

Statement for the Record by
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House Committee on Energy and Commerce
Subcommittee on Health

Implementation of the Affordable Care Act in Pennsylvania

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Mr. Chairman and Members of the Committee:

Thank you for the opportunity to speak today on the implementation of the Affordable Care Act in Pennsylvania. The Pennsylvania Health Access Network is a statewide coalition of over 60 organizations representing over one million Pennsylvanians. Some of our partners include local health centers, physicians' groups, churches, retiree associations, and community groups. Our mission is to make sure every Pennsylvanian has access to quality, affordable health care.

In my work, I meet people from all walks of life – working moms and dads, retirees, young adults, laid-off workers and small business owners. They come from different backgrounds and live in different places, but their fears and anxieties over health care are the same:

How do I find coverage? Can I afford to keep it? What do I do now that I've been denied because of a pre-existing condition? My rates just went up again, but my paycheck didn't – what should I do now? Where do I turn?

These are the questions I hear, from folks across the Commonwealth. And it's no surprise, given the recent trends with health insurance in Pennsylvania:

Between 2000 and 2009, insurance premiums in Pennsylvania increased by 95%,¹ while wages increased by just 17.5%. Health insurance has become less affordable for individuals and small businesses, and, as a result, job-based coverage is on the decline. Between 2001 and 2009, 876,484 Pennsylvanians lost coverage from an employer, faster than only 2 other states in the nation.²

As the ranks of the uninsured swell, so does the burden on family budgets, Pennsylvania's safety-net providers, and our local hospitals who continue to absorb millions of dollars each year in "uncompensated care" that's provided to those without insurance, who end up in the emergency room needing care that they're unable to fully pay for.

¹ Kaiser Family Foundation, Paper #7951: "Health Care and the Middle Class: More Costs and Less Coverage." Available at: <http://www.kff.org/healthreform/upload/7951.pdf>.

² Economic Policy Institute Report: "Employer-sponsored health insurance erosion continues." Available at: <http://www.epi.org/publication/bp247/>.

Thankfully, we have the opportunity to reverse these trends and relieve the anxiety that so many of our neighbors – and your constituents – live with daily. We can do that by moving forward to fully implement the Affordable Care Act in Pennsylvania. We can often get caught up in talking about the mechanics of implementing this law, but we should never lose sight of what this means for working families.

Already in Pennsylvania, the Affordable Care Act has brought:

- Security and peace of mind to the families of 177,000 children with pre-existing conditions³ like asthma and leukemia, who no longer have to fear being denied coverage over a pre-existing condition;
- A boost for the bottom line of 160,000 small businesses,⁴ who are newly-eligible for tax credits to reduce their cost of providing health insurance to their employees, if they choose to do so;
- Stability for 91,000 young adults,⁵ who have been able to stay covered on their parents' insurance up to age 26;
- Much-needed relief for 222,703 seniors who, in 2012, saved an average of \$753⁶ on prescription medications in the “donut hole” coverage gap last year. Since the Affordable Care Act put these discounts in place, Pennsylvania seniors have saved over \$393 million. That helps seniors on fixed incomes, but also our local economies as those freed-up dollars can be spent in the Main Street businesses in cities and towns across the state.
- More money in the pockets of over 675,000 hardworking families and small business owners to whom more than \$58 million in rebates⁷ was returned from their insurance companies since 2011. Before the new law, insurers could take the money we paid them in premiums to provide us coverage and use it on things like advertising, lobbying, and CEO perks – things that have nothing to do with the quality or value of our coverage. Thanks to the new law, Pennsylvanians are getting more bang for our buck, with at least 80% of our premium dollars going toward our medical care rather than overhead and excess.
- Freedom for 4.5 million Pennsylvanians – including 1.7 million women and 1.1 million children – who no longer have to fear restrictive and arbitrary lifetime and annual caps

³ U.S. Department of Health and Human Services: “How the Health Care Law is Making a Difference for the People of Pennsylvania.” Available at: <http://www.hhs.gov/healthcare/facts/bystate/pa.html>.

⁴ Small Business Majority and Families USA: “A Helping Hand for Small Businesses: Health Insurance Tax Credits.” Available at: <http://www.familiesusa.org/assets/pdfs/health-reform/Helping-Small-Businesses.pdf>.

