

**STATEMENT OF**

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**ON**

**PREPARING FOR THE SECOND YEAR OF OPEN ENROLLMENT**

**BEFORE THE**

**U. S. HOUSE COMMITTEE ON WAYS & MEANS  
SUBCOMMITTEE ON HEALTH**

**SEPTEMBER 10, 2014**

**House Committee on Ways and Means**  
**Subcommittee on Health**  
**Preparing for the Second Year of Open Enrollment**  
**September 10, 2014**

Good morning, Chairman Brady, Ranking Member McDermott, and members of the Subcommittee. I'm Andy Slavitt, Principal Deputy Administrator of CMS. I joined CMS in mid-July from the private sector, where I spent the last 20 years principally working with physicians, hospitals, health plans, and employers on solutions to problems of health care cost, quality, access and improving the patient experience. In the private sector, I have experience both starting my own health care technology business and operating larger-scale operations with more than 30,000 people. Until late October of last year, I had only peripheral involvement with the Affordable Care Act implementation, when I joined the CMS team as a contractor to help oversee the turnaround effort of the Health Insurance Marketplace. As we prepare for the second year of Health Insurance Marketplace Open Enrollment, CMS is building on our successes and lessons we have learned. I appreciate the opportunity to update you on our progress and our continuing work.

A new wave of evidence points to the clear conclusion that the Affordable Care Act is working to make health care coverage more affordable, accessible and of a higher quality, for families, seniors, businesses, and taxpayers alike.

Thanks to the Affordable Care Act, consumers today enjoy better access to affordable health coverage, stronger protections in the case of illness or changes in employment, and a competitive Marketplace that allows them to choose from and enroll in insurance coverage that is right for them. Millions of people have obtained private insurance coverage in the Marketplace, over seven million children, families, and individuals have gained coverage through Medicaid and CHIP, and more than three million young adults have gained or retained insurance under the Affordable Care Act by staying on their parents' plan. The Marketplace is enrolling people every day and is available when people need it – currently consumers are getting coverage through the

Marketplace when they qualify for a special enrollment period, available to those that lose employer coverage, get married or have a baby, or have other qualifying life events.

As we plan for the second Open Enrollment, including the first opportunity for many consumers to re-enroll in coverage, we are focused on building on the advances made for consumers during the first year. Our focus is on providing consumers more choices for coverage and affordable options, assisting them with selecting the right plans for them, and educating first-time and newly insured consumers about their benefits, their eligibility requirements, and their financial protections.

At the same time we are keenly aware of the challenges we face as a new program of this scale matures, particularly one that faced significant challenges in its first year. It is thanks to the work of a very committed team heeding the lessons of the last year that we will continue to build on the success of the first year of State-based and Federally-facilitated Marketplaces.

### **Affordable Care Act Implementation: Building on Progress in Affordability, Access and Quality**

Recent years have seen historically low growth in overall health spending, and a variety of recent data show that slow growth in health care costs has continued into 2014.<sup>1,2</sup> Preventive benefits, including wellness visits for women and screenings with no cost sharing for Medicare beneficiaries, as well as new incentives to pay doctors and hospitals for improving outcomes, are aimed at improving the quality of the health care that Americans receive.

Thanks to the Affordable Care Act, we are also taking important steps to improve the quality of care for Medicare beneficiaries, while improving Medicare's long-term solvency. More than 8.2 million seniors have saved more than \$11.5 billion on prescription drugs since 2010. Medicare

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<sup>1</sup> Council of Economic Advisers. 2014. "Recent Trends in Health Care Costs, Their Impact on the Economy, and the Role of the Affordable Care Act." *Economic Report of the President*, [http://www.whitehouse.gov/sites/default/files/docs/erp\\_2014\\_chapter\\_4.pdf](http://www.whitehouse.gov/sites/default/files/docs/erp_2014_chapter_4.pdf).

<sup>2</sup> Jason Furman and Matthew Fiedler. "Alongside Expanded Coverage, Underlying Slow Growth in Health Costs Is Continuing," <http://www.whitehouse.gov/blog/2014/05/27/alongside-expanded-coverage-underlying-slow-growth-health-costs-continuing>.

