

ONE HUNDRED FOURTEENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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October 24, 2016

Mr. Andrew Slavitt
Acting Administrator
Centers for Medicare and Medicaid Services
1500 Security Boulevard
Baltimore, MD 21244

Dear Mr. Slavitt:

Pursuant to Rule X of the House of Representatives, the Committee on Energy and Commerce is continuing its oversight of the Patient Protection and Affordable Care Act (PPACA).

Despite its name, the so-called Affordable Care Act has not made health care more affordable for patients and their families. Premiums and deductibles across the country are rising, and more and more Americans are expressing dissatisfaction with their health care insurance plans. A recent analysis found that for benefit year 2017, premiums are projected to increase by nearly 24 percent on average for PPACA-compliant plans.¹ In five states, the average premium increase for approved exchange plans is over 30 percent.² And in Pennsylvania, the approved premium increase for the exchange market leader is over 50 percent.³

At a joint hearing on Wednesday, September 14, before Subcommittee on Health and the Subcommittee on Oversight and Investigations, you testified about the challenges of rising premiums on plans offered through the PPACA exchanges. In your prepared remarks, you stated that premiums charged by exchange health plans are lower than the Congressional Budget Office's (CBO) initial projections. Citing a study conducted by scholars at the Brookings

¹ <http://healthexec.com/topics/policy/analysis-insurers-asking-24-percent-hike-premiums-aca-compliant-plans>

² <http://www.wsj.com/articles/rate-increases-for-health-plans-pose-serious-test-for-obamas-signature-law-1476822335>

³ <http://www.wsj.com/articles/rate-increases-for-health-plans-pose-serious-test-for-obamas-signature-law-1476822335>

Institution, you stated that “Marketplace premiums are currently 12 percent to 20 percent lower than CBO predicted when the Affordable Care Act was enacted.”⁴

It is important to note that CBO’s 2010 enrollment projections were skewed, estimating that 21 million individuals would enroll in 2016.⁵ In reality, effectuated enrollment for the first half of 2016 was 10.4 million – roughly half of CBO’s earlier projection.⁶ Regardless of CBO’s initial projections, premiums for PPACA-compliant plans continue to rise. In response to rising premiums, you noted that most individuals with PPACA exchange plans qualify for federal subsidies, so higher premiums will have less of an impact:

[A]s the market adjusts, the Marketplace is designed to protect most consumers from large rate increases. As a result of financial assistance and the ability to shop around, the vast majority of HealthCare.gov consumers could still choose plans for less than \$75 per month even if all plan premiums rose substantially next year.⁷

Approximately 84 percent – over eight out of every ten patients – who purchase health coverage on the PPACA exchanges qualify for federal tax credits that lower their monthly premiums.⁸ In other words, when insurers raise monthly premium rates for benchmark plans, the federal taxpayer must pay the difference. Perhaps it would have been more accurate for you to testify that patients will not see the premium increase because taxpayers will pay the higher bills in the form of higher subsidies.

While the Administration continues to focus on premium “affordability,” it ignores the undeniable fact that federal taxpayers are subsidizing these premium increases through tax credits. The Committee is concerned that the federal taxpayer continues to bear the burden of subsidizing the growing cost of health care insurance.

Accordingly, the Committee requests that CMS provide to the Committee with estimates of the amount of taxpayer dollars that will be spent to subsidize the cost of rising premiums, by November 7, 2016. Specifically, this projection should compare approved 2016 rates and enrollment estimates with 2015 rates and effectuated enrollment.

If you have any questions regarding this request, please contact Emily Felder or Adam Buckalew of the majority committee staff at (202) 225-2927.

Sincerely,


⁴ <http://kff.org/health-reform/perspective/how-aca-marketplace-premiums-measure-up-to-expectations/>

⁵ Brian Blase. *Obamacare Enrollment Year 3 Summary—Increase in Mandate Penalty Has Not Improved Risk Pools*, FORBES, Mar. 16, 2016.


⁶ <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-10-19.html>

⁷ <http://docs.house.gov/meetings/IF/IF02/20160914/105306/HHRG-114-IF02-Wstate-SlavittA-20160914.pdf>

⁸ <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-10-19.html>



Fred Upton
Chairman



Joseph R. Pitts
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