

HOUSE COMMITTEE ON WAYS & MEANS: RISING HEALTH INSURANCE PREMIUMS UNDER THE AFFORDABLE CARE ACT

EXECUTIVE SUMMARY

Yesterday, the House Committee on Ways and Means convened a full committee [hearing](#) on rising health insurance premiums in the Exchanges created under the Affordable Care Act (ACA). The hearing was starkly partisan, as Republican members framed the rate increases and other issues as failings of the underlying law, while Democrats insisted that the hearing was called only for political reasons, prior to the national conventions. In his [opening statement](#), Chairman **Kevin Brady (R-TX)** said, “the truth about this law is that it has never expanded access to affordable, high-quality healthcare of an individual’s choosing – and it never will.” He noted that House Republicans recently released “a detailed, credible plan for repealing the ACA and bringing patient-focused care back to the American people.” Ranking Member **Sander Levin (D-MI)** stated that the purpose of the hearing was to bring the campaign message of the Republican party against the ACA into the halls of Congress.”

PANEL TESTIMONY

Members heard from a panel of four witnesses:

- **Joel White, President of the Council for Affordable Health Coverage (CAHC)** – Mr. White said, “CAHC is concerned health costs are too high and rising too fast.” He stated that premiums are increasing about three times faster than wages, and that as a result, the typical family will spend more than 50 percent of their income on healthcare by 2030. Mr. White cited a number of reasons for the increases following ACA implementation, including: a risk pool that is “smaller, older, and sicker than originally expected;” cost-sharing requirements that are too high; and that consumers are not choosing to buy Exchange plans at the prices they’re being offered. In his [written testimony](#), Mr. White outlined 13 policy recommendations centered on improving consumerism and transparency, creating additional flexibility in benefit design, and addressing the underlying cost drivers of medical care.
- **Christopher Condeluci, Principal, CC Law & Policy PLLC** – Former Counsel to the Senate Finance Committee during the drafting of the ACA, Mr. Condeluci now provides legal counsel and policy analysis regarding the impact of the ACA on employer and insurance stakeholders,

in his private practice. He identified for Members three major factors he believes are contributing to rising premiums, including certain statutory requirements, implementation decisions made by the Obama Administration, and what he called the “failure of the individual mandate.” Mr. Condeluci provides technical explanations of each point in his [written testimony](#), as well as a discussion of the ACA’s three risk stabilization programs. In concluding his oral statement, Mr. Condeluci told the Committee that each of the points he highlighted are “solvable problems.”

- **Tom Harte, President of Landmark Benefits, NH** – Mr. Harte appeared on behalf of the National Association of Health Underwriters (NAHU), a professional association representing approximately 100,000 employee benefit professionals. His [testimony](#) served to highlight for Members trends in health coverage among small employer plans, namely a marked reduction in benefits and significant growth in deductibles. He noted that the success of the ACA in bringing down the uninsured rate does not account for the rise in people that would be considered “underinsured.” Employers have been forced to move toward higher deductible plans with fewer benefits in order to maintain an affordable premium, he said. Like others, he emphasized that the skyrocketing costs of healthcare are driving rate increases and that the Committee must focus also on transparency of costs.
- **Peter Lee, Executive Director of Covered California** – Mr. Lee’s [testimony](#) struck a more positive tone regarding the success of the law and the State-based Exchange in California, Covered California. “The ACA is working on many levels,” he said. Mr. Lee argued that the law has actually slowed rate increases, noting that before the ACA, consumers often saw double digit rate increases yearly, and that now consumers can shop around. He said California has “the healthiest risk pool in the nation,” and shared some of the outreach practices and plan requirements they’ve implemented.

MEMBER DISCUSSION

Topics of discussion included:

- **Risk Pools** – Chairman Brady asked the panelists to expand on their testimony regarding the lower-than-expected rate of enrollment and the effect on ACA risk pooling. Mr. White suggested that the primary cause of low-enrollment is high cost. Mr. Condeluci added that the transitional policy offered by the Administration and adopted in 35 to 40 states allowed certain employers to keep their existing ACA-noncompliant health plans, effectively keeping some consumers from switching to the Exchanges. He said the population choosing to pay a tax penalty over buying into Exchange coverage are largely the young and healthy, who are needed to offset the costs of older, sicker consumers who utilize more services.

