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ON

FROM HEALTH CARE ENROLLMENT TO TAX FILING: A PPACA UPDATE

BEFORE THE

UNITED STATES HOUSE COMMITTEE ON OVERSIGHT & GOVERNMENT REFORM,

SUBCOMMITTEE ON HEALTH CARE, BENEFITS, AND ADMINISTRATIVE RULES

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House Committee on Oversight & Government Reform, Subcommittee on Health Care, Benefits, and Administrative Rules Hearing on "From Health Care Enrollment to Tax Filing: A PPACA Update" February 26, 2015

Good morning, Chairman Jordan, Ranking Member Cartwright, and members of the Committee. I appreciate the opportunity to update you on the Centers for Medicare & Medicaid Services' (CMS') continuing work to implement the Affordable Care Act and provide consumers with affordable access to high quality health coverage.

I joined CMS last September as the CEO of the Health Insurance Marketplace after 30 years' of experience with health insurance companies and public and private health care exchanges. My background includes senior roles at three private health insurance companies and as CEO of AccessHealthCT, the state of Connecticut's Health Insurance Exchange. Based on my previous experiences, I know that, whether public or private, a complex, large scale project like the Health Insurance Marketplace requires a multi-year implementation. Building a Marketplace takes time and patience, and there will certainly be learning experiences along the way.

We have now completed the second open enrollment period for the Health Insurance Marketplaces. During open enrollment, about 11.4 million Americans selected Marketplace plans or were automatically re-enrolled, including about 8.6 million through the HealthCare.gov platform, and – based on preliminary data provided to us through the State Based Marketplaces – about 2.8 million through these state Marketplaces. We are optimistic that we will meet or exceed the HHS projection of 9.1 million people signed up and paying their premiums for 2015. We are also keenly aware of the challenges we face as a new program of this scale matures. CMS will continue to learn and improve our systems that provide consumers with more coverage options, affordable rates, and a secure, consumer friendly online Marketplace.

The Affordable Care Act is Working

The Affordable Care Act is working: millions of Americans who were previously uninsured now have access to affordable, high-quality health care. The number of uninsured in the United States

fell by an estimated 10 million people since before the start of open enrollment in 2013.¹ Preexisting 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.

Health insurance exchanges like the Marketplace, whether public or private, are essentially free market distribution channels to allow issuers to compete on price, quality, and value. The creation of a successful, viable health insurance market has benefits for all Americans no matter where they get their health insurance. For example, reductions in the uninsured rate generally mean that doctors and hospitals provide less uncompensated care, the costs of which are often passed along to consumers and employers who pay premiums for health coverage.² And new pools of people buying insurance means insurers have an opportunity to grow their business by competing to provide better access to high-quality, affordable health plans, those that consumers are used to in any competitive marketplace.

Recent years have seen historically-low growth in overall health spending, with health care price inflation remaining at low levels not seen in decades and Medicare spending per beneficiary essentially unchanged in fiscal year 2014.^{3,4} Similar trends are playing out in the employer-based insurance market: according to the Kaiser Family Foundation, the average premium for employer-based family coverage rose just three percent in 2014, which tied for the smallest increase since the survey began in 1999.⁵ Slow growth in underlying per capita costs has helped drive exceptionally low growth in aggregate national health expenditures in recent years:

¹ http://www.whitehouse.gov/blog/2014/12/18/2014-has-seen-largest-coverage-gains-four-decades-putting-uninsured-rate-or-near-his

² <u>http://www.aspe.hhs.gov/health/reports/2014/UncompensatedCare/ib_UncompensatedCare.pdf</u>

³ <u>http://www.whitehouse.gov/blog/2014/12/03/historically-slow-growth-health-spending-continued-2013-and-data-show-underlying-slo</u>

⁴ <u>http://aspe.hhs.gov/health/reports/2014/MedicareCost/ib_medicost.pdf</u>

⁵ <u>http://kff.org/health-costs/press-release/employer-sponsored-family-health-premiums-rise-3-percent-in-2014/</u>

national health care expenditures grew just 3.6 percent in 2013 and have been below 4.1 percent for five consecutive years, the slowest rates since recordkeeping began in 1960.⁶

The vast majority of Americans get their health insurance at work, and that has not changed. However, because of the Affordable Care Act, that coverage is stronger and more secure. Lifetime and annual dollar limits are now a thing of the past, and 105 million Americans had lifetime caps on their coverage lifted. Tens of millions of people have new access to preventive services with no cost-sharing. And consumers have new tools to appeal decisions made by their insurance companies.