⁵ U.S. Department of Health and Human Services: Estimate of the number of uninsured young adults who are eligible to remain on their parents' plan is from interim final rules for the dependent coverage provision (May 13, 2010), distributed across the states based upon the proportion of all uninsured young adults (ages 19-25) in the U.S. living in the state. Available at: <http://www.hhs.gov/healthcare/facts/bystate/pa.html>.

⁶ U.S. Department of Health and Human Services, Center for Medicare and Medicaid Services (CMS) Report: “The Affordable Care Act: A Stronger Medicare Program.” Available at: <http://www.cms.gov/apps/files/Medicarereport2012.pdf>.

⁷ The Center for Consumer Information & Oversight (CCIIO), Centers for Medicare & Medicaid Services (CMS). “2012 MLR Rebates by State and Market.” Available at: <http://www.cms.gov/CCIIO/Resources/Data-Resources/Downloads/2012-mlr-rebates-by-state-and-market.pdf>.

shutting off their coverage or forcing a choice between stopping treatment or declaring bankruptcy over medical costs.⁸

And soon – in just 112 days – all Pennsylvanians will enjoy the freedom and feel the security that comes with knowing that affordable health care is within reach, no matter where you work, how much you earn, or if you’ve been sick in the past.

I want to tell you about two of those folks now. Karen and Gary Carpinello live in Waterford, a small town in Erie County. They’ve been married for 33 years, and have 3 children and 6 grandchildren. They call their youngest son, Tony, who’ll turn 11 next year their “little surprise God blessed us with.” Karen and Gary run their own small business – a commercial cleaning company. For the last two years, Karen, at age 52, and Gary, at age 62, have been uninsured.

The couple makes too much money to qualify for Medicaid, but nowhere near enough to afford the prices charged to people with pre-existing conditions. They had been covered through a state health insurance option for people who don’t have access to job-based coverage, called adultBasic, but unfortunately, that was one of the first cuts the new Corbett administration chose to make soon after taking office in 2011.

In addition to high blood pressure, Karen has a torn tibial tendon in her right foot; it’s an incredibly painful injury that requires surgery and up to a year of rehabilitative care to fix. Karen works hard every day, in pain, and sometimes breaks down in tears at the end of the night because the pain is so bad.

Gary has been battling some heart problems that doctors had been regularly monitoring with stress tests – something that he’s now putting off, because the couple can’t afford to pay out of pocket.

Karen worries every day about Gary and all the things he’s forced to put off. She’s scared that if the couple continues to delay treatment, they might not be around to see their young son Tony graduate from high school.

That’s a fear no mom should have, especially one who works as hard as Karen. Thankfully, Karen and Gary won’t have to live in fear much longer. On October 1st, they’ll be able to start looking for coverage in the Health Insurance Marketplace.⁹ They’ll choose from the same plans as all of you. They’ll have quality options that will cover the rehabilitative services that Karen needs to fix her foot, and the preventive care Gary needs to keep his heart healthy. They’ll get a break on costs from new tax credits and cost-sharing reductions. Their coverage will be secure, thanks to new consumer protections that ensure we all get good value for our health care dollars, and that we can count on our coverage being there when we need it.

We are less than a month away from the day the door opens to 1.2 million Pennsylvanians who are sitting where Karen and Gary are today – on the outside of our health care system, looking

⁸ U.S. Department of Health and Human Services, Center for Medicare and Medicaid Services (CMS) analysis of U.S. Census Data. <http://www.hhs.gov/healthcare/facts/bystate/pa.html>.

⁹ The Health Insurance Marketplace is accessible online at: www.healthcare.gov or by phone, 24/7 at: 1-800-318-2596. A special resource line for Small Businesses is available Monday – Friday, 9am – 5pm at: 1-800-706-7915.

in; hoping, praying, waiting to get in. The Affordable Care Act opens that door. Political posturing, partisanship and delays threaten to keep it slammed shut.

Unfortunately, in Pennsylvania, we've seen our Governor, Tom Corbett, work to keep that door slammed shut, and block 1.2 million uninsured Pennsylvanians from feeling the full benefit of the Affordable Care Act.

While the new law gave each state the flexibility and tools to create a marketplace that fosters real competition, offers families and small businesses the best quality choices, and ensures rates are reasonable, Pennsylvania, like several other states chose to reject this opportunity and relinquish its responsibilities to the federal government. Instead of working in the best interest of our Commonwealth, Pennsylvania officials have been slow to implement the Affordable Care Act, delaying and defaulting on key provisions of the law.

