Similarly, the
948 process benefits consumers because consumers can obtain more
949 ready access to credit and to the services for which they
950 have applied without the delays caused by having to manually
951 obtain pay stubs and provide them to lenders and others.

952 Our contract with CMS is to provide the same services we
953 provide to thousands of other social services agencies and
954 lenders every day. In late November, CMS issued a request
955 for proposals to provide automated income and employment

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956 verification to the CMS hub in order to enable CMS to make
957 its determination of consumer eligibility for tax credits and
958 then programs like Medicaid and CHIP. We responded to that
959 RFP, and we were notified at the end of March of this year
960 that we had won the RFP. We entered into a contract with CMS
961 at the beginning of April. The contract is a 1-year contract
962 renewable for up to 5 years. We will be doing verification
963 similar to what we provide to other clients. CMS will
964 provide us with information from a consumer who has requested
965 qualification for Medicaid, CHIP or a tax subsidy or reduced
966 cost sharing. CMS will obtain the consumer's consent to have
967 their employment and income information verified. In
968 response to CMS's request, we will provide CMS with income
969 and employment information that we have stored in The Work
970 Number database. CMS will use that information to enable a
971 determination as to whether that individual is eligible for
972 CHIP, Medicaid and a tax subsidy or reduced cost sharing.

973 Equifax Workforce Solutions is prepared to provide
974 income verifications to CMS. We operate in a closely
975 regulated environment in accordance with federal law, and
976 consumers provide their written consent to CMS before we

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977 verify their income. The configuration between Equifax
978 Workforce Solutions and the CMS data hub has been tested, and
979 we stand by our commitment to maintain the highest standards
980 for information security and consumer data privacy.

981 Thank you for the opportunity to testify, and I welcome
982 your questions.

983 [The prepared statement of Ms. Spellecy follows:]

984 ***** INSERT 6 *****

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|
985 Mr. {Pitts.} The chair thanks the gentlelady and now
986 recognizes Mr. Finkel 5 minutes for his opening statement.

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|

987 ^STATEMENT OF MICHAEL FINKEL

988 } Mr. {Finkel.} Good morning, Chairman Pitts, Ranking
989 Member Pallone and members of the subcommittee. My name is
990 Michael Finkel, and I am the Executive Vice President for
991 Program Delivery at QSSI. My role is to ensure successful
992 project delivery and implementation. I have worked in the IT
993 field for 17 years, and manage the delivery of numerous
994 government programs.

995 QSSI is a leading systems integrator that designs and
996 builds custom IT systems, and we have been working with CMS
997 since 2006. Currently, QSSI is one of several contractors
998 developing systems at the direction of CMS that will support
999 Health Insurance Marketplaces, commonly known as exchanges.
1000 While we do various work with CMS in this area, today I will
1001 focus on QSSI's role in developing the Data Services Hub on
1002 behalf of CMS.

1003 Our job is to write the software code based on CMS
1004 approved specifications for the Data Services Hub. We expect
1005 the Data Services Hub will be ready for CMS to operate as

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1006 planned on October 1st. In simple terms, the Data Services
1007 Hub will transfer data. It will facilitate the process of
1008 verifying applicant information by routing queries and
1009 responses between given marketplaces and various data
1010 sources. The Data Services Hub itself will not determine
1011 consumer eligibility, it will not determine which health
1012 plans are available in the marketplace, and it will not
1013 handle personal medical records.

1014 Here is how it will work. A consumer will go to the
1015 Health Insurance Marketplace web portal to fill out
1016 enrollment forms and select health insurance plan. Certain
1017 information the consumer provides to the marketplace such as
1018 citizenship will have to be verified. The marketplace will
1019 direct a query to external information sources such as
1020 government databases. Those queries will be funneled through
1021 the Data Services Hub. Once the requested information is
1022 sent back, eligible consumers can then enroll in one of the
1023 available plans. The enrollment data, such as name, address
1024 and premium amount will be transferred through the Data
1025 Services Hub from the originating marketplace to the health
1026 plan chosen by the consumer.

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1027 It is important to keep in mind that CMS owns and will
1028 operate the hub. It is housed in the CMS secure cloud hosted
1029 at the Terremark Data Center. We are developing the hub
1030 within CMS's environment where it will remain.

1031 Let me address the status of this work. I can report
1032 that our delivery milestones for the Data Services Hub are
1033 being met on time. We have completed software coding for the
1034 Data Services Hub for all functionality required for October
1035 1st. We are continuing performance and integration testing.
1036 We have connected to the Data Services Hub to the databases
1037 at the key federal agencies that will be used for verifying
1038 information. We have connected the Data Services Hub to the
1039 system that will transfer data to and from health plan
1040 issuers. We expect that data services functionality planned
1041 for October 1st to be ready.

1042 Finally, let me turn to data security. As I said
1043 earlier, the Data Services Hub is located in the CMS secure
1044 cloud. CMS and its information security contractors will
1045 continually monitor the Data Services Hub. Government
1046 regulations require CMS to follow National Institute of
1047 Standards and Technology's security guidelines applicable to

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1048 the Data Services Hub. The design and development of the
1049 Data Services Hub complies with these standards.

1050 Additionally, the Data Services Hub has recently
1051 undergone an independent security risk assessment by CMS's
1052 security assessment contractor, the Mitre Corporation. Our
1053 understanding is that that assessment did not identify any
1054 issues that would prevent CMS from launching the Data
1055 Services Hub on October 1st. Once in production, CMS will
1056 enforce additional security controls to protect systems
1057 including controlling access and changes to the system. The
1058 Data Services Hub will continually be monitored by CMS and
1059 its information security contractors.

1060 Thank you for the opportunity to testify today. I will
1061 be happy to answer any questions you might have.

1062 [The prepared statement of Mr. Finkel follows:]

1063 ***** INSERT 7 *****

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|
1064 Mr. {Pitts.} The chair thanks the gentleman and thanks
1065 all the witnesses for your testimony, and we will now begin
1066 questioning and answering. I will begin the questioning, and
1067 recognize myself 5 minutes for that purpose.

1068 Mr. Graham, in your testimony, you included a chart, and
1069 we will put it up on the screen, which displays the sheer
1070 complexity of the exchange, enrollment and subsidy
1071 eligibility process, and I would like to walk through this
1072 chart to help our constituents as to what they will face
1073 interacting with the exchange and what happens to the data
1074 provided on the application.

1075 Mr. {Graham.} Sure.

1076 Mr. {Pitts.} I have a series of questions I would like
1077 to ask you. My constituents may apply for enrollment through
1078 a paper application. Is that correct?

1079 Mr. {Graham.} Yes.

1080 Mr. {Pitts.} She could also apply online. Is that
1081 correct?

1082 Mr. {Graham.} Correct.

1083 Mr. {Pitts.} It is also possible to apply by phone. Is

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1084 that correct?

1085 Mr. {Graham.} Correct.

1086 Mr. {Pitts.} A navigator or an in-person consumer could
1087 also be involved. Is that correct?

1088 Mr. {Graham.} That is correct.

1089 Mr. {Pitts.} And so the navigators and others will have
1090 access to personal information included on the application
1091 such as Social Security number, date of birth, address and
1092 household income. Is that correct?

1093 Mr. {Graham.} That is my understanding.

1094 Mr. {Pitts.} There would have to be a check on whether
1095 an individual is eligible for Medicaid, and the application
1096 information would then need to be transferred to the State.
1097 Is that correct?

1098 Mr. {Graham.} That is correct.

1099 Mr. {Pitts.} The Federal Data Services Hub will have to
1100 route information to several agencies as well. Is that
1101 correct?

1102 Mr. {Graham.} That is correct.

1103 Mr. {Pitts.} A check will occur with Homeland Security
1104 to verify residency as well. Is that correct?

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1105 Mr. {Graham.} That is correct.

1106 Mr. {Pitts.} The Social Security Administration will
1107 have to verify citizenship. Is that correct?

1108 Mr. {Graham.} Yes.

1109 Mr. {Pitts.} The IRS will also check prior year income.
1110 Is that right?

1111 Mr. {Graham.} Yes.

1112 Mr. {Pitts.} If household income doesn't match, CMS
1113 will check income verification with a private contractor. Is
1114 that correct?

1115 Mr. {Graham.} Yes.

1116 Mr. {Pitts.} If the private contractor does not have
1117 data on file, CMS claims they will conduct an audit to check
1118 for eligibility. Is that right?

1119 Mr. {Graham.} Yes.

1120 Mr. {Pitts.} Individuals with affordable employer-
1121 sponsored coverage are not eligible for a subsidy. There may
1122 have to be a phone call to an applicant's employer to verify
1123 this. Is that correct?

1124 Mr. {Graham.} There would be verification needed, yes.

1125 Mr. {Pitts.} The exchange interface will show approved

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1126 plan options upon the entering of application information.

1127 Is that correct?

1128 Mr. {Graham.} Correct.

1129 Mr. {Pitts.} Then the beneficiary premium will have to
1130 be calculated correctly after the household income and size
1131 is considered. Is that correct?

