



January 5, 2011

The Honorable John Boehner
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Boehner:

When President Obama took office in 2009, 50 million people had no health insurance. Tens of millions more Americans had an illness or injury that insurance companies could use as an excuse to raise their rates, limit their coverage, or drop them from coverage altogether. Over the last decade, the cost of health insurance coverage more than doubled, leaving families, businesses, and entire industries struggling to cope with steadily rising premiums.

The Affordable Care Act has begun to address these challenges by giving Americans more freedom in their health care choices. It offers choices to families who need health care for their children, to small businesses that want to offer health insurance to attract the best employees, to older Americans who now can count on Medicare for more affordable prescription drugs, and to all Americans who need preventive care and portability in their health insurance coverage if they need to change jobs. Today, families are free from worrying about losing their insurance, or having it stop paying unexpectedly, if costs are high due to an accident or illness. The Affordable Care Act also helps free our children from future debt and reduces the federal deficit by a trillion dollars over the next two decades by cracking down on waste, fraud and abuse, and by stopping billions in unfair and irresponsible subsidies to insurance companies.

With the enactment of the Affordable Care Act in March 2010, we began to address these challenges. We started to put the American people back in charge of their health care by requiring insurance companies to be more transparent and accountable for their costs and actions, ending many of the worst insurance industry abuses, improving the quality of care and lowering costs. Over the last nine months, our Departments have been implementing many of the law's most important reforms – from tax credits for small businesses to help them purchase coverage for their employees, to ensuring that young

adults up to age 26 can stay on their parents' policies if they do not have coverage of their own.

As we begin a new year, we want to highlight some of the ways Americans are already benefiting from the law and preview some of the important steps we will be taking to make health insurance and health care work better for the American people as implementation continues in 2011.

Unlocking the insurance market for everyone

Too many Americans have been locked out of the health insurance market because of unaffordable premiums or a pre-existing health condition. In the past, insurers rejected hundreds of thousands of applicants each year due to pre-existing conditions and priced individuals and small businesses out of the market because they lacked the purchasing power of larger employers. Under the Affordable Care Act, that has begun to change.

Americans with pre-existing conditions are finally able to get the care they need by enrolling in the new Pre-Existing Condition Insurance Plan (PCIP) programs created under the law, and available in all 50 states, to help provide them affordable coverage until 2014, when insurers are prohibited from discriminating against individuals of any age because of a pre-existing condition. And because of the new law, new and group health plans are now banned from denying coverage to children up to age 19 because of a pre-existing condition. These provisions are already making a difference in the lives of thousands of Americans like Gail O'Brien from Keene, New Hampshire, who was diagnosed last year with high grade non-Hodgkin's lymphoma and can now afford her treatments thanks to her State's PCIP program. And Dawn Josephson from Jacksonville, Florida, who now has the security of knowing that her young son may not be excluded from her insurance policy because of a recent eye surgery.

Prior to the Affordable Care Act, millions of young adults went without health insurance because their jobs did not offer it or they were dropped from their parents' coverage due to age or graduation from college. Today, more than 2 million young adults up to age 26 are able to stay on a parent's health insurance policy when they cannot get coverage of their own. That provides them – and their parents – with the peace of mind that they are protected against the bankrupting costs of illness and injury. This provision is already helping to make needed coverage available to young adults like Morgan Banning of Lawrence, Kansas, who has diabetes and would have been priced out of the individual market, but can now stay on her stepfather's insurance until she turns 26.

Making insurance affordable

Under the Affordable Care Act, beginning in 2014, all Americans will have access to affordable coverage that may not be taken away from them due to an illness or injury. Competitive State-based Exchanges where people have private insurance choices will be created, thereby allowing individuals and small business owners to get insurance at rates

comparable to those charged to large employers, reducing the premiums individuals face by 14 to 20 percent according to the Congressional Budget Office. We have been working closely with states to provide them with the resources – technical and financial – that will lead to the creation of competitive Exchanges that fit each of their health care systems and markets. This Administration has already provided each of the 48 states that applied for funding, and the District of Columbia, with critical resources for planning and the opportunity to compete for additional grants to build path-breaking information technology systems that can help all states reduce costs. We are in frequent conversations with state leaders to answer their questions and are facilitating the sharing of ideas among states. Many states are already making good progress toward setting up these competitive insurance markets.

Many small businesses are already taking advantage of the new Small Business Health Care Tax Credits to make coverage for their employees more affordable. We have notified nearly four million small businesses and non-profit organizations that they may be eligible to receive these new tax credits. These credits began last year providing up to 35 percent of an employer's insurance costs – rising to as much as 50 percent of such costs in 2014. As you know, small businesses are the backbone of our economy and major sources of job creation. These tax credits will allow them to expand and compete, and are already making a difference. Blue Cross Blue Shield of Kansas City, the largest insurer in the Kansas City, Missouri area, has promoted the new Small Business Health Care Tax Credits aggressively in its market, and reports that it has seen a 58 percent increase in the number of small businesses buying insurance since April, 2010.