Mr. Condeluci and Mr. White each advocated for the idea that carriers be allowed more flexibility to design plans targeted at different populations, through the loosening of certain

regulations like minimum essential coverage requirements. Mr. Condeluci said insurers are being forced to cover services that many people don't want or need.

Mr. Lee highlighted California's efforts at outreach, education, and sales to bring younger and healthier people into the pool. "Insurance doesn't sell itself," he said, noting that they've established more than 500 storefronts across the state, run by insurance agents and brokers who want to use the platform to sell their product. The state has invested millions in marketing the exchange, which he said has been very successful. "It takes time to change from a culture of coping... to a culture of coverage," he added.

- **Access to Fewer Plans and Providers** – Mr. White told the Committee that according to the Kaiser Family Foundation, up to 650 counties or more in the U.S. will have access to only one Exchange health plan. Rep. **George Holding (R)** later added that, in his state of North Carolina, there is the possibility that 60 counties "may be left without a single ACA plan." Mr. White said this trend is worsening, particularly in rural areas, and that as competition decreases in these areas, premiums will continue to increase.

Additionally, many members noted that constituents are having trouble accessing their preferred doctors or needed specialists once enrolled on certain plans. Rep. **Sam Johnson (R-TX)** said its becoming all too common for insurers to narrow their provider networks in order to keep costs down. Mr. White called this a "logical response to the constraints of the law." Again advocating for increased flexibility in benefit design, Mr. Condeluci offered the counterpoint that some consumers may not mind "handcuffing themselves to a particular provider or network," if it means a more affordable plan.

- **Healthcare Costs** – Almost all of the panelists pointed to healthcare costs as an underlying driver of premium increases. Mr. Harte said, "insurance is expensive because healthcare is expensive," and said that, for employers, transparency, wellness initiatives, and preventive care are the only effective long-term solutions. Many Democratic Members agreed on this point, noting that rising healthcare costs and premium rates predated implementation of the ACA. Mr. Lee noted, "many of the problems we're hearing about are not ACA problems – they're healthcare in America problems."
- **Purpose of the Hearing** – Democrats called into question the purpose of the hearing, suggesting Republican Committee members did not intend to consider policy solutions. Reps. **Charles Rangel (D-NY)** and **Bill Pascrell (D-NJ)** suggested that to address rising premium rates, witnesses from the Administration or HHS should have been called to testify. Reviewing the credentials of the witnesses that were called, Rep. Rangel established that Mr. White, Mr. Condeluci, and Mr. Harte each had either worked for House Republicans previously or had strong ties to the insurance industry. "It would seem to me," he told Chairman Brady, "that these are qualified people representing their constituencies; however, our constituency is not insurance agencies, they're not employers – they're the people trying to access affordable healthcare."

Rep. **Lloyd Doggett (D-TX)** stated that the Administration has faced over 60 attempts to repeal the ACA. The time spent defending against repeal, he said, could have been spent on making substantive changes to the flaws in the law. “That obstructionism has an effect on premiums.” Rep. Pascrell asked the panel if any of them would advocate for full repeal of the law. He asked the Chairman to note that each of the four panelists said no.

- **Public Option** – Several Republican lawmakers, including Rep. **Pat Tiberi (OH)** and **Adrian Smith (NE)** questioned panelists about the failure of the ACA consumer operated and oriented plans (CO-OPs), which Tiberi called “a nod to a public option.” Noting that both President Obama and Sec. Hillary Clinton have renewed calls for a public option health plan in the Democratic platform, Rep. Smith asked if there was any reason to think a public option would have a more successful result than the failed CO-OPs. Mr. White said he thought it was a bad option – that a public option would essentially mean the government coming in to promote competition in markets where the government has already “evaporated” any competition. Rep. **Charles Boustany (R-LA)** said the fact that the President is now calling for a public option plan is a “tacit admission that the market is failing.”