Pennsylvania was the 48th state to submit our plan to integrate our IT systems and submitted it after the deadline had passed.¹⁰ We had to have HHS step in and review rate hikes above 10 %, until we finally addressed the issue – enacting legislation that fails to adequately protect small business owners and individuals buying coverage in the small group market from unjustified, excessive rate increases.¹¹ We defaulted on designing an Essential Health Benefits package that would best meet the unique needs of families in our state. All of these decisions have slowed down our ability to best implement the Affordable Care Act in Pennsylvania.

However, the most striking example of Pennsylvania's obstruction of the new law, and the one that carries the most serious consequences – not just for low-income families, but also our state's hospitals and our economy – is Governor Corbett's continued opposition to accepting federal funding to expand Medicaid.

As you know, the Affordable Care Act worked to provide health insurance to individuals earning up to 138% of the federal poverty level¹² by requiring states to expand Medicaid coverage, drawing upon 100% federal funding in the first three years, and 90% after 2019. The Supreme Court ruling, however, derailed those plans, making Medicaid Expansion optional for states. As of today – despite a strong showing of bipartisan support for expanding coverage in our State Senate¹³ chamber, and among states with Republican Governors across the country – Governor Corbett and State House leadership have failed to move forward with Medicaid Expansion.

¹⁰ Getting into Gear for 2014: Briefing, Survey Examine 2013 Data From 50-State Survey of Medicaid and CHIP Eligibility and Enrollment Policies: <http://kff.org/medicaid/event/getting-into-gear-for-2014-briefing-survey-examine-2013-data-from-50-state-survey-of-medicaid-and-chip-eligibility-and-enrollment-policies>

¹¹ Advocates question Pa. bills to review rise in health-insurance rates: http://articles.philly.com/2011-12-07/business/30486335_1_state-insurers-insurance-department-rate-increases

¹² The Patient Protection and Affordable Care Act, signed into law March 2010, allows for Medicaid to be expanded to childless adults making up to 133% of the FPL as in section 1396 a(a)(10)(A)(i)(VIII), but there is a 5% income disregard and so the eligibility guidelines are essentially increased to 138% of the FPL.

¹³ On June 30th, 17 Republicans joined with 23 Democrats in Pennsylvania's State Senate in voting to advance Medicaid Expansion by amending the Welfare Code through House Bill 1075. The roll call vote can be viewed here: http://www.legis.state.pa.us/cfdocs/legis/RC/Public/rc_view_action2.cfm?sess_yr=2013&sess_ind=0&rc_body=S&rc_nbr=232.

I want to be very clear about what's at stake for Pennsylvania in this decision over Medicaid Expansion. The choice Governor Corbett and State House leaders make will determine whether or not our Commonwealth brings in \$43 billion in new federal funding¹⁴ over the next decade; whether or not we create up to 40,000 new, family-sustaining jobs¹⁵ in every region across the state; whether we save money for state taxpayers, or add to the burden of continuing to foot the bill for a broken system that piles nearly \$1 billion in "uncompensated care" onto our community hospitals;¹⁶ and, most seriously – whether or not we leave over 400,000 Pennsylvanians shut out from getting affordable coverage.

Three independent fiscal studies, conducted by the RAND Corporation, the Economy League, and Pennsylvania's Independent Fiscal Office – our state's version of the Congressional Budget Office¹⁷ – confirmed the positive economic impact that accepting new federal funding and moving forward with Medicaid Expansion would have on our state.

Each study shows that even after adjusting for state costs,¹⁸ Medicaid Expansion would result in a net fiscal gain to our state, generating more than \$3 billion in new economic activity each year¹⁹ and saving the state budget dollars we're currently spending on a patchwork system of state-funded insurance programs that leave out nearly half-a-million low-income Pennsylvanians.

There is a steep cost associated with a failure to bring Medicaid Expansion to Pennsylvania. Most glaringly, Pennsylvania taxpayers will be forced to forfeit the opportunity to put the federal tax dollars we've already paid as part of the Affordable Care Act – a law, which, as you all know, has been scored by the Congressional Budget Office as reducing our federal deficit – to work in our state.