For large employers, the reform law's Early Retiree Reinsurance Program is providing much-needed financial relief and stability for employers so that they can continue to offer health benefits to early retirees who are not yet eligible for Medicare. More than 5,000 businesses, unions, states, local governments, and non-profit organizations in all 50 states are participating in the program to help keep coverage available to hundreds of thousands of retired workers ages 55 to 64 and their families.

Transparency and accountability bring new restraint in premiums

The new law also brings a new level of transparency and accountability to the health insurance market. Over the past decade, premiums rose 131 percent even as deductibles and other consumer out-of-pocket payments increased substantially. Too often, insurance companies had free rein to increase rates on consumers with no recourse or accountability. Only 26 states and the District of Columbia permit legislatures and oversight commissions to review and reject premium increases that they find excessive or unjustified. And even in these states, a lack of resources often hampers them in using this authority to protect consumers.

Thanks to the new law, that is beginning to change. The Affordable Care Act makes \$250 million available to states to enhance their rate review procedures so they can better protect consumers and stop unreasonable premium hikes from taking effect. In 2010, 46

states and the District of Columbia received a share of these resources and are already using the new funds to make more information about premiums available to the public and to get the authority they need to review insurance rate increases and identify those that are unreasonable.

There is clear evidence that rate review works. States like Washington and Maine have strong review laws that have been effective in protecting their residents from out-of-control premium increases. And Connecticut regulators recently rejected a proposed 20 percent rate increase that the State determined was unjustified and excessive. That action saved 48,000 consumers from higher premiums.

The Affordable Care Act also brings new transparency to the health insurance market by requiring new insurance plans to publicly justify any unreasonable premium increases. Under new proposed rules, if an insurance company were to try to raise rates by 10 percent or more, they would be required to post and justify those hikes to state or federal regulators. If the increases were found to be unreasonable, the insurer would have to publicly disclose on its own website, as well as HealthCare.gov, its reasons for the increase.

New medical loss ratio rules require insurers to spend at least 80 to 85 percent of insurance premium dollars on health care and quality improvement efforts instead of things like marketing and CEO bonuses. Those that fail to do so must reduce premiums or send rebates to their customers. Insurers' medical loss ratios will be posted on www.HealthCare.gov so that Americans can know exactly what they are getting for their health insurance dollar.

These new protections are already producing savings for American families and small business owners. At least two major insurers have announced plans to reduce their rates for 2011 in order to meet the new medical loss ratio requirements. Others are reducing their fixed costs in order to redirect more premium dollars toward care. In response, other plans have indicated that they will cut their premiums in order to remain competitive.

Perhaps the strongest indication that these new rules are having a positive impact on consumers' costs can be found in California, where the State's largest insurer has proposed a 9.8 percent rate increase for 2011, just a year after trying to raise rates on these same policies by a whopping 39 percent.

Competition is increasingly replacing confusion in the health insurance market as the American people become better informed consumers. A new resource – www.HealthCare.gov – helps consumers see all insurance options, private and public, available to them in one place. Consumers can compare different plans' pricing and benefit information, which helps keep prices low through increased competition and transparency. Already more than three million people have used the site, and that figure

is growing every month. The site is also available in Spanish at www.CuidadoDeSalud.gov.

New rights for Americans with health insurance

Thanks to the new law, many of the insurance industry's worst abuses are history, and other unfair practices are on their way out. For too long, our health insurance market has failed even those with health insurance coverage. Too many Americans have been at the mercy of insurance companies that could do as they pleased, knowing that many of their customers had no better options.

The new law's Patient's Bill of Rights, which took effect for plans beginning September 23, 2010, has helped put the American people and their doctors back in charge of their care. Insurance companies may no longer rescind someone's coverage when they get sick, and use an unintentional error in the policyholder's paperwork as an excuse for the rescission. And insurance companies may no longer impose lifetime dollar limits on benefits to avoid paying claims after an individual gets sick. The Affordable Care Act will protect the tens of thousands of Americans who would have reached such a threshold this year because of the costs associated with a serious health condition like cancer. And annual dollar limits on essential health benefits in most plans are phasing out and will be totally eliminated by 2014.

Americans signing up for new private plans this year can now have their choice of any available doctor in their network for primary care, and they have the freedom of going to the closest emergency room, regardless of whether it is out of their network. Women in such plans no longer need a referral to see an OB/GYN. Americans in new plans will now receive preventive services like mammograms, colonoscopies, immunizations, and pre-natal and new baby care without being charged a deductible, co-payment or co-insurance. Additionally, consumers in new plans also have the right to appeal decisions made by their insurance company to an independent third party. Now, for the first time ever, these appeals must conform to a set of uniform minimum consumer protections that ensure fairness to the consumer.