Part B premiums are projected by the Medicare Trustees to be the same in 2015 as they were in 2013 and 2014. Additionally, the Medicare Trustees recently projected that the trust fund that finances Medicare's hospital insurance coverage will remain solvent until 2030, four years beyond what was projected in last year's report.<sup>3</sup> Due in part to reforms in the Affordable Care Act, per capita spending is projected to continue to grow slower than the overall economy for the next several years. In addition, the Congressional Budget Office (CBO) recently released updated projections<sup>4</sup> providing further evidence that Medicare is stronger today than it was prior to the Affordable Care Act, including that the rate of growth in spending is expected to be slower than the rate of growth in beneficiaries in 2014.

The Affordable Care Act benefits Americans broadly, not simply those who are newly insured. Over the past three years, Americans have benefitted from insurance reforms that have already gone into effect, such as allowing adult children up to age 26 to stay on their parents' insurance, eliminating lifetime dollar limits on essential health benefits, and prohibiting rescissions of insurance because someone gets sick.

Now, in 2014, pre-existing conditions no longer preclude individuals from gaining health insurance, and consumers have better access to comprehensive, affordable coverage. Consumers now have the comfort of knowing that if their employment changes or they lose coverage for any reason, they can purchase affordable coverage through the Marketplace—regardless of their personal health history. New protections also ensure that consumers' premium dollars are spent primarily on medical care, rather than on administrative expenses. Since the Medical Loss Ratio program's inception in 2011, its protections have saved consumers an estimated \$9 billion. This year, families will receive an average rebate of \$80 through the program.<sup>5</sup>

The market reforms are effective because they have benefits across the health care system. Reductions in the uninsured rate generally means that doctors and hospitals provide less

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<sup>3</sup> <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/downloads/tr2014.pdf>

<sup>4</sup> [http://cbo.gov/sites/default/files/cbofiles/attachments/45653-OutlookUpdate\\_2014\\_Aug.pdf](http://cbo.gov/sites/default/files/cbofiles/attachments/45653-OutlookUpdate_2014_Aug.pdf)

<sup>5</sup> [http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/Final-MLR-Report\\_07-22-2014.pdf](http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/Final-MLR-Report_07-22-2014.pdf)

uncompensated care, a cost that is often passed along to taxpayers as well as consumers and employers who pay premiums for health coverage. And new pools of people buying insurance means insurers have an opportunity to grow by competing to provide better access to quality, affordable choices, the benefits that consumers are used to in any competitive marketplace. The creation of a successful, viable health insurance market has benefits for all Americans no matter where they get their health insurance.

### *Reductions in the Uninsured Rate*

Several recent reports make clear that the Affordable Care Act is reducing the uninsured rate. A study published in the *New England Journal of Medicine* found that, as compared with the baseline trend, the non-elderly uninsured rate declined by 5.2 percentage points by the second quarter of 2014, a 26-percent relative decline from the 2012–2013 period, corresponding to 10.3 million adults gaining coverage.<sup>6</sup> Using the same underlying data, Gallup found that the adult uninsured rate in the United States fell to 13.4 percent in the second quarter of 2014, representing the lowest quarterly recorded average since the survey began tracking the uninsured rate. According to Gallup, more than half of the newly-insured got their new coverage through the Marketplace.<sup>7</sup> The Urban Institute’s Health Reform Monitoring Survey found a 4.0 percentage-point drop in the uninsurance rate for non-elderly adults between September 2013 and June 2014. The drop corresponds to a 22.3 percent reduction in the uninsurance rate, or a net gain in coverage of approximately eight million adults.<sup>8</sup> Similarly, a Commonwealth Fund survey found that following the Affordable Care Act’s first open enrollment period, the uninsured rate for non-elderly adults declined from 20 percent in July-September 2013 to 15 percent in April-June 2014, or an estimated 9.5 million fewer uninsured adults.<sup>9,10</sup> These

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<sup>6</sup> New England Journal of Medicine, Health Reform and Changes in Health Insurance Coverage in 2014.

