

**STATEMENT OF**

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**ON**

**AFFORDABLE CARE ACT IMPLEMENTATION**

**BEFORE THE**

**U. S. HOUSE ENERGY & COMMERCE COMMITTEE**

**SUBCOMMITTEE ON HEALTH**

**DECEMBER 11, 2013**

**Testimony of Kathleen Sebelius**  
**U.S. Department of Health and Human Services**  
**on Affordable Care Act Implementation**  
**House Committee on Energy & Commerce**  
**Subcommittee on Health**  
**December 11, 2013**

Good morning, Chairman Pitts, Ranking Member Pallone, Chairman Upton, Ranking Member Waxman, and Members of the Committee. On October 1<sup>st</sup>, we launched one of the key provisions of the Affordable Care Act—the new Health Insurance Marketplace, where people without health insurance, including those who cannot afford health insurance, and those who are not part of a group plan, can go to get affordable, quality health coverage. Consumers can access the Marketplace in several ways—through a call center, by filling out a paper application, with the help of in-person assistance, or by going online and filling out an application on HealthCare.gov.

**Improvements Made to HealthCare.gov**

In October, far too many consumers who visited HealthCare.gov had an unacceptable user experience. Consumers were experiencing slow response times and frequent, inexplicable error messages. The website experienced frequent unplanned outages.

In mid-October, we conducted an assessment of the site HealthCare.gov. The assessment was conducted by experts from across the government and private sector. The assessment determined that the root causes for the site's flaws included hundreds of software bugs and insufficient hardware and infrastructure. The system monitoring and response mechanisms were not sufficient for identifying issues or bugs or responding to them in real time. The team identified the problems and necessary fixes and determined that HealthCare.gov was fixable through significant technical improvements, changes to the management approach, and a relentless focus on execution of necessary improvements.

Improving the user experience for HealthCare.gov required a deeper real-time analysis of the system, additional technical expertise, and a strong management structure to prioritize and develop metrics for system fixes. The Centers for Medicare and Medicaid Services (CMS) appointed QSSI – with its deep management expertise – as the General Contractor and Systems Integrator to coordinate all activities with CMS and other contractors. With one central command structure and a more streamlined process for facilitating real-time, data-based decision making, the team has implemented high-performance management practices and completed high-priority fixes.

Newly-installed technical monitoring instruments have allowed for constant, real-time analysis of site performance. With this new management structure and continuous data on the performance of the system, the team now has the capacity to rapidly respond to any incidents and to better understand root causes.

Over the last five weeks, we have made substantial progress in improving HealthCare.gov and getting the system to where it needs to be: hundreds of software fixes, hardware upgrades and continuous monitoring have measurably improved the consumer experience; site capacity is stable at its intended level; operating metrics are greatly improved; and high activity levels demonstrate the site is working for the vast majority of consumers.

While there is more work to be done, the team is operating with velocity and effectiveness that matches high performing private sector organizations. The team will continue to improve and enhance the website in the weeks and months ahead.

The new management system and instrumentation have helped improve site stability, lower the error rate to less than 1 percent, increase capacity to allow 50,000 concurrent users to simultaneously use the site and for 800,000 or more consumers to visit the site daily, and will help drive continuous improvement on the site. While we strive to innovate and improve our outreach to consumers, we believe we have created a system that now works smoothly for the vast majority of Americans seeking quality, affordable healthcare coverage.

## **Expanding Access to Affordable Coverage through the Health Insurance Marketplace**

The new Marketplace enables people without health insurance, including those who cannot afford health insurance and those who are not part of a group plan, to finally start getting quality, affordable coverage.

The idea of the Marketplace is simple. By enrolling in private health insurance through the Marketplace, consumers effectively become part of a statewide group that spreads risk between sick people and healthy people and between young and old. Because we have created competition where there was not competition before, insurers are eager for new business, and have created new health care plans with more choices and affordable premiums.

During the first reporting period of the Health Insurance Marketplace's Open Enrollment, which spanned October 1 through November 2, 106,185 individuals selected plans from the Marketplace, and another 975,407 had applied and received an eligibility determination, but had not yet selected a plan.

In addition to the more affordable rates resulting from competition among insurers, insurance affordability programs, including premium tax credits and cost-sharing reductions, will help significantly reduce the monthly premiums and cost-sharing paid by many eligible individuals and families. Premium tax credits may be paid in advance and applied to the purchase of a qualified health plan through the Marketplace, enabling consumers to reduce the upfront cost of purchasing insurance. The cost-sharing reductions will lower out-of-pocket payments for deductibles, coinsurance, and copayments for many of these consumers. A recent RAND report<sup>1</sup> indicated that, for the average Marketplace participant nationwide, the premium tax credits will reduce out-of-pocket premium costs by 35 percent from their unsubsidized levels.<sup>2</sup>

CBO has projected that about eight in 10 Americans who obtain coverage through the Marketplace will qualify for assistance to make their insurance more affordable, an estimated

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<sup>1</sup> [http://www.rand.org/content/dam/rand/pubs/research\\_reports/RR100/RR189/RAND\\_RR189.pdf](http://www.rand.org/content/dam/rand/pubs/research_reports/RR100/RR189/RAND_RR189.pdf)

<sup>2</sup> This is a simple calculation based on Figure 6 of the RAND study, available at the link above.