Progress in the Second Open Enrollment

The progress in the second Marketplace Open Enrollment resulted from the work of many, learning the lessons from the program's first year of implementation. For this Open Enrollment, CMS set out to increase value to consumers with more choices, better information, and an improved consumer experience, while providing a mechanism for consumers who were satisfied with their current Marketplace coverage to easily re- enroll. We provided consumers with ready access to updated information about the Marketplace, and new decision support tools. We also publicly provided weekly snapshots of preliminary data that included an analysis of those who have selected a plan, submitted an application, reached out to the Marketplace call center or visited HealthCare.gov or CuidadoDeSalud.gov to shop or learn more about their health coverage options. We have provided monthly enrollment reports following the completion of each of the first two months of open enrollment, and with the end of Open Enrollment, look forward to providing additional data as soon as it is validated.⁷

We have seen great enthusiasm and interest from both current and new Marketplace consumers. In the second Open Enrollment period that ran from November 15, 2014, through February 15, 2015, about 11.4 million people selected a plan or were automatically re-enrolled in states using HealthCare.gov and through State Marketplaces. Of the 11.4 million, 8.6 million consumers selected a plan or were automatically re-enrolled in the 37 states that use the

⁶<u>http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html</u>

⁷ http://aspe.hhs.gov/health/reports/2015/MarketPlaceEnrollment/Jan2015/ib_2015jan_enrollment.pdf, http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Dec2014/ib_2014Dec_enrollment.pdf

HealthCare.gov platform. In addition, preliminary analyses of data provided by State-Based Marketplaces show that about 2.8 million consumers selected plans or were automatically reenrolled between November 15 and February 15 in those states. The Marketplace's work continues beyond the enrollment deadline of February 15. Consumers can come back and enroll in plans following a qualifying life event such as moving to a new state, loss of a job, and marriage. People who were in line to purchase coverage on February 15 and could not complete their plan selection had until February 22 to enroll in a health insurance plan, and we encouraged these consumers to take advantage of that extended time period.

Improved Value and Consumer Experience

Consumers are finding affordable coverage options, a greater choice of plans, and coverage that meets their care needs, with eight in 10 consumers in the 37 states using HealthCare.gov receiving, on average, a \$268 monthly tax credit.⁸ In fact, because of new choices and more competition in the Health Insurance Marketplace, many consumers were able to shop for more affordable options during the second Open Enrollment period. With 25 percent more issuers participating in the Marketplace in 2015, more than 90 percent of consumers were able to choose from three or more issuers—up from 74 percent in 2014. Consumers could choose from an average of 40 health plans for 2015 coverage—up from 30 in 2014, based on county-level data.⁹

The shopping and enrollment process is simpler, faster, and more intuitive for consumers. People can view plans available in their areas without logging in or filling out applications. With a new streamlined application for most new consumers, we reduced the number of application screens from a maximum of 76 to 16, with fewer clicks to navigate through the questions for most consumers. In addition, consumers can shop and enroll in the way that best meets their needs: on a smartphone, tablet, or computer; by calling the call center; or with local, in-person assistance that includes Navigators, Certified Application Counselors and other assisters, as well as agents and brokers.

The Federally-facilitated Small Business Health Options Program (FF-SHOP) Marketplace now allows qualifying employers or their brokers to find, compare, purchase, and enroll in 2015

⁸ <u>http://aspe.hhs.gov/health/reports/2015/MarketPlaceEnrollment/APTC/ib_APTC.pdf</u>

⁹ http://aspe.hhs.gov/health/reports/2015/premiumReport/healthPremium2015.pdf

SHOP medical and dental coverage, as well as determine their eligibility for tax credits, entirely online through HealthCare.gov. Employees are able to view new choices of insurance from their employer and enroll online through HealthCare.gov. Though the Open Enrollment period for individuals and families is now closed, monthly enrollments are available throughout the year for small employers to sign up for 2015 SHOP coverage.