1132 Mr. {Graham.} Yes.

1133 Mr. {Pitts.} Paper documentation verifying information
1134 on the application may or may not be asked of the
1135 beneficiary. Is that correct?

1136 Mr. {Graham.} Correct.

1137 Mr. {Pitts.} Treasury will be responsible for making
1138 sure payment is then sent to the plan. Is that right?

1139 Mr. {Graham.} Correct.

1140 Mr. {Pitts.} Based on the application's information,
1141 cost-sharing subsidies will be calculated based on actuarial
1142 value and payments will then be sent to plans accordingly.
1143 Is that correct?

1144 Mr. {Graham.} Correct.

1145 Mr. {Pitts.} Overpayments and underpayments of
1146 subsidies will be dealt with during a reconciliation process,

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1147 both for the plan. Is that correct?

1148 Mr. {Graham.} Correct. There will be a reconciliation
1149 process afterwards.

1150 Mr. {Pitts.} Is there a similar reconciliation process
1151 for the beneficiary?

1152 Mr. {Graham.} The beneficiary? What do you mean by
1153 that?

1154 Mr. {Pitts.} The tax credits for the individual.

1155 Mr. {Graham.} So if an individual receives too many tax
1156 credits because they have reported incorrect or their income
1157 status changes throughout the year, there would be a
1158 reconciliation process.

1159 Mr. {Pitts.} And what happens if there is incorrect
1160 information?

1161 Mr. {Graham.} So it is projected that if an individual
1162 receives too much subsidy based upon either the information
1163 they submit or the change in income throughout the year, then
1164 they would owe the repayment of whatever additional subsidy
1165 they receive throughout the year.

1166 Mr. {Pitts.} Would that clawback come back from the
1167 insurance companies or from the individual's income?

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1168 Mr. {Graham.} It would come from the individual's
1169 income. They would owe it.

1170 Mr. {Pitts.} Well, now, I don't have much time left. I
1171 have just gone through 20 steps of the complexities
1172 associated with the ACA exchange enrollment. I am a little
1173 skeptical the system can actually function as advertised on
1174 October 1st, given the myriad of missed deadlines by the
1175 Administration, and I am afraid this Rube Goldberg experiment
1176 will not end well. Trillions of taxpayer dollars are at
1177 stake, and it is our duty to watch this closely as we
1178 approach open enrollment.

1179 I wish I could go further but my time is up, and I will
1180 yield to the ranking member 5 minutes for questions.

1181 Mr. {Pallone.} Mr. Chairman, because I didn't have time
1182 before, I just wanted to respond to this notion that on the
1183 Republican part that somehow this letter that was sent out to
1184 navigators including the Food Bank of Monmouth in Ocean
1185 County in my district was somehow an appropriate oversight
1186 function, which I don't think it is. First of all, you
1187 should understand, and I can use the Food Bank as an example,
1188 that they have just begun the process of trying to sign up

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1189 people who are uninsured that happen to come to the Food
1190 Bank, and normally when we have oversight functions, it is
1191 after the program has actually been implemented, not before
1192 it even begins. My concern is that this letter is solely
1193 designed to cause delay and to basically take resources away
1194 from the outreach effort of an organization like the Food
1195 Bank, and there has been no evidence that there has been any
1196 mishandling of these funds, particularly since most of the
1197 funds haven't even been used.

1198 So when I say that that oversight function is
1199 inappropriate, it is because it is not consistent with what
1200 we usually do in the committee. We don't usually start
1201 oversight and ask a myriad of questions before the program
1202 has even begun and before there is any indication that there
1203 is any kind of misuse of funds. So that is why I say
1204 strictly a delaying tactic and trying to intimidate these
1205 organizations such as the Food Bank from actually trying to
1206 sign up the uninsured.

1207 I wanted to ask two questions. We hear all this over-
1208 the-top criticism of the ACA and the implementation process
1209 from my Republican colleagues, and as a supplemental memo the

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1210 staff released today shows the contractors here today are
1211 working hard to do a good job. But I just wanted to down the
1212 line and ask the contractors whether they agree or disagree
1213 with my characterization, and I will start from the left.
1214 Granting that there may be hiccups and unanticipated issues,
1215 are you on track to deliver on your contract and have things
1216 up and running, or is this whole implementation effort doomed
1217 to failure? I know you have sort of answered this so maybe I
1218 will just ask yes or no whether you are on track to deliver
1219 and have things up and running or you think it is hopeful.
1220 If you could just answer quickly, I will run down the line
1221 starting with Mr. Graham.

1222 Mr. {Graham.} So Leavitt Partners is not--

1223 Mr. {Pallone.} You are not involved. Okay. Ms. Kraus?

1224 Ms. {Kraus.} We are not a contractor.

1225 Mr. {Pallone.} Okay. Then let us start with the
1226 contractors.

1227 Ms. {Campbell.} So I am the first one on the contractor
1228 side. The answer would be yes, we are prepared.

1229 Mr. {Pallone.} Okay.

1230 Mr. {Lau.} Yes, Serco is prepared.

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1231 Ms. {Spellecy.} Equifax Workforce Solutions is
1232 prepared.

1233 Mr. {Finkel.} QSSI is on schedule.

1234 Mr. {Pallone.} All right. Thank you so much.

1235 And this is the reality. It simply doesn't match up
1236 with my Republican colleagues' over-the-top rhetoric. Those
1237 working to implement this law are doing difficult but
1238 important work. Not everything is going to go perfectly but
1239 we have an obligation to work together to make this law work
1240 for the American people, and obviously those who are the
1241 contractors are not having a problem in terms of getting up
1242 and running.

1243 So I want to ask a second question of Ms. Kraus, if I
1244 could. My Republican colleagues seem intent on using this
1245 hearing to argue that the Affordable Care Act is not ready to
1246 be implemented. They are looking for the smallest missed
1247 deadline, using any indication of difficulty of this task to
1248 argue that implementation is failing, and I think again we
1249 need to put this in perspective. Whatever implementation
1250 hiccups or glitches we see from here, the negative effects
1251 will be nothing, in my opinion, compared to the harm

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1252 governors around this Nation are doing to their citizens by
1253 rejecting the ACA's Medicaid expansion. So Ms. Kraus, can
1254 you put this in perspective for us? What can you tell us
1255 about the very harm your State's decision not to expand
1256 Medicaid is going to have and how does that compare to, say,
1257 a week's delay in testing IT readiness?

1258 Ms. {Kraus.} Thank you. So just to put it in
1259 perspective, so on October 1st, there will be approximately
1260 400,000 Pennsylvanians that will not have access to health
1261 insurance. They will not be able to get tax credits on the
1262 exchange. They can't qualify for health insurance now. So
1263 they are going to continue to be forced to go to
1264 Pennsylvania's emergency rooms. Hospitals as part of the
1265 Affordable Care Act are facing cuts in uncompensated care,
1266 and in Pennsylvania, hospitals face about \$1 billion a year
1267 in uncompensated care costs, and they are still going to have
1268 to pay for that. In addition, you know, the economic
1269 benefits to Pennsylvania by accepting federal funding is
1270 huge. We are looking at, you know, \$3 billion a year in
1271 increased economic activity. Our own independent fiscal
1272 office, which is a nonpartisan group, looked at it. We are

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1273 looking at, you know, being able to create 40,000 jobs in
1274 Pennsylvania each year alone from Medicaid dollars and, you
1275 know, Pennsylvania taxpayers are going to continue to have to
1276 shoulder the costs of uncompensated care and paying for folks
1277 that end up in the emergency room. So as we look forward to
1278 October 1st, this is going to cause a big problem for 400,000
1279 Pennsylvanians.

1280 In terms of IT infrastructure, we have 1.2 million
1281 uninsured in Pennsylvania, about 1.1 million will qualify for
1282 the exchange, and Medicaid expansion, if we go down that
1283 road, these are folks that have been uninsured, you know, for
1284 a long time, have been shut out of the market because they
1285 have a preexisting condition, and these folks are just
1286 counting down the days until October 1st. Their survival
1287 counts on it. Right now they have to choose between, you
1288 know, feeding their family or figuring how to pay medical
1289 bills. We hear all the time from clients who, you know, have
1290 ended up in the emergency room. They don't have health
1291 insurance. They have huge bills. They don't know how they
1292 are going to pay them and they don't know where they are
1293 going to turn next. So on October 1st, they will be able to

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1294 start the process of making sure they have financial security
1295 and nothing like this happens.

1296 Dr. {Burgess.} [Presiding] Great. Let us wrap it up
1297 there. The gentleman's time is expired and now recognize
1298 myself for 5 minutes for questions.

1299 Mr. Lau, your contract was awarded on July 1st of this
1300 year. Is that correct?

1301 Mr. {Lau.} Yes, Congressman.

1302 Dr. {Burgess.} So on July 2nd, things changed, didn't
1303 they, as far as the employer mandate was concerned?

1304 Mr. {Lau.} Correct, yes.

1305 Dr. {Burgess.} So were you prepared for that
1306 contingency? Was this something that had been discussed as
1307 you were tendering that contract?

1308 Mr. {Lau.} Well, at that stage, we were prepared
1309 because we hadn't--we were just really getting started then.
1310 So there was not a change of course that was required.