<sup>7</sup> After Exchanges Close, 5% of Americans Are Newly Insured, <http://www.gallup.com/poll/171863/exchanges-close-americans-newly-insured.aspx>

<sup>8</sup> Urban Institute Health Policy Center: Health Reform Monitoring Survey: Quicktake: Number of Uninsured Adults Continues to Fall under the ACA: Down by 8.0 Million in June 2014, <http://hrms.urban.org/quicktakes/Number-of-Uninsured-Adults-Continues-to-Fall.html>

<sup>9</sup> The Commonwealth Fund: Tracking Trends in Health System Performance: Gaining Ground: Americans’ Health Insurance Coverage and Access to Care After the Affordable Care Act’s First Open Enrollment Period, July 2014, [http://www.commonwealthfund.org/~media/files/publications/issue-brief/2014/jul/1760\\_collins\\_gaining\\_ground\\_tracking\\_survey.pdf](http://www.commonwealthfund.org/~media/files/publications/issue-brief/2014/jul/1760_collins_gaining_ground_tracking_survey.pdf)

<sup>10</sup> After Exchanges Close, 5% of Americans Are Newly Insured, <http://www.gallup.com/poll/171863/exchanges-close-americans-newly-insured.aspx>

independent surveys all point to the same overarching trend—the success of the Affordable Care Act in lowering the number of uninsured Americans.

Consumers are finding affordable coverage options, a greater choice of plans, and coverage that meets their care needs. The vast majority of consumers who gained private insurance coverage through the Marketplace are paying \$100 or less per month. In fact, nearly half – 46 percent – were able to get covered for \$50 per month or less. For many it was the first time they had a real choice in health plans - during Open Enrollment for the 2014 plan year, consumers could choose from an average of over 40 Marketplace plans.<sup>11</sup> The Commonwealth Fund survey found that nearly two in three of newly covered consumers who went to the doctor or filled a prescription said they would not have been able to afford or access those services were it not for their new coverage, and more than three in four newly-insured consumers expressed satisfaction with their coverage.

### **Affordable Care Act Implementation: Building on Progress and Lessons Learned From Year One**

As we embark on the second Open Enrollment period, CMS is concentrating now on several critical priorities to build on the progress from the first year of operations. We are focused on increasing the value to consumers by continuing to improve the information, plan options, and affordability of the shopping experience. We are working to ensure that consumers satisfied with their current Marketplace coverage can easily reenroll, while continuing our efforts to reach those who are eligible, but not yet enrolled in coverage. We are also addressing the execution and technology lessons we learned during the first open enrollment period with a more disciplined, highly accountable and visible management structure.

#### *Bringing More Value to Consumers in the Marketplace*

Like any marketplace, the Marketplace leverages technology to bring more value, better information and a better shopping experience to consumers. Driven by competition and the

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<sup>11</sup> ASPE Research Brief: Premium Affordability, Competition, and Choice in the Health Insurance Marketplace, 2014, <http://aspe.hhs.gov/health/reports/2014/Premiums/2014MktPlacePremBrf.pdf>

significant demand for health coverage, our goal is to expand health plan options with more affordable premiums for consumers.

The Affordable Care Act has increased competition in the market and offered more plan options to consumers. In the coming year we expect insurers to bring more options to more geographic markets, including in markets where consumers have historically had limited options for coverage. While we are still reviewing the proposed plans to ensure they meet the requirements for participation in the Marketplace, we have seen an increase in the number of insurers seeking to participate in the Marketplace in the 2015 plan year. With more choices in year two, consumers should have an even greater opportunity to find quality health plans that best meets their needs.

As we work to bring greater choice to consumers, CMS is also bringing more value to consumers in the coming year by improving the transparency of provider networks. CMS will hold insurers to a “reasonable access” standard for network adequacy and will identify provider networks that fail to provide access without unreasonable delay, especially in areas that have historically raised network adequacy concerns, such as hospital systems, mental health providers, oncology providers, and primary care. Many health insurers are strengthening their networks, increasing inclusion of Essential Community Providers, and improving access to prescription drugs. We are also working to prevent cost sharing discrimination so that consumers have access to the appropriate services.