Security Remains a Top Priority

Throughout our planning and preparation for the second Open Enrollment period, CMS made the security of the Marketplace and the Information Technology (IT) systems that support it a top priority. In addition to daily operational security testing, we conducted a comprehensive end-to-end Security Control Assessment that meets Federal and industry standards before the start of the second Open Enrollment period. CMS addressed the 22 technical recommendations in the September 16th GAO report, "HealthCare.gov: Actions Needed to Address Weaknesses in Information Security and Privacy Controls"¹⁰ and has also completed work to implement the six general recommendations made in the report.

There are inherent risks for every IT system, and while no website is immune from attempted attacks, CMS will continue to maintain and strengthen the security of HealthCare.gov. CMS conducts continuous monitoring using a 24/7, multi-layer IT professional security team, added penetration testing, and ongoing testing and mitigation strategies implemented in real time. These layered controls help protect the privacy and security of PII related to the Federally-facilitated Marketplace. When consumers fill out their online Marketplace applications, they can trust that the information they are providing is protected by stringent privacy and security standards.

Preparing for the 2015 Tax Season

The 2015 tax season is the first time individuals and families will be asked to report basic information regarding health coverage on their tax returns. For the vast majority of tax filers - about three-quarters—meeting this new requirement will be as simple as checking a box to show they had health coverage for all of 2014. The remaining taxpayers—about one quarter—will

¹⁰ <u>http://www.gao.gov/assets/670/665840.pdf</u>

need to take different steps, like claiming an exemption if they could not afford insurance, paying a fee if they could afford health insurance but chose not to get covered, or new statements sent out by the Marketplace to fill out their tax forms. It is expected that three to five percent of all taxpayers benefited from advance payments of the premium tax credit to help lower the costs of their Marketplace premiums in 2014. These individuals will need to reconcile those credits in order to ensure that they received the correct amounts. Those with Marketplace coverage will receive new forms in the mail from the Marketplace—Form 1095-A—that they will use to reconcile their upfront financial assistance.

In preparation for the 2015 tax filing season, CMS has worked closely with the Internal Revenue Service (IRS) to provide resources to tax filers with the information they need to get their questions answered.¹¹ We are also providing outreach and consumer education by working with community organizations on the ground, creating partnerships with top tax preparers, and directly contacting Marketplace enrollees through email, phone, and text messages.

This year, many tax preparers and organizations updated their online tools to reflect the new Affordable Care Act requirements with the goal of helping consumers easily complete a timely and accurate tax return. Part of our outreach effort involves coordinating efforts with nonprofit organizations and some of the Nation's largest tax preparers. For example, one preparer reports that it has trained Affordable Care Act specialists to help taxpayers understand how the law may impact their taxes. Another preparer has Affordable Care Act-dedicated customer care agents to assist consumers and has also made available online a series of videos to help Americans understand this year's new tax requirements. In addition, we are partnering with many non-profit organizations that work with the IRS' Volunteer Income Tax Assistance program to offer free tax assistance to consumers in their communities.

CMS recognizes that this is the first time Americans will be working through this process, and similar to the first year of Open Enrollment in the Marketplace, there will be bumps along the way. This tax season, while the vast majority of consumers received the correct 1095-A form, some consumers received a form that contained an incorrect monthly premium amount of the second lowest cost Silver plan. An incorrect form does not mean that a taxpayer's advance tax

¹¹ These resources can be found at <u>www.IRS.gov/ACA</u> or <u>www.healthcare.gov/taxes</u>.

credit was calculated incorrectly – this is an error in what was printed on the form. This affects less than one percent of all tax filers, namely those who enrolled in the Marketplace, received incorrect versions of Form 1095-A, and received advance premium tax credits or claimed premium tax credits. This does not affect the vast majority of tax filers, for example, who just have to check a box, or file an exemption. CMS identified this mistake, and has moved forward to get all consumers correct 1095-A forms by early March. Consumers can log into their Marketplace accounts on HealthCare.gov to check the status of their forms those with affected forms will receive a phone call from the Marketplace by early March, in addition to letters and emails with additional information about the status of their form.