1311 Dr. {Burgess.} Had you been to the White House and
1312 talked to the Administration about some of these changes that
1313 they were contemplating?

1314 Mr. {Lau.} No, Congressman.

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1315 Dr. {Burgess.} Ms. Campbell, let me ask you, at any
1316 point have you or CGI been to the White House to discuss the
1317 potential changes that were coming to the Affordable Care
1318 Act, the contingency plans that they were laying?

1319 Ms. {Campbell.} No, sir, we have not.

1320 Dr. {Burgess.} And Mr. Lenz, how about yourself?

1321 Mr. {Lenz.} Well, we are not contractors, sir, so we
1322 have had discussions with the Administration with respect to
1323 the employer mandate but not with respect to implementation
1324 of the infrastructure.

1325 Dr. {Burgess.} But in regards to the employer mandate,
1326 what were those discussions?

1327 Mr. {Lenz.} Well, our group in particular had
1328 tremendous concern about implementation and specifically
1329 around the definition of who is a full-time employee, given
1330 the unique nature of our workforce--lots of people that come
1331 and go. Their work patterns are unpredictable and uncertain,
1332 and at least in that respect, the Administration acknowledged
1333 that that posed significant problems, not just for employers
1334 but also for the administration of the program. So we were
1335 able to agree on a look-back rule. The Administration was

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1336 accommodating in that respect. But as I noted in my opening
1337 remarks, it is not the whole--it doesn't answer all of the
1338 questions. We still have lots of questions relating to
1339 reporting, how the premium tax credits will be administered
1340 and so on.

1341 Dr. {Burgess.} These meetings at the White House, when
1342 did they occur?

1343 Mr. {Lenz.} Well, they were--I wouldn't say they were
1344 at the White House. They were with the agencies that are
1345 responsible for the development of the rules, primarily
1346 treasury.

1347 Dr. {Burgess.} Did you talk to them during the month of
1348 June?

1349 Mr. {Lenz.} I can't recall whether we actually spoke to
1350 them in June. We had several meetings with them.

1351 Dr. {Burgess.} Mr. Lau, let me go back to you. Your
1352 contract is a cost-plus arrangement. Is that correct?

1353 Mr. {Lau.} That is correct.

1354 Dr. {Burgess.} And because of the changes that have
1355 occurred, well, if I am doing the arithmetic correctly, this
1356 will represent about 10 percent of your business. Is that

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1357 correct?

1358 Mr. {Lau.} The employer postponement? Is that what you
1359 are--

1360 Dr. {Burgess.} No, no, just your contract.

1361 Mr. {Lau.} Oh, with this--I don't know the exact
1362 percentage for Serco. You may well be correct.

1363 Dr. {Burgess.} You record a cost, or your contract
1364 price was \$114 million.

1365 Mr. {Lau.} Base year, yes, sir.

1366 Dr. {Burgess.} And your annual revenues are about \$1.2
1367 billion?

1368 Mr. {Lau.} That is close to 10 percent, yes, sir.

1369 Dr. {Burgess.} So this is a big deal for you all?

1370 Mr. {Lau.} It is certainly a big deal, yes.

1371 Dr. {Burgess.} And, I mean, does it concern you that as
1372 you--I mean, you are working through a highly complex set of
1373 circumstances. Does it concern you that things seem to be
1374 changing?

1375 Mr. {Lau.} I think that things generally tend to change
1376 in complex programs like this. I have been doing these for
1377 30 years. The company itself has lots of experience, and the

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1378 one thing we know is that change is a constant, and sometimes
1379 the pace of that change increases as you get closer to the
1380 deadline.

1381 Dr. {Burgess.} See, and this is what--

1382 Mr. {Lau.} We are prepared to accommodate and adjust to
1383 whatever changes.

1384 Dr. {Burgess.} But look, at the committee level, we
1385 invite members of the Administration in. We expect to get
1386 answers to our questions, and the question about contingency
1387 plans, and what are you doing to deal with the complexity of
1388 this program, really, we get no answers, so your responses
1389 today are really the first that we have heard that the
1390 Administration is in fact or the agency is in fact
1391 considering the fact that things may not be exactly as they
1392 think.

1393 Mr. Graham, let me just ask you a question because you
1394 used a word that I had actually used in questioning Mr. Cohen
1395 from the Office of Consumer Information and Insurance
1396 Oversight. You used the word ``de-scoping.'' Is that
1397 something that you have encountered in your study of this?

1398 Mr. {Graham.} Yes. In fact, many of the State-Based

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1399 Exchanges have been very public in their intent. Some of the
1400 earliest ones were messaging their plan to de-scope as early
1401 as April, so it is the right thing for them to do, given
1402 where they are.

1403 Dr. {Burgess.} Yeah, I don't disagree with that, but
1404 again, Mr. Cohen, in response to a direct question at the end
1405 of April, said no de-scoping, no delay.

1406 My time is expired. Let me recognize Mr. Green for 5
1407 minutes for questions, please.

1408 Mr. {Green.} Thank you, Mr. Chairman.

1409 I appreciate our panel being here today because of our
1410 oversight effort on the law now, and coming from Texas, it is
1411 really important because we have a national plan. Our State
1412 decided not to participate.

1413 One of the things I want to talk about is, the
1414 Affordable Care Act sets important nationwide standards on
1415 insurance plans and makes financial assistance available to
1416 those who need it, but the law preserves the State's primary
1417 role in regulating your insurance markets. The law was
1418 designed to be a floor and not a ceiling for consumer
1419 protections in the insurance market. It encourages States to

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1420 set up their own health insurance marketplaces and tailor
1421 rules and regulations for them.

1422 But many States, including my own, have decided to turn
1423 over control of their health insurance marketplace to the
1424 federal government. Handing the keys to the federal
1425 government seems to be a strange way to be pro-States'
1426 rights, but that is their option. In contrast, States like
1427 Maryland and California have been running their own
1428 marketplaces and working to implement the law and have driven
1429 down insurance premiums, expanded options for small
1430 businesses and helped simplify cost sharing and deductibles.

1431 Ms. Kraus, what benefits can States realize by taking a
1432 more active parting implementation and setting up their own
1433 marketplaces, and how would things look in your State if they
1434 were taking a more active role?

1435 Ms. {Kraus.} Thank you, and like Texas, Pennsylvania
1436 has decided to default to the federal government. In doing
1437 that, we have given up a lot of flexibility and we have
1438 really been slow to move forward. For example, we were the
1439 40th State to submit our plans to integrate our IT. We
1440 submitted it after the deadline was passed, so that is

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1441 slowing up the process in Pennsylvania. We have seen other
1442 States go above the Affordable Care Act standards. Oregon,
1443 for example, went above the requirements of the ACA in terms
1444 of rate review. This year they brought in \$69 million from
1445 waste, fraud and abuse at looking at insurance plans in the
1446 marketplace in 2014. Other States have done things to
1447 strengthen their essential health benefits package. We
1448 defaulted to a larger small group plan. States have, you
1449 know, defined rehabilitative services, providing, you know,
1450 consumers with greater protection with disabilities. So we
1451 have really passed up the ability to be innovative and
1452 creative and really craft a marketplace that would work best
1453 for Pennsylvania.

1454 Mr. {Green.} I want to ask you about fraud and
1455 subsidies. We have heard this the last few weeks--in fact,
1456 the House may be voting tomorrow on it--about a particularly
1457 offensive attack we heard recently on health reform that the
1458 health insurance subsidies will be rife with fraud.
1459 Marketplaces will have robust verification of consumers'
1460 income before they receive any financial assistance, and the
1461 IRS will make sure no one receives excess subsidies when

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1462 taxes are filed at the end of the year. There are penalties
1463 for perjury for lying to get these benefits, and the ACA even
1464 added new penalties for providing false information on the
1465 application. And yet we still hear what I consider slander
1466 of the hardworking people who get a little help from these
1467 programs are really just fraudsters trying to get benefits
1468 they aren't eligible for.

1469 Ms. Kraus, you worked with many folks who might need a
1470 little assistance from these important public programs.
1471 These people, are they just people looking for a free lunch
1472 or are they actually willing to commit fraud to get it?

1473 Ms. {Kraus.} No. I mean, look, the majority of folks
1474 that would qualify in Pennsylvania for Medicaid expansion,
1475 about 80 percent of them have one full-time worker in a job.
1476 They are just trying to get health insurance to protect them
1477 and their family. I think you pointed out, HHS has been very
1478 clear in setting up guidelines on protection against fraud
1479 and penalties for navigators that choose to not have security
1480 standards in place. If we look at how folks apply for health
1481 insurance today, you have to hand over an array of your
1482 health history, very private data. An insurance company can

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1483 decide whether or not you have health insurance. Going
1484 forward, it is income, it is age and geographic location.
1485 So, you know, to me, that is a lot safer than handing over
1486 very personal, detailed health insurance records.

1487 Mr. {Green.} Well, as we know, October 1st, States like
1488 Pennsylvania and Texas, we are going to have a national plan
1489 with no State input. I am not familiar with Pennsylvania law
1490 but I know as a former State legislator in Texas, we tried to
1491 get, for example, 80 percent of the premium by statute. Does
1492 Pennsylvania have anything on a State level that requires a
1493 certain amount of premium to go back to benefits like the
1494 Affordable Care Act does?