Without Medicaid Expansion, there will be no influx of federal dollars into our economy, no new jobs created, no relief for taxpayers, who will continue to foot the bill for a broken system, and no hope for over 400,000 uninsured Pennsylvanians, who are forced to gamble every day with their lives and with their livelihoods.²⁰

¹⁴ Between 2013 - 2022. The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis. John Holahan, Matthew Buettgens, Caitlin Carroll, Stan Dorn The Urban Institute. Full report available at:

<http://kaiserfamilyfoundation.files.wordpress.com/2013/01/8384.pdf>.

¹⁵ THE ECONOMIC AND FISCAL IMPACT OF MEDICAID EXPANSION IN PENNSYLVANIA. Pennsylvania Economy League, Inc., Econsult Solutions, Inc. April 2013. Full report available at:

http://economyleague.org/files/PEL_MEDICAID_EXPANSION_REPORT_FINAL.pdf.

¹⁶ Hospital and Healthsystem Association of Pennsylvania, April 2013: The Economic Impact of Medicaid Expansion on Pennsylvania

Executive Summary of RAND Health Research Report. Available at:

http://www.haponline.org/downloads/HAP_Executive_Summary_of_RAND_Health_Research_Report_April2013.pdf.

¹⁷ An Analysis of Medicaid Expansion in Pennsylvania. The Independent Fiscal Office (IFO) of Pennsylvania. The IFO provides revenue projections for use in the state budget process along with impartial and timely analysis of fiscal, economic and budgetary issues to assist Commonwealth residents and the General Assembly in their evaluation of policy decisions. May 2013. Full report available at:

http://www.ifo.state.pa.us/resources/PDF/Medicaid_Expansion_Report_%20May_13.pdf.

¹⁸ The Economic Impact of Medicaid Expansion on Pennsylvania. Carter C. Price, Julie M. Donohue, Evan Saltzman, Dulani Woods, Christine Eibner for the RAND Health, a division of the RAND Corporation. Full report available at:

http://www.haponline.org/downloads/HAP_RAND_Health_The_Economic_Impact_of_Medicaid_Expansion_on_Pennsylvania_Research_Report_March2013.pdf.

¹⁹ The Economic Impact of Medicaid Expansion on Pennsylvania - RAND Corporation.

²⁰ Kaiser Family Foundation, The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis.

Cheryl Gannon is a health care worker from Washington County, who knows what it's like to roll those dice. She does it every day, even though she works full-time and provides critical services to people with disabilities. Cheryl works as a homecare attendant and makes around \$13,000 a year. The work she does allows her consumer, Ronald, to live independently and with dignity. It is hard work – physically and emotionally demanding – that takes a special person to do.

Unfortunately, Cheryl's employer does not offer insurance. Cheryl worries about what might happen if she gets sick. She can't afford to miss work, and can't afford to get treated. She, like thousands of other working Pennsylvanians, has seen how quickly an accident or illness can bring on financial catastrophe. Last year, Cheryl fell and broke her ribs – an injury that left her unable to work for a month, and facing thousands of dollars in medical debt. Cheryl still doesn't know how or when she'll be able to pay those bills.

Cheryl's fate, like nearly half-a-million Pennsylvanians, is uncertain. Her income of \$13,000 a year barely puts over 100% of the federal poverty level – the line at which tax credits start to help folks afford coverage in the Marketplace. If Cheryl's hours are decreased or if she loses her job and drops below 100% FPL, she won't be able to qualify for Medicaid in Pennsylvania and she won't get any financial help to afford coverage in the Marketplace. She won't face a tax penalty for going uninsured – as the Obama Administration has said that low-income folks in states that don't expand Medicaid won't be penalized if they're unable to afford coverage – but she'll once again be forced to gamble with her health and her livelihood.

For now, Cheryl is counting down the days until she can enroll in a plan in the Marketplace and praying that Governor Corbett and State House leaders will move forward with Medicaid Expansion, so her coverage will be secure, no matter what her economic situation is.

This is the fundamental opportunity in the Affordable Care Act: the chance to make our future secure; the chance for us as working families and small business owners to be in control. We know there will be bumps along the way, as there always are with any new, major piece of legislation. Medicare and Social Security didn't enjoy a perfect roll-out; there were challenges, tweaks and changes along the way. But overall, we all worked together to make those laws work for the American people. That's what we need to do today.

The Affordable Care Act has already made the lives of millions of Pennsylvanians better, and, if we get out of the way and let it work, this law will open the door to stable, quality, affordable health care for 1.2 million of our uninsured neighbors. Too many lives and too many livelihoods are on the line to keep that door shut. Thank you for hearing our concerns and allowing us to testify today.