CMS is also continuing to monitor consumers’ access to provider directories to help consumers more easily find network providers. Insurers are expected to provide links that connect consumers directly to provider directories specific to a given plan option without needing to log in, enter a policy number, or navigate through various websites. CMS expects insurers to maintain these directories and that they will be kept up to date and will include location, contact information, specialty, medical group, institutional affiliations, and whether the provider is accepting new patients—information consumers need to make informed health plan decisions.

While many are already utilizing their new coverage, we know that many consumers have received coverage for the first time in years – some for the first time ever, so they may need a little extra help in understanding their rights and their new coverage. Our From Coverage to Care initiative helps people with new health care coverage understand their benefits and connect to primary care and the preventive services that are right for them, so they can live a long and healthy life. The goal of the initiative is to help the newly insured navigate the healthcare system, improve their health and insurance literacy, promote patient engagement, and know what services are available in their local community.

For those who are currently enrolled in Marketplace coverage, CMS is working to make the process of renewing coverage as simple as possible. We will encourage everyone to come back to the Marketplace to update their eligibility information and shop for the best coverage option that meets their needs. And for those consumers who are satisfied with their current plans and don't want to change, we will follow the model used by most employers and in the Medicare Advantage and Part D programs, and allow people to automatically re-enroll for the following year without doing anything.

While we know millions have signed up for new coverage, we know more work remains to reach out to those who are not yet covered, to educate them about the benefits of health insurance and to assist them in signing up for plans that fit their needs. We recognize these challenges cannot be managed from Washington alone. One of the lessons we learned over the past year was that one of the most effective ways to get people enrolled is through in-person help in their own communities. In a survey of Marketplace assister programs, including Navigators, in-person assisters, certified application counselors, and others, Kaiser Family Foundation found that assister programs helped an estimated 10.6 million people during the first open enrollment period.<sup>12</sup> We've put a priority on recruiting more organizations to sign up to be Certified Application Counselors and recruiting more local leaders to be in-person assistors. We will also continue working with agents and brokers as they utilize their experience and existing relationships with consumers and small businesses to assist them in enrolling in coverage.

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<sup>12</sup> <http://kff.org/health-reform/report/survey-of-health-insurance-marketplace-assister-programs/>



### *Adding Critical Functionality to Operate the Marketplace*

Significant technological improvements are underway to support the operation of the Marketplace in a more automated fashion and to allow consumers to renew their coverage as seamlessly as possible this year. Building this functionality successfully means ruthlessly prioritizing efforts to execute on critical capabilities, while setting the course for further improvement and development of new functionality in coming years.

Critical focal areas include completing functionality that was targeted for the first year of development, but has not yet been completed, such as more automated back end functionality and launching an online exchange for small businesses and their employees. In addition, we are building the functionality required for renewing members and adding to the infrastructure to better support open enrollment. And we will continue to strengthen our privacy and security protocols to protect consumers' personally identifiable information. As we make these improvements, we are focused on managing our resources efficiently and are conscious of the limited time available for technology development this year.

We have created clear accountability for the leadership of this project. Earlier this year, Secretary Burwell announced a series of organizational changes designed to strengthen the implementation of the Affordable Care Act, including the recent addition of Kevin Counihan as Marketplace Chief Executive Officer, with responsibility and accountability for leading the federal Marketplace and, managing relationships with the state Marketplaces. Most recently, he served as Connecticut's Health Insurance Exchange CEO. Our new leadership structure will improve the discipline and focus of the project, enhance communications, and identify risks throughout the project. Like any project of this size, there will always be ongoing challenges, and we are building an operation better suited to identify and resolve them.

### **Conclusion**

The Affordable Care Act is delivering on the promise of access to high quality, affordable health care coverage, while controlling the growth of health care costs. While the Marketplace is still at

an early stage, we are hard at work building on the successes and lessons learned from the first open enrollment, and look forward to meeting the needs of consumers and insurers as we continue to learn and improve for future years. The transition to a reformed health insurance market will take sustained effort, persistence, and focus from all stakeholders, but CMS is committed to continuing to deliver on the promise of the Affordable Care Act and improving health care access, cost, and quality for all Americans. I thank you for the opportunity to update you on our efforts, and look forward to answering any questions you may have.