1495 Ms. {Kraus.} No, we don't, so the Affordable Care Act
1496 actually makes sure that, you know, Pennsylvania consumers
1497 are protected, and I think in Pennsylvania, the average
1498 Pennsylvania consumer saw about \$200 in a rebate this year
1499 from refunds from insurance companies that did not spend 80
1500 percent on actual care.

1501 Mr. {Green.} Well, I appreciate that because that is
1502 one of the things I hear from employers, particularly small
1503 businesses, by going to their exchanges and they can starting

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1504 October 1st but they will be able to make sure that at least
1505 80 percent of their premium dollar will come back to
1506 benefits.

1507 Ms. {Kraus.} Correct.

1508 Mr. {Green.} Thank you, Mr. Chairman.

1509 Dr. {Burgess.} The gentleman yields back his time. The
1510 chair now recognizes the gentlelady from Tennessee 5 minutes
1511 for questions, please.

1512 Mrs. {Blackburn.} Thank you, Mr. Chairman, and thank
1513 you all for being here and for your testimony and allowing us
1514 to do the due diligence that our constituents expect from us.

1515 Mr. Lenz, I would like to come to you, if I may, sir.

1516 Mr. {Lenz.} Yes, ma'am.

1517 Mrs. {Blackburn.} We have all been in our districts for
1518 5 weeks, and I have to tell you, not a single day went by
1519 that I did not hear from employers or employees and hearing
1520 about changes, reductions in benefits, uncertainty,
1521 confusion, and you know, they say, well, the employer
1522 mandate, that delay for a year still doesn't take away that
1523 underlying requirement. We know that it is still there and
1524 it is going to be affecting jobs and job creators. All these

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1525 mandates seem to just have a crushing effect. I met this
1526 morning with a group of business leaders from another State,
1527 and when I said our goal is to delay, defund, repeal, replace
1528 ObamaCare and find something workable, they broke into
1529 applause because in their State, just like in mine, it is a
1530 huge problem.

1531 So what I would like for you to do is take just a few
1532 seconds and expand on your testimony and kind of connect for
1533 us how the ObamaCare requirements on employers are causing
1534 the job market to contract and not to grow.

1535 Mr. {Lenz.} Well, thank you, Ms. Blackburn. We do
1536 represent a specific group of employers and a specific
1537 concern in regard to what we sometimes refer to as variable-
1538 hour employees, that is, temporary, part-time employees who
1539 work patterns are intermittent, unpredictable, short term and
1540 so on. They present unique challenges under the statute. We
1541 certainly recognize that there is general concern on the part
1542 of employers about implementation, and we have addressed some
1543 of that in our own testimony, but I would have to confine my
1544 comments to the unique circumstances of our particular
1545 workforce, and there are lots of them. As I pointed out,

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1546 there are upwards of 30 million employees that are in that
1547 category, and so we have made some progress, I think. We
1548 recognize that it is the law and that we are compelled to
1549 comply with it but we still have major concerns about
1550 implementation, the timing of it, and as you pointed out, the
1551 fact that the employer mandate has been delayed a year does
1552 not mean that we don't have to be ready now. In fact, we had
1553 to be ready yesterday and 6 months ago, and we weren't and
1554 couldn't in large because rules weren't out that we could
1555 rely on, in particular, regarding the reporting rules. Now,
1556 they just came out last week and we are scrambling to look at
1557 them and to digest them. We were somewhat disappointed to
1558 see that some of the suggestions that we had urged that had
1559 not been adopted for various reasons, and we understand that
1560 there is lots of complexity associated with it, but it
1561 doesn't relieve the fact that we have major concerns about
1562 implementation on January 1st of this coming year, not 2015,
1563 because all these software programs have to be in place, up
1564 and running, so that employers can begin to track hours now
1565 in order to know who they have to offer coverage to on
1566 January 1, 2015. So this has been an ongoing problem in

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1567 trying to get certainty and answers as to how we need to
1568 operate in order to comply.

1569 Mrs. {Blackburn.} Thank you.

1570 Mr. Lau, I want to talk with you a minute about Serco.
1571 You know, you are talking about the data you have got to
1572 start holding now in order to be ready on January 1, 2015,
1573 and then as you look at the amount of information on your
1574 employees. Well, one of the main problems that we hear about
1575 from our constituents, the main concern is the lack of
1576 privacy that they are going to have, and their lack of faith
1577 that people are going to be able to protect that personally
1578 identifying information and the fear that some of that could
1579 be used against them. So what kind of provisions are you
1580 putting in place?

1581 Mr. {Lau.} Well, Serco has a very comprehensive privacy
1582 and security program beginning with security of the facility,
1583 thorough background checks on each and every employee that
1584 will work there, compartmentalization of the roles and
1585 functions of the employees, role-based security so that
1586 employees can only see certain parts of an applicant's
1587 record. We deal with no personal health information. None

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1588 of that is there. It is PII mostly. We also have extensive
1589 training, a cultural background to instill in all of our
1590 workers respect for the information and the fact that it
1591 represents very personal information of people and citizens.
1592 In addition, there are a number of technological components
1593 as well in compliance with federal information security
1594 standards and NIST standards and things like that so there
1595 are firewalls and other preventions. So the networks are not
1596 accessible to the Internet. They are point-to-point networks
1597 and so there is just layer after layer of security in place.

1598 Mrs. {Blackburn.} Thank you. Yield back.

1599 Mr. {Pitts.} The chair thanks the gentlelady and now
1600 recognizes the gentlelady from the Virgin Islands, Dr.
1601 Christensen, for 5 minutes for questions.

1602 Dr. {Christensen.} Thank you, Mr. Chairman, and thank
1603 the panelists for being here this morning.

1604 I want to focus on some of the concerns that Mr.
1605 Butterfield raised earlier. Mr. Graham, in your testimony
1606 you described consumer outreach as being very important. As
1607 a matter of fact, it is one of your four key areas of
1608 concern. By consumer outreach, I assume you mean

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1609 advertising, public events and the navigator program and
1610 similar efforts to inform the public about their new
1611 insurance options in the exchange. Is that correct?

1612 Mr. {Graham.} That is correct. When I say outreach, I
1613 mean just going out in the community and making consumers
1614 aware of their choices so that they might make the optimal
1615 choices for themselves.

1616 Dr. {Christensen.} And is it also important to make
1617 sure that the largest number of young people and healthy
1618 people are also engaged, taking advantage of the exchange so
1619 that the cost might be lower?

1620 Mr. {Graham.} One of the changes that the ACA brought
1621 about was clearly how risk pools would be created, and as the
1622 risk pools are created, certainly, as with any insurance
1623 product, it is necessary to have a broad spectrum of
1624 individuals in that pool. And so if the exchanges were not
1625 able to attract those individuals, there would be problems in
1626 subsequent years.

1627 Dr. {Christensen.} And so you would agree that States
1628 that are not doing the consumer outreach and education are
1629 likely to see higher costs than those who are more active?

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1630 Mr. {Graham.} Well, when you say higher costs, higher
1631 costs overall or higher costs--

1632 Dr. {Christensen.} Of the premiums.

1633 Mr. {Graham.} Of the premium? So they run the risk of
1634 having not attracted the right risk pool or everyone into
1635 that risk pool and so having premiums be higher in subsequent
1636 years.

1637 Dr. {Christensen.} And Ms. Kraus, you agree also? I am
1638 sure that consumer education efforts are important to make
1639 this law work properly?

1640 Ms. {Kraus.} Yes, correct.

1641 Dr. {Christensen.} You know, it is good to see that
1642 witnesses invited by both Democrats and Republicans agreeing
1643 on something this important. I think it is unfortunate that
1644 the Republicans are attacking the HHS for investing in
1645 efforts to inform the public, and it is even more unfortunate
1646 that they are working to undermine the civic and community
1647 groups that are going to be doing some of that consumer
1648 outreach, and I hope we can agree, just as President Bush did
1649 with Medicare Part D, a robust consumer outreach and
1650 education campaign for these new insurance options is

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1651 important, and we should all get behind it.

1652 I remember when we passed Medicare Part D. It was not
1653 the Democrats' version of the bill. It created a donut hole
1654 that didn't treat the territories equitably, and yet I went
1655 out across my community to do outreach to ensure that people
1656 understood the bill and engaged our foundation in doing a lot
1657 of outreach across the country. And, you know, I think that
1658 is that the we ought to go instead of trying to undermine the
1659 law and unfund the law that is already helping individuals
1660 across the country.

1661 Ms. Kraus, I was in Pittsburgh about 2 weeks ago at a
1662 women's conference and heard firsthand and personal the
1663 issues of health disparities and lack of insurance in that
1664 community, and it is extremely unfortunate that Medicaid
1665 expansion is not going to be accepted even, as you have said,
1666 when it creates jobs, helps the economy in Pittsburgh and of
1667 course provides services to many--this is a women's
1668 conference who are uninsured in the area.