The Marketplace is prepared to assist consumers if they have questions about the information on their forms or if they find information that needs to be corrected. Just as we have in this case, CMS is committed to correcting any problems as they arise, and learning from this experience to improve the process for consumers in the future.

While those who can afford to buy health insurance and choose not to may have to pay a fee, individuals who cannot afford coverage or meet other conditions may receive an exemption.¹² It is expected that 10 to 20 percent of taxpayers were uninsured for all or part of 2014 and will claim an exemption from the requirement to have coverage. A smaller fraction of taxpayers, an estimated two to four percent, will pay a fee because they made a choice to not obtain coverage they could have afforded and are not eligible for an exemption. The Administration is committed to providing the information and tools tax filers need to understand the new requirements. HHS is working to make sure people know exemptions are available and is committed to ensuring that if someone qualifies, the process of receiving an exemption is simple and easy. We recently launched a tool on HealthCare.gov to help consumers who did not have insurance last year determine if they qualify for an exemption. The tool will help consumers determine which exemptions they may be eligible for and how to apply for exemptions, whether through the Marketplaces or their tax return.

CMS also is providing a special enrollment period in states which use the Federally-facilitated Marketplaces for individuals and families who did not have health coverage in 2014 and are

¹² <u>https://www.healthcare.gov/fees-exemptions/exemptions-from-the-fee/</u>

subject to the fee when they file their 2014 taxes. This special enrollment period, from March 15 to April 30, will allow those individuals and families who were unaware or didn't understand the implications of this new shared responsibility payment to enroll in 2015 health insurance coverage through the Marketplace.

Conclusion

Since the passage of the Affordable Care Act, millions of Americans now have access to high quality, affordable health care coverage, and we are controlling the growth of health care costs. From the outset, we knew that implementation of the Affordable Care Act would be a multi-year process, and we learn daily how to improve our operations and enhance the consumer experience by making the purchasing of health insurance easier and simpler for our customers. We are not perfect. We benefit from suggestions from customers, assisters, brokers, issuers, and other key stakeholders on ways to improve our operations to ensure the American people gain the peace of mind of health insurance coverage.

I thank you for the opportunity to update you on our efforts, and look forward to answering your questions.

Kevin Counihan Chief Executive Officer of the Marketplace and Deputy Administrator at the Center for Medicare and Medicaid Services

Kevin Counihan serves as the Chief Executive Officer of the Marketplace and the Deputy Administrator at the Center for Medicare and Medicaid Services (CMS). In his role as Marketplace CEO, Kevin is responsible and accountable for leading the federal Marketplace, managing relationships with state Marketplaces, and directing the Center for Consumer Information and Insurance Oversight (CCIIO), which regulates health insurance at the federal level.

Kevin comes to the Department after most recently serving as the CEO of AccessCT, the state of Connecticut's health insurance exchange, since July 2012. As the AccessCT CEO, Kevin led the successful implementation of the state's marketplace where enrollment exceeded expectations.

Kevin has over 30 years' experience in the health care and insurance exchange industries. Prior to his Connecticut appointment, he held the position of President of CHOICE Administrators in California, a private health insurance exchange that serves 10,000 employer groups and their members. Prior to CHOICE Administrators, Mr. Counihan served as the Chief Marketing Officer (CMO) for the Commonwealth of MA Health Insurance Connector Authority (also known as the MA Health Connector). As CMO at the Health Connector, Kevin led a marketing campaign which set the bar for inventive outreach in local communities, including partnerships with strong local brands like the Red Sox. Prior to that position, Kevin was Senior Vice President of Sales and Marketing for Tufts Health Plan of Massachusetts from 1993 to 2005. He also served as regional Vice President for Cigna Corp., and has worked as an adjunct professor of health policy at Northeastern University since 2009.

Kevin holds an undergraduate degree from the University of Michigan and an MBA in finance and marketing from Northwestern University's Kellogg School of Management.