20 million Americans by 2017.<sup>3</sup> A family's eligibility for these affordability programs depends on its family size, household income, and access to other types of health coverage.

### **Other Benefits of the Affordable Care Act**

It is important to remember that the Affordable Care Act does much more than make affordable insurance available through HealthCare.gov. Most Americans—85 percent—already have health coverage through an employer-based plan or a public program such as Medicare, Medicaid, or the Children's Health Insurance Program (CHIP). For these Americans, the Affordable Care Act provides new benefits and protections, many of which have been in place for some time. For example, because of the Affordable Care Act, 3.1 million young adults have gained coverage through their parents' plans. Since the Affordable Care Act was enacted, more than 7.3 million seniors and people with disabilities who reached the coverage gap—known as the “donut hole”—in their Medicare Part D (Medicare Prescription Drug Coverage) plans have saved \$8.9 billion on their prescription drugs, an average of \$1,209 per person since the program began. During the first 10 months of 2013, nearly 3.4 million people nationwide who reached the donut hole have saved \$2.9 billion, an average of \$866 per beneficiary. These figures are higher than at this same point last year, when 2.8 million beneficiaries had saved \$1.8 billion for an average of \$677 per beneficiary. Because of the Affordable Care Act, millions of Americans can receive recommended preventive care like mammograms at no additional cost. The law has made it illegal for health insurance companies to simply deny insurance to any applicant with a pre-existing condition. And insurers cannot charge any more for that applicants' health insurance than they would any healthy applicant.

Last week, we released a report showing that over 1.46 million people were determined eligible to enroll in Medicaid or CHIP in the month of October through state Medicaid and CHIP agencies and through State-based Marketplaces. Since October 1, when the new Health Insurance Marketplaces opened, we've been hearing about those who are enrolling in Medicaid and CHIP coverage every day. In October, in states that are fully participating in the expansion

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<sup>3</sup>[http://www.cbo.gov/sites/default/files/cbofiles/attachments/44190\\_EffectsAffordableCareActHealthInsuranceCoverage\\_2.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/44190_EffectsAffordableCareActHealthInsuranceCoverage_2.pdf)

of Medicaid coverage made possible by the law, we've seen a more than 15 percent jump in applications compared to the average monthly enrollment in July through September. In Oregon, for example, a Medicaid eligibility expansion will help cut the number of uninsured people by 10 percent. As a result of the state's enrollment efforts over the last few weeks, 56,000 more Americans will now have access to affordable health care. This shows that low-income Americans have a real need and desire for coverage.

The Affordable Care Act is also holding insurers accountable for the rates they charge consumers. For example, insurance companies are now required to justify a rate increase of 10 percent or more, shedding light on unnecessary costs. Since this rule was implemented,<sup>4</sup> the proportion of rate filings requesting insurance premium increases of 10 percent or more has plummeted from 75 percent in 2010<sup>5</sup> to an estimated 14 percent in the first quarter of 2013,<sup>6</sup> saving Americans an estimated \$1.2 billion on their health insurance premiums.<sup>7</sup> These figures strongly suggest the effectiveness of review of rate increases.

The rate-review program works in conjunction with the so-called 80/20 rule (or Medical Loss Ratio rule),<sup>8</sup> which generally requires insurance companies in the individual and small group markets to spend at least 80 percent of premiums on health care and quality improvement activities and no more than 20 percent on administrative costs (such as executive salaries and marketing) and profits. In the large group market (generally coverage sold to employers with more than 50 employees), insurers must spend at least 85 percent of premiums on medical care and quality improvement activities. If insurers fail to meet their medical loss ratio requirement, they must provide rebates to their customers.

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<sup>4</sup> Health Insurance Rate Review – Final Rule on Rate Increase Disclosure and Review:

<http://www.gpo.gov/fdsys/pkg/FR-2011-05-23/pdf/2011-12631.pdf>

<sup>5</sup> <http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/rate-review09112012a.html>

<sup>6</sup> <http://aspe.hhs.gov/health/reports/2013/rateIncreaseIndvMkt/rb.cfm>

<sup>7</sup> [http://aspe.hhs.gov/health/reports/2013/acaannualreport/ratereview\\_rpt.cfm](http://aspe.hhs.gov/health/reports/2013/acaannualreport/ratereview_rpt.cfm)

<sup>8</sup> Medical Loss Ratio Final Rule: <https://www.federalregister.gov/articles/2012/05/16/2012-11753/medical-loss-ratio-requirements-under-the-patient-protection-and-affordable-care-act>

New rules will help make health insurance even more affordable for more Americans beginning next year.<sup>9</sup> Individual and small employer health insurance plans will be prohibited from charging higher premiums to applicants because of their current or past health problems or gender, and will be limited in how much more they can charge Americans based on age.

## **Conclusion**

The Affordable Care Act is more than a website. In addition to offering uninsured Americans affordable coverage options starting in 2014, the law has already provided new benefits and protections to Americans with health insurance. We are committed to continually improving the experience for consumers using HealthCare.gov so that Americans can easily access the quality, affordable health coverage they need, and that the Affordable Care Act fully delivers on its promise.

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<sup>9</sup> Health Insurance Market Rules: <http://www.gpo.gov/fdsys/pkg/FR-2013-02-27/pdf/2013-04335.pdf>