1669 I think, you know, that really was the question that I
1670 wanted to ask, Mr. Chairman, and I will yield back the
1671 balance of my time.

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1672 Mr. {Pitts.} The chair thanks the gentlelady and
1673 recognizes the gentleman from New Jersey, Mr. Lance, 5
1674 minutes for questions.

1675 Mr. {Lance.} Thank you, Mr. Chairman, and good morning
1676 to the panel.

1677 Mr. Graham, as I understand it, under the law, States
1678 will be responsible for accepting application transfers from
1679 an exchange where Medicaid eligibility needs to be
1680 determined. There has been some systems testing of such
1681 transfers where in fact Medicaid eligibility is valid.
1682 However, testing has not been completed for cases where
1683 Medicaid eligibility cannot be determined for various reasons
1684 including an incomplete file. From your perspective, Mr.
1685 Graham, has there been sufficient testing with the States,
1686 and if not, what are some of the financial risks to the
1687 States?

1688 Mr. {Graham.} So the question about has there been
1689 sufficient testing, one of the key things here is that it is
1690 different in every State so that some States are further
1691 along in testing, and certainly more testing would be more
1692 beneficial. The risks of not having testing completed or if

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1693 something doesn't work as plan is really delay: delay for
1694 the consumer and delay for enrollment. So in those instances
1695 where things cannot be done in an automated or electronic
1696 way, then physical documents have to be faxed in or brought
1697 in in some form or fashion and interaction has to occur with
1698 the consumer that delays the actual process to be able to
1699 become enrolled. So the risk is delay.

1700 Mr. {Lance.} And can you estimate how long that delay
1701 might be?

1702 Mr. {Graham.} We know that HHS is required to be able
1703 to actually, in instances where it goes to a manual system or
1704 has information brought in, it has a 90-day review period.
1705 So that is what the law requires. I can't estimate in terms
1706 of how long things might go out should there be challenges in
1707 Medicaid and HHS.

1708 Mr. {Lance.} It would be my suspicion at least that it
1709 will be longer than 90 days. Do you share that suspicion?

1710 Mr. {Graham.} I think delays tend to be longer than we
1711 originally expect.

1712 Mr. {Lance.} Can you tell us, perhaps you don't know
1713 this, which States have done a good jobs so far in this

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1714 regard and which States need to do a better job?

1715 Mr. {Graham.} I would be happy do that offline for you
1716 in terms of getting into specifics with States.

1717 Mr. {Lance.} Thank you, Mr. Chairman, and am willing to
1718 yield my time to anyone who would like it. Dr. Burgess?

1719 Mrs. {Blackburn.} If the gentleman would yield?

1720 Mr. {Lance.} Whatever time the gentlelady would like.

1721 Mrs. {Blackburn.} Just a couple of minutes. Adding to
1722 your question, which I think was a great one on detailing the
1723 States, and you said you would talk with the Congressman
1724 offline. I wish that you would submit that in writing so
1725 that it could be put into the record of the committee, and I
1726 yield back to Mr. Lance.

1727 Mr. {Lance.} Thank you. Is there any other member on
1728 our side who would like--

1729 Mr. {Pitts.} If the gentleman would yield?

1730 Mr. {Lance.} Absolutely. I certainly will, Mr.
1731 Chairman.

1732 Mr. {Pitts.} Mr. Lenz, I had another question. In my
1733 opening statement, I mentioned that Eastern Lancaster County
1734 School District, Penn Manor School District in Lancaster,

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1735 Pa., both announced that they were outsourcing some employees
1736 to avoid the cost of complying with the ACA's employer
1737 mandate. The school districts simply cannot afford to pay
1738 for the additional expenses covering these individuals. Are
1739 you hearing similar stories or anecdotes like these from
1740 members of your coalition due to the ACA?

1741 Mr. {Lenz.} Yes, we are hearing questions being raised
1742 as to whether businesses or entities that would otherwise be
1743 subject to the ACA would try to outsource some of their
1744 workers in order to avoid the rules. It is not clear how
1745 that is actually going to play out because the responsibility
1746 for employer coverage is going to be determined based on
1747 common law employer rules. So it really ultimately will be a
1748 legal question as to who the responsible employer is. We
1749 have addressed that at great length to our members of the
1750 American Staffing Association. I am not speaking on behalf
1751 of E-FLEX now but temporary staffing firms are in the
1752 business of supplying employees to other businesses that
1753 require temporary help or other contract help, and so there
1754 are questions in those so-called third-party employment
1755 relationships who is the actual employer. Our view is, if

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1756 the temporary staffing firm, for example, is offering or
1757 providing compliant health care coverage, it shouldn't
1758 ultimately matter who technically the common-law employer is
1759 as long as the arrangement is not being used to circumvent
1760 the law. But those are technical questions. In some cases
1761 they raise thorny issues but they remain to be addressed as
1762 we go along.

1763 Mr. {Pitts.} Thank you. The gentleman's time is
1764 expired. The chair now recognizes the gentlelady from
1765 Florida, Ms. Castor, 5 minutes for questions.

1766 Ms. {Castor.} Thank you, Mr. Chairman, and thank you to
1767 the panel. This is an important time in the enrollment, or
1768 in the implementation of the Affordable Care Act,
1769 particularly with the online marketplaces about to come
1770 online in the open enrollment period that will run October to
1771 March. In my home State of Florida, it is particularly
1772 important. The U.S. Census Bureau reported over the last
1773 couple of weeks that 25 percent of the population in the
1774 State of Florida is uninsured. That is about 3.8 million
1775 individuals. Now, most people have insurance, and if you
1776 have insurance, you want other people to have insurance

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1777 because otherwise you are going to--part of your copayment
1778 and premiums is going to go to subsidize folks who do not
1779 have insurance, and if you have insurance today, you have
1780 already seen the benefits of the Affordable Care Act. In
1781 essence, you have new rights. You cannot be discriminated
1782 against for preexisting conditions. You cannot be kicked off
1783 your policy if you get sick. In the greater Tampa Bay area,
1784 we already have almost 50,000 young adults who have been able
1785 to stay on their parents' policies. That is very positive.
1786 Over 200,000 small businesses in the State of Florida are
1787 eligible for the new tax credits. That is very meaningful in
1788 a State that has so many mom-and-pop small businesses.

1789 One of my favorites for folks who have insurance today
1790 is the fact that just in the greater Tampa Bay area, over \$47
1791 million has come back into the pockets of families due to the
1792 new requirements that 80 to 85 percent of your premiums and
1793 copays have to go to health insurance. So rebates have come
1794 back to about a million people just in my greater community.

1795 But what concerns me now is that we are not all working
1796 together to address the flaws and improve the Affordable Care
1797 Act. Instead, we continue to run into obstruction. Last

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1798 month, Ranking Member Waxman and the Democrats on this
1799 committee released an analysis describing 10 ways that
1800 Republicans have acted to undermine and obstruct the
1801 Affordable Care Act. That in addition to the 40 repeal votes
1802 that have taken up precious time here in the House this
1803 session. That is a waste of time. We have got to be working
1804 together on this. And then when you look across at the
1805 States, Republicans Governors, including mine, some have
1806 refused to take the Medicare expansion in the State of
1807 Florida. That means that our hard-earned tax dollars that
1808 Floridians have paid are most going to come back to our
1809 State, \$50 billion over the next 10 years. That is not
1810 smart. That is not in the public interest.

1811 But I wanted to highlight to my colleagues today the one
1812 that takes the cake, the one that wins the ideology over the
1813 public interest award, and that is the fact that in the State
1814 of Florida, the Republican legislature passed a law to
1815 actually remove State oversight and regulation of insurance
1816 companies and their rates. When Secretary Sebelius was in
1817 Florida a few weeks ago, she said she knew of no other State
1818 that had gone this far. The States still have the authority

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1819 to negotiate and regulate insurance rates. So in this effort
1820 to elevate ideology and obstruction over the best interests
1821 of my neighbors, they now have taken the cops off the beat to
1822 regulate insurance rates. I want to know if anyone on this
1823 panel thinks that that is in the best interest of our
1824 businesses and consumers. I didn't think so. I haven't
1825 heard of anyone outside of the Republican legislature and our
1826 Governor, even if they don't like ObamaCare and the
1827 Affordable Care Act, that thinks it is reasonable for the
1828 State to put insurance companies in charge of where the rates
1829 go. I really think it is a shame, and like I said before, if
1830 you have insurance, you want other folks to have insurance.

1831 Ms. Kraus, I would like to ask your perspective on these
1832 Republican efforts to undermine the law. What kind of impact
1833 are they having on the implementation in your State? I can
1834 tell you in my State, it is very problematic.

1835 Ms. {Kraus.} Yeah, I mean, I just to emphasize this
1836 again and really hit this home. Medicaid expansion is huge,
1837 and when we have 400,000 people with health insurance, and
1838 that affects every single person. It affects, as you said,
1839 the folks that have health insurance, we are paying for that,

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1840 and we are going to continue to have to pay for that. Like
1841 Florida, Pennsylvania's tax dollars are going to be thrown
1842 out the window to pay for health insurance coverage in other
1843 States. We are an island of no amongst other States. Our
1844 neighbors, New Jersey, Ohio, Maryland, they are all moving
1845 forward with Medicaid expansion.