Strengthening Medicare

The Affordable Care Act strengthens Medicare with new benefits, new protections, and improved financial solvency for an additional 12 years. Over the next decade, beneficiaries are projected to save an average of \$3,500 each. Affordability will be improved in large part because of policies to coordinate care, promote quality, and advance efficient models of care delivery – putting patients at the center of a high-performing system. The law also calls for fiscal discipline, with independent estimates showing it will reduce the deficit by a trillion dollars over the next two decades by cracking down on waste, fraud, and abuse; controlling unnecessary costs in Medicare; and stopping hundreds of billions of dollars in unfair and irresponsible subsidies to insurance companies.

Nearly three million seniors and people with disabilities who reached the prescription drug coverage “donut hole” in 2010 have already received a tax-free \$250 rebate check to help them afford their medications. In 2011, beneficiaries who reach the donut hole will get a 50 percent discount on all covered name-brand prescription drugs. And in 2020, the donut hole will be closed completely. Starting on January 1, 2011, Medicare beneficiaries will receive important preventive services such as mammograms with no out-of-pocket costs, and can take advantage of a new annual wellness visit to make sure they are getting all their preventive care services on time as well as have their blood pressure, blood sugar, and cognitive abilities checked regularly by their doctor.

The law also brings under control the excessive payments that the Medicare Advantage program has paid to private insurers, which receive \$1,000 more per beneficiary on average than traditional Medicare spends per beneficiary. Payments will now begin to track more closely with costs in traditional Medicare. In 2011, Medicare Advantage premiums will be slightly lower on average even as seniors enjoy new benefits like the annual wellness visit. And despite dire predictions by some, the Medicare Advantage plans themselves project a 5 percent growth in the number of Medicare beneficiaries enrolled in these plans.

The Affordable Care Act is one of the toughest anti-fraud laws in Medicare’s 45-year history. Since President Obama took office, we have recovered more than \$2.8 billion for the Medicare Trust Funds and reached an all-time high in the number of fraudsters charged and indicted. Thanks to the new law, our efforts can be expanded dramatically. Under the new law, we are strengthening provider screening requirements and imposing tough penalties on criminals who steal taxpayer dollars from our health care system. We are also providing \$350 million in additional resources to support federal, state, and local anti-fraud efforts such as hiring new agents and increasing site visits. And we are using new technologies to help us prevent fraud before it happens, such as sharing data with all levels of law enforcement.

Improving Americans’ health

We are helping the American people stay healthy through investments in preventive and primary care. As mentioned above, under the Affordable Care Act, new health plans must cover recommended preventive services – including mammograms and other cancer screenings, immunizations, pre-natal care, and blood pressure control – without any cost-sharing by consumers. Furthermore, states have new resources to support prevention and wellness programs that can help people stay healthy and keep them out of the hospital.

To make sure patients have access to the doctors, hospitals, and clinics they need, we have invested nearly \$3 billion in community health centers, and \$250 million over and above Recovery Act investments to help train 16,000 new primary care providers by 2015.

Looking ahead

As we have worked to implement this law over the last nine months, we have heard over and over again from Americans who live in fear of losing their health insurance coverage or have to choose between a visit to the doctor and paying their grocery bill. They, like so many others, need this new law, and they need us all to work together to make sure they can take advantage of all that it has to offer.

If the Affordable Care Act were repealed as some have proposed, the individuals we have heard from plus the millions of families, seniors, other individuals, and small businesses already helped would lose this support and these protections. We urge you to consider all that this law has already done to improve the health and financial security of so many Americans – and what it will mean to hundreds of millions of more in the next several years – as you evaluate any proposal that would set the Nation back on a path to higher costs and skyrocketing premiums, less competition, and fewer consumer protections against industry abuses.

Since March, we have made great strides toward a health care system that is stronger and more affordable and that will work better for all Americans. We look forward to working with the 112th Congress to build on that progress and bring us closer to the day when all Americans can get the care they need to live healthy, productive, and full lives.

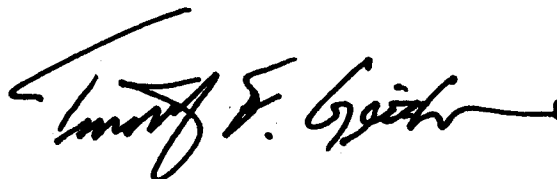
Sincerely,



Kathleen G. Sebelius
Secretary of Health and Human Services



Hilda L. Solis
Secretary of Labor



Timothy F. Geithner
Secretary of the Treasury