1846 Ms. {Castor.} Thank you, and I yield back.

1847 Mr. {Pitts.} The chair thanks the gentlelady. The
1848 chair now recognizes the gentleman from Louisiana, Dr.
1849 Cassidy, 5 minutes for questions.

1850 Dr. {Cassidy.} Thank you, Mr. Chairman.

1851 Mr. Graham, earlier there was a question suggesting the
1852 possibility of fraud in this arrangement where there wouldn't
1853 be income verification was merely a straw horse--straw man.
1854 I understand that under the earned income tax credit, it is
1855 estimated that 21 to 25 percent of the payments are
1856 fraudulent, and that is when they totally integrated hub with
1857 the IRS. Now, are you as comfortable that in States like
1858 California where it is going to be self-attestation with no
1859 verification by the IRS that the level of fraud will be less,
1860 or what is your perspective as to what is going to happen?

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1861 Mr. {Graham.} I am not an expert to project on what the
1862 fraud may or may not be. I will just say that in areas where
1863 the systems testing hasn't been completed or hasn't done to
1864 the full extent that it was originally intended to or needed,
1865 that the potential for fraud exists.

1866 Dr. {Cassidy.} And knowing that we are all sinners and
1867 fall short of the glory of God, it seems reasonable that
1868 there could be some fraud?

1869 Mr. {Graham.} That is a reasonable expectation.

1870 Dr. {Cassidy.} I mean, it is almost laughable to say
1871 that there won't be, and there is going to be a trillion
1872 dollars spent on the health insurance exchanges over the next
1873 10 years. The federal taxpayers are about to get whacked.

1874 Ms. Campbell, you mentioned that everything is kind of
1875 going well as regards a baseline, but it is my understanding
1876 that the systems have not included foreign-language support,
1877 and yet I have already read that the hope to get the big
1878 numbers, the young men who currently are not insurance but
1879 will theoretically pay three times the market rate in order
1880 to participate in the exchange, will rely on people who are
1881 minorities, many of whom will not have English as a primary

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1882 language. So that said, is it true--I mean, you tell me, I
1883 don't know--are the exchanges robust in terms of their
1884 ability to support folks for whom English is not a primary
1885 language?

1886 Ms. {Campbell.} So Spanish is part of the rollout for
1887 implementation.

1888 Dr. {Cassidy.} But is it ready? Is the Spanish--put it
1889 this way. If I was a primary Spanish speaker, would I be
1890 able to log on and have a seamless experience as regards my
1891 ability to interface with the forum?

1892 Ms. {Campbell.} For the online application, yes.

1893 Dr. {Cassidy.} And what about Vietnamese?

1894 Ms. {Campbell.} I don't have an answer for that but I
1895 can get back to you.

1896 Dr. {Cassidy.} That would be great. Chinese, Mandarin?

1897 Ms. {Campbell.} I have an answer for the Spanish
1898 version. I can get back to you with the other dialects.

1899 Dr. {Cassidy.} Okay. So for these other folks who
1900 perhaps are not currently insured in Orange County, which I
1901 gather Orange County has the greatest concentration of
1902 Vietnamese outside of Vietnam may not be quite ready. Now,

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1903 granted, a lot of those folks speak English, but still I am a
1904 little interested.

1905 Mr. Lenz, I have heard the President's health care law
1906 described as one of the most significant anti-growth policies
1907 that have been passed by Congress. I am proud to say I voted
1908 against it. And that we continue to see a declining
1909 unemployment rate but only because people are dropping out of
1910 the job market. The total number of jobs is actually
1911 terrible. It is just that people are no longer looking for
1912 work.

1913 Now, you described something along those lines. The
1914 businesses that you represent, do you say that they are
1915 encouraged to grow by this law or perhaps they are otherwise
1916 encouraged?

1917 Mr. {Lenz.} Well, it is almost cliché to say that
1918 businesses don't respond well to uncertainty and higher costs
1919 have an impact on hiring. Those are just basic business
1920 truths. I think our members believe that. I think we are
1921 particularly concerned about the definition of full-time
1922 employee as we mentioned. The 30-hour definition we think is
1923 not working well and is having perverse economic impacts

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1924 already.

1925 Dr. {Cassidy.} And if I may interrupt, also, when I
1926 speak to small business owners, she will tell me that she is
1927 spending so much thinking about this law, she is not actually
1928 thinking about how to expand her business. She is trying not
1929 to run afoul of the federal government as opposed to where do
1930 I next open up. Is that a fair statement?

1931 Mr. {Lenz.} Well, let me just say on behalf of the
1932 American Staffing Association, which represents temporary
1933 staffing companies, the great majority of which are small
1934 business owners, we have lots of employees that come and go
1935 but most of them are small businesses by anybody's reckoning.
1936 There is tremendous anxiety about enforcement, very much
1937 confusion because of the complexity.

1938 Dr. {Cassidy.} So it is fair to say, if they are
1939 confused, conflicted, whatever, then it is fair to say that
1940 they are not thinking as much about expanding their business?

1941 Mr. {Lenz.} I think that is a fair statement.

1942 Dr. {Cassidy.} Lastly, let me just make the point, Ms.
1943 Kraus, you have been very wonderful about how Pennsylvania is
1944 going to benefit from this, but let me just say that

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1945 Pennsylvania's small group market has a projected 27 percent
1946 increase in their premiums, that Pennsylvania's individual
1947 market, one insurer predicted an average increase of 30
1948 percent in the individual market, males facing premium
1949 increases of 11 to 63 percent. Heck, it doesn't seem as good
1950 for the law in Pennsylvania if you are that male getting a 63
1951 percent in your premium.

1952 Ms. {Kraus.} Well, I mean, I think a couple of things.
1953 First, when we talk about small businesses, we have to
1954 remember that small businesses with 50 or fewer employees are
1955 exempt from having to offer health insurance coverage, and I
1956 think when you go out--

1957 Dr. {Cassidy.} So your only salvation is that you are
1958 exempt?

1959 Ms. {Kraus.} No, but I think when you go out and talk
1960 to small businesses, a large concern is, you know, the cost
1961 of health insurance. We have seen health insurance costs
1962 rise astronomically over and over for years before the
1963 Affordable Care Act, and for the first time in history,
1964 insurance rates have slowed, and this year they only grew by
1965 4 percent. So I think this is going to start to help small

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1966 business owners that can now pull their power together and
1967 get coverage that is offered--

1968 Dr. {Cassidy.} Based on what the insurers say, it seems
1969 more an article of faith. It is a hope. It doesn't seem to
1970 be what the insurers are saying.

1971 I am out of time. I yield back. Thank you.

1972 Mr. {Pitts.} The chair thanks the gentleman and now
1973 recognizes the ranking member of the full committee, Mr.
1974 Dingell, for 5 minutes for questions.

1975 Mr. {Dingell.} Thank you, Mr. Chairman, for holding
1976 this hearing, and thank you to our witnesses.

1977 First of all, I welcome the opportunity to hear from our
1978 witnesses today about the progress of ACA implementation.
1979 One misconception that seems to be a big one is the data hub.
1980 These questions are for Mr. Finkel of Quality Software
1981 Services Inc. Mr. Finkel, these are yes or no questions.
1982 QSSI has a contract with CMS to work on what is known as the
1983 data hub. Is that correct? Yes or no.

1984 Mr. {Finkel.} Yes.

1985 Mr. {Dingell.} Now, Mr. Finkel, we have heard from some
1986 that the data hub will be this new government database with

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1987 personal medical information. Is this an accurate
1988 characterization of the program? Yes or no.

1989 Mr. {Finkel.} No.

1990 Mr. {Dingell.} Would you submit for the record what is
1991 a correct representation of the circumstances, please?

1992 Mr. {Finkel.} Yes.

1993 Mr. {Dingell.} All right. Now, instead, is it fair to
1994 say the data hub is technological tool to help facilitate the
1995 transfer of data between government agencies? Yes or no.

1996 Mr. {Finkel.} Yes.

1997 Mr. {Dingell.} Now, will data hub handle personal
1998 medical records at all? Yes or no.

1999 Mr. {Finkel.} No.

2000 Mr. {Dingell.} Mr. Finkel, will the data hub be up and
2001 running 3 weeks from today on October 1? Yes or no.

2002 Mr. {Finkel.} Yes.

2003 Mr. {Dingell.} Could you please submit for the record a
2004 summary of the functions of data hub that may relate to an
2005 earlier question I asked? Could you do that for me, please,
2006 sir?

2007 Mr. {Finkel.} We will work with the committee on that.

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2008 Mr. {Dingell.} Very good. Work with me. This
2009 committee might not be quite as helpful.

2010 The next questions are for Mr. Lau of Serco. Mr. Lau,
2011 does Serco have experience in handling applications and
2012 records management for government agencies? Yes or no.

2013 Mr. {Lau.} Yes.

2014 Mr. {Dingell.} CBO has estimated that 6.2 million paper
2015 applications will be submitted between October 1, 2013, and
2016 March 31, 2014. Does Serco have the capability to handle
2017 this large amount of paper application? Yes or no.

2018 Mr. {Lau.} Yes.

2019 Mr. {Dingell.} Now, Mr. Lau, how many people has Serco
2020 hired to work on this CMS contract?

2021 Mr. {Lau.} To date, 1,200. The plan is for about 2,000
2022 by October 1st.

2023 Mr. {Dingell.} Now, if you want to submit for the
2024 record, it would be appreciated.

2025 Now these questions are for Ms. Spellecy of Equifax.
2026 Ms. Spellecy, will Equifax get prior concern from a consumer
2027 before conducting an income verification report on that
2028 individual? Yes or no.

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2029 Ms. {Spellecy.} CMS will obtain the consent first, yes.

2030 Mr. {Dingell.} Thank you. Now, does this practice go

2031 above and beyond what is required of Equifax under the Fair

2032 Credit Reporting Act? Yes or no.

2033 Ms. {Spellecy.} Yes.

2034 Mr. {Dingell.} Now, has Equifax done testing of your

2035 income verification systems with data hub and the State

2036 exchanges? Yes or no.

2037 Ms. {Spellecy.} Yes. Now, will income verification

2038 services provided by Equifax be ready in 3 weeks when the

2039 marketplaces are open or rather are available for open

2040 enrollment? Yes or no.

2041 Ms. {Spellecy.} Yes.

2042 Mr. {Dingell.} Now, I want to thank you all for your

2043 testimony. This is a critical time in our history. The

2044 American people are counting on us. When I was back home in

2045 Michigan just recently, my constituents weren't asking me

2046 political questions about the Affordable Care Act. They

2047 wanted to know where and how to sign up for quality,

2048 affordable health care that will help their families and

2049 their small businesses. We have only 3 weeks before the

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2050 marketplaces open. The time for political games is over, and
2051 it is time for this body, the Congress, and the Senate, to
2052 quit playing games. It is also time for us to understand
2053 that we have to work together. The law is the law, and ACA
2054 is the law of the land, and frankly, we should all be working
2055 together to ensure that implementation goes smoothly as
2056 possible in the interest of seeing to it that we don't waste
2057 hundreds of millions or perhaps billions of dollars that has
2058 been spent so that and that we don't dissipate our
2059 opportunities to see to it that the American people can get a
2060 chance to see to it that health care is a matter of right,
2061 not a privilege just for those who are well-to-do, and I
2062 would observe that working men and women need this
2063 legislation. It is something which will help them to live a
2064 better quality of life and will improve medical care all
2065 across the board. I would also note that it is saving money
2066 for everybody in sight, and if we will just give it a chance
2067 and work together, I believe the country will be better off
2068 for it. I thank you, Mr. Chairman.

2069 Mr. {Pitts.} The chair thanks the gentleman and now
2070 recognizes the gentleman from Virginia, Mr. Griffith, 5

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2071 minutes for questions.

2072 Mr. {Griffith.} Thank you, Mr. Chairman, and I
2073 appreciate it very much. I appreciate all the witnesses
2074 being here. As you might gather, Mr. Dingell and I do not
2075 agree on this point although I respect him greatly and
2076 appreciate his contributions over the many decades to this
2077 committee, and obviously whenever you have a law on the
2078 books, it is Congress's obligation to review it and make sure
2079 it makes sense, and each Congress has a separate obligation
2080 to do that, and we come to somewhat different conclusions.

2081 Mr. Lenz, I noticed with some interest on your summary
2082 of major points, your very last point, you said it would
2083 impose a major administrative burden on employers and result--
2084 -referring to the large employer auto-enroll requirement--and
2085 result in an unexpected payroll deduction for many employees
2086 who do not want it or need coverage. Am I to assume that you
2087 are referring to perhaps the husband whose wife has a much
2088 better plan with her employer and now he is going to be
2089 automatically enrolled, albeit his wife has a better plan and
2090 already has a family plan for them and their children? Is
2091 that the type of thing you are referencing?

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2092 Mr. {Lenz.} That would be one example.

2093 Mr. {Griffith.} And would another example be the one
2094 that a constituent came to me with last year or a similar
2095 situation where a student, full-time enrolled in college,
2096 also held a full-time job and through the Affordable Care Act
2097 was forced off of their parents' plan because they were
2098 eligible through their employer and then they ended up having
2099 to spend more money because obviously being part of a family
2100 plan with their parents, it was free, but now because they
2101 were doing what I hope my kids will have the fortitude to do,
2102 carry a full-time load at school and a full-time job, it
2103 ended up costing them several thousand dollars a year. Would
2104 that be another example of that kind of a problem that this
2105 Act is just not ready for?

2106 Mr. {Lenz.} Yes, sir.

2107 Mr. {Griffith.} And I would ask the gentleman also, I
2108 noticed on page 5 of your testimony, you indicate that the 1-
2109 year delay of the employer requirements means employers will
2110 not have penalty exposure until 2015 but they must still have
2111 their information technology and human resources systems in
2112 place by January 1, 2014, in order to track employees' hours

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2113 of service in 2014 and comply with the ACA coverage
2114 obligations on January 1, 2015, but I would ask you, Mr.
2115 Lenz, has your organization taken into consideration what
2116 happens if the courts determine that the President didn't
2117 have the authority--and I ask this question because I can't
2118 find where in the bill the President has the authority to
2119 delay the employer mandate. If a court finds oh, let us say,
2120 next September that the President didn't have that authority,
2121 you all have got the records, aren't your employers then
2122 responsible for going back in and reimbursing the costs of
2123 that health insurance to their employees that they thought
2124 they weren't mandated to provide but now they are if they
2125 hadn't provided something that would have been in compliance
2126 with ACA as of January 1, 2014?

2127 Mr. {Lenz.} Well, that would be quite a conundrum.

2128 Mr. {Griffith.} And isn't it a possibility,
2129 understanding that there is nothing directly authorizing the
2130 President to delay the employer mandate and recognizing that
2131 we do live in a litigious society?

2132 Mr. {Lenz.} We do indeed, sir.

2133 Mr. {Griffith.} And so this conundrum could be a great

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2134 detriment to many employees in the United States, and isn't
2135 it also just one of the thousands of examples out there of
2136 why you are concerned about employers not knowing what the
2137 rules are and what they have to do and what is coming next as
2138 a part of this Act?

2139 Mr. {Lenz.} There are multiple opportunities for
2140 unforeseen consequences here.

2141 Mr. {Griffith.} There are indeed. There are indeed.

2142 I would go back to Mr. Graham. I was reminded when you
2143 were talking about the fraud--and I know you don't want to
2144 get on record as to what percentages are fraud or whether it
2145 will be more or less, and I understand that, but a friend of
2146 mine once explained to me, and I thought it made good sense,
2147 that locks are just there to help keep the honest men and
2148 women honest, and that that is why you have locks because if
2149 there is somebody who really wants to get into your house or
2150 get into your car, they are going to figure out a way to get
2151 in. And so doesn't it cause you some concern that we don't
2152 have proper locks in place on fraud when it comes to this
2153 particular Act and the various requirements that you say what
2154 your income is or don't say what your income is?

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2155 Mr. {Graham.} When I ride my bicycle to work, I lock it
2156 up.

2157 Mr. {Griffith.} Yes, sir. I appreciate your answer.

2158 Mr. Chairman, unless somebody wants my last 30 seconds,
2159 I yield back.

2160 Mr. {Pitts.} The chair thanks the gentleman and now
2161 recognizes the gentleman from Florida, Mr. Bilirakis, 5
2162 minutes for questions.

2163 Mr. {Bilirakis.} Thank you so much. Thanks for holding
2164 this hearing. I apologize for being late. I was at the
2165 other hearing.

2166 A question for Mr. Lau. Did CMS in any of your
2167 conversations state why they waited until July to issue the
2168 contract?

2169 Mr. {Lau.} No, it was a competitive procurement, so I
2170 am not sure what--

2171 Mr. {Bilirakis.} Well, did they know that the paper
2172 processing required with the exchanges would go online? Do
2173 you usually get contracts affecting \$6.2 million 3 months
2174 before it occurs?

2175 Mr. {Lau.} Well, this one was certainly more

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2176 challenging that most in that regard in time spent.

2177 Mr. {Bilirakis.} Thank you.

2178 A question for Ms. Campbell. Ms. Campbell, can you talk
2179 about CGI's role in the exchange? Do you make all final
2180 decisions for yourself and the subcontractors?

2181 Ms. {Campbell.} I would be happy to discuss the role of
2182 CGI as our role on the exchanges. For us, I would like to
2183 equate it to sort of the face of the exchange. This is where
2184 an individual will be able to go into a portal, sign up,
2185 actually put in a profile, peruse the database or peruse the
2186 system to determine which plan is of interest to themselves.
2187 They will also be able to determine their eligibility through
2188 a series of questions, and then they will make their
2189 selection, and that is the portal that CGI is developing for
2190 the marketplace, or for the exchange.

2191 Mr. {Bilirakis.} Next question. Ms. Campbell, who is
2192 ultimately considered the integrator or quarterback for
2193 making sure the exchange works properly?

2194 Ms. {Campbell.} That would be CMS.

2195 Mr. {Bilirakis.} Thank you.

2196 Next question for Mr. Finkel. Will QSSI be offering the

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2197 Data Services Hub after open enrollment on October 1st
2198 through 2014?

2199 Mr. {Finkel.} No. As I stated, CMS will be operating
2200 the Data Services Hub once it goes live.

2201 Mr. {Bilirakis.} Another question. According to the
2202 Inspector General Office's report, it says that CMS's chief
2203 information officers expect to make a security authorization
2204 on September 30th. Is it responsible to make this decision
2205 so late in the process? The original timeline, as I
2206 understand, was September 4th, the decision would be made.
2207 Can you comment on that?

2208 Mr. {Finkel.} I cannot comment on CMS and what they
2209 will approve and when. I can tell you that the Data Services
2210 Hub has gone through a security risk assessment that was
2211 completed on August 30th and we have no reason to believe why
2212 CMS cannot sign off on the Data Services Hub.

2213 Mr. {Bilirakis.} Okay. Thank you very much, Mr.
2214 Chairman. I appreciate it. I yield back.

2215 Mr. {Pitts.} The chair thanks the gentleman. That
2216 concludes the first round of questions. We will have one
2217 follow-up on each side. So Dr. Burgess, you have 5 minutes

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2218 for follow-up.

2219 Dr. {Burgess.} Thank you, Mr. Chairman.

2220 Ms. Campbell, let me just ask you, in your testimony you
2221 referenced that your company has achieved all its milestones
2222 and the last one you referenced was the operational readiness
2223 review in September of 2013. Do I understand that correctly?

2224 Ms. {Campbell.} That is correct.

2225 Dr. {Burgess.} Is that something you can make available
2226 to the subcommittee?

2227 Ms. {Campbell.} I can make available our report that we
2228 submitted to CMS.

2229 Dr. {Burgess.} Can you make that--have you made it
2230 available to the committee?

2231 Ms. {Campbell.} We have not made that available to the
2232 committee.

2233 Dr. {Burgess.} Well, then I would ask that if you would
2234 make that available to the committee. Mr. Chairman, when
2235 staff gets that, I would appreciate the opportunity to review
2236 it.

2237 Mr. Graham, we talked just a little bit about de-
2238 scoping, and the reason this is important, and I am not just

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2239 picking on this, but look, February 1st with the elysian
2240 fields of ObamaCare still 11 months away, the window for
2241 application to the federal preexisting program closed, and it
2242 closed rather suddenly without warning to the people who had
2243 been trying to go six months without health insurance to age
2244 into the program. So for almost a full year, the promise of
2245 coverage for preexisting conditions has been an empty, hollow
2246 promise. The caps on out-of-pocket expenditures was very
2247 quietly delayed for a year. Apparently the press picked it
2248 up here in the past month but it was something that actually
2249 happened much earlier in the year. Of course, we have had
2250 the discussions about the employer mandate being delayed.
2251 There have been other pieces of this apparatus that have sort
2252 of fallen into the barrage on the way to October 1st and
2253 January 1st. When you all talk together, when all of the
2254 smart minds who are in charge of the outsourced
2255 implementation, when you get together, are there things that
2256 you talk about and speculate about that may be the next to go
2257 or the next shoe to drop as far as the pieces of the
2258 Affordable Care Act that may go by the wayside?

2259 Mr. {Graham.} With respect to the de-scoping, when we

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2260 look at what capabilities each of the State-based exchanges
2261 will have and which ones will be live on October 1 and those
2262 that are not, how long they will take to come up, we project
2263 that as in many IT implementations, it will be 3 or 6 months
2264 for many of those things to go.

2265 With respect to the law itself, there is a lot of talk
2266 about where that is. I don't know that I am the best to
2267 comment on that.

2268 Dr. {Burgess.} You are all I have got. You know, as we
2269 look at this group assembled in front of us, you are an
2270 impressive group, and there are some impressive contracts
2271 that go with the work that you sell to the federal
2272 government, and with all respect to the ranking member of the
2273 subcommittee, I mean, a local Meals on Wheels outfit being
2274 able to do what you all are doing and it has taken you months
2275 to do and hundreds of millions of dollars in some cases, is
2276 it really responsible to expect that some community
2277 organization is going to be able to accomplish what you all
2278 have been tasked to accomplish? I mean, anybody is free to
2279 answer that question. I should do like Chairman Dingell; I
2280 need a yes or no. I got no answer, so Mr. Chairman, I am

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2281 going to assume that it is a no.

2282 Let me yield back the balance of my time in the interest
2283 of other members of the committee. If someone wants to claim
2284 it, they may do so.

2285 Mr. {Pitts.} Thank you. The chair recognizes the
2286 ranking member for follow-up.

2287 Mr. {Pallone.} Thank you. I am glad Dr. Burgess
2288 brought up the navigators or, in my cases, the food bank
2289 issue. You know, again, I want to ask a question of Ms.
2290 Kraus, but I disagree totally in terms of who should be a
2291 navigator. I mean, I mentioned the Food Bank of Monmouth in
2292 Ocean County, which is one of a number of organizations or
2293 nonprofits in New Jersey that, you know, received a grant to
2294 act as a navigator and now has been subject to these what I
2295 consider intimidation tactics by the Republicans on the
2296 committee, but I totally disagree with Dr. Burgess.

2297 The Food Bank of Monmouth in Ocean County, which I am
2298 very familiar with in my district, took on this
2299 responsibility because they just get I don't know how many
2300 hundreds or thousands of people that come to the food bank on
2301 a regular basis and obviously a lot of them are uninsured and

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2302 a lot of them are probably people who may be afraid to even
2303 admit that they are uninsured or go to a place to try to find
2304 insurance. And so I think they are an excellent organization
2305 that would actually be charged with trying to deal with the
2306 uninsured and navigate them so that they get insurance, and I
2307 think that the whole purpose of these grants is to try to
2308 find somebody who can play that role in a significant way,
2309 even if they don't have extensive background doing that. I
2310 commend them for taking on the role.

2311 But Ms. Kraus, my concern is that they may be
2312 intimidated, that resources are being taken away because they
2313 have to answer all these questions at the same time that
2314 there is no evidence of any wrongdoing or any predicate for
2315 this kind of time-consuming and burdensome investigation that
2316 the GOP on this committee are going about, and, you know,
2317 these are small community-based groups. The timing, I think,
2318 was very suspicious, imposing a burden on these groups before
2319 the October 1st rollout. It is only a few weeks away.

2320 So can you offer some perspective on the importance of
2321 these navigators and the impact on implementation of the law
2322 if the Republicans' intimidation disrupts their efforts? I

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2323 am not asking you to say they are being intimidated but I
2324 know that some have already suggested that they might just
2325 not proceed because of the questions and all the paperwork.

2326 Ms. {Kraus.} Yes, I mean, look, 75 percent of those
2327 that are eligible for coverage have no idea that this is
2328 coming. The majority of them have never had access to health
2329 care before so a fundamental piece of the Affordable Care Act
2330 was to place community organizations in these local
2331 communities to help folks that might need a little extra
2332 help. They are not building IT infrastructure; they are
2333 there to help people kind of walk through the process and
2334 understand what health insurance means. In Pennsylvania,
2335 there are community organizations that have been helping
2336 folks for year: the Federally Qualified Health Centers,
2337 which folks walk into their office every day and they help
2338 them enroll in public assistance programs. So we are not
2339 reinventing new community organizations, and we need to be
2340 assisting these organizations to make sure they have their
2341 resources and the tools they need to reach constituents where
2342 they are and make sure they take advantage of the Affordable
2343 Care Act.

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2344 Mr. {Pallone.} I appreciate that. And the other thing
2345 that I would point out, you know, New Jersey is another State
2346 where the Governor, wrongly, in my opinion, decided not to
2347 set up a State exchange, and the outreach efforts for those
2348 State are very limited. The fact of the matter is, if you
2349 didn't set up your own State exchange, a lot of the federal
2350 dollars that would have gone to help you do that in terms of
2351 outreach are just not made available, and so it is
2352 particularly important that these community organizations be
2353 out there in this time period trying to sign people up, and I
2354 just--again, I know I am beating a dead horse here but I just
2355 feel that it was very wrong on the part of the Republicans on
2356 this committee to use these kind of tactics right now when we
2357 are really trying to sign people up, and these are community-
2358 based organizations that really have no ax to grind, they are
2359 trying to help people.

2360 Thank you very much. Thank you, Mr. Chairman.

2361 Mr. {Pitts.} That concludes the questioning. I would
2362 like to thank the witnesses for your testimony, for answering
2363 all the questions. There may be follow-up questions. We
2364 will ask that you please respond promptly as members submit

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2365 those. I remind members they have 10 business days to submit
2366 questions for the record, and those questions should be
2367 submitted by the close of business on Tuesday, September
2368 24th. Very important hearing, very important information.
2369 Thank you for your courtesy and your patience.

2370 Without objection, the subcommittee is adjourned.

2371 [Whereupon, at 12:22 p.m., the Subcommittee was
2372 adjourned.]