

Testimony to the United States House of Representatives, Committee on Education and the Workforce, Subcommittee on Health, Education, Labor, and Pensions and Subcommittee on Workforce Protections

**Written Testimony for the Record by
Ron Pollack, Executive Director, Families USA, on
"The Employer Mandate: Examining the Delay and Its Effect on Workplaces"
Tuesday, July 23, 2013**

Chairman Roe, Ranking Member Andrews, Chairman Walberg, Ranking Member Courtney, members of the Committee, thank you for the opportunity to address you today.

Since 1982, Families USA has worked to promote access to affordable, high-quality health care for all Americans. On January 1, 2014, we will take a giant step toward achieving that goal. On that day, millions of Americans who are currently without health insurance will become eligible for coverage under the Affordable Care Act. This is an unprecedented opportunity for millions to obtain health care security. That is something that I and the members of this Committee currently enjoy but is denied to far too many Americans.

Millions of Americans Are Already Benefitting From the Affordable Care Act

The monumental changes that will begin on January 1 will make obtaining health coverage fairer and more affordable for millions of Americans. But they will be building on changes that have already taken place since the passage of the Affordable Care Act. For more than three years now, the health care law has been making health insurance more available and more affordable for consumers and employers. Millions have benefited from changes that are already in place. I'd like to note some of these changes and how they have affected the lives of Americans across all spectrums.

- Young adults can now stay on their parents' insurance plans until they are 26 years old. We have already seen the positive effects of this protection. More than 3 million young adults have gained health coverage since this provision went into effect in September 2010.¹
- Insurance companies are now held accountable for how they spend consumers' premium dollars. They are now required to spend at least 80 percent of premium dollars on actual medical benefits, instead of overhead or profits. Insurance companies must return a portion of premium payments to consumers if they do not meet this requirement. This year, more than 8 million policy holders will receive an estimated \$500 million in rebate

checks.² In addition, by making insurance companies operate more efficiently, this change saved consumers more than \$3 billion on their premiums in 2012.³

- Because of the changes in the Affordable Care Act, the Medicare Part D prescription drug benefit coverage gap, known as the “doughnut hole,” is gradually being reduced. To date, this change has saved seniors more than \$6 billion in prescription drug costs.⁴ In 2020, the doughnut hole will be eliminated, and seniors will no longer experience a gap in prescription drug coverage. This change is especially important as drug costs are increasing.
- The Affordable Care Act eliminates cost-sharing for a number of preventive care services, including recommended vaccines; cholesterol and blood pressure screenings; and recommended cancer screenings, such as colonoscopy for adults over age 50. This is helping to transform our “sick care” system into a true health care system. More than 70 million Americans are estimated to have received preventive care services with no out-of-pocket costs because of this change.⁵
- Small businesses are being helped by a new tax credit that makes it easier for them to pay for insurance for their employees. An estimated 3.2 million small businesses across all states, employing an estimated 19.3 million workers, were eligible for this tax credit in 2011 alone.⁶ That represents more than 70 percent of all businesses with fewer than 25 workers.⁷
- Purchasing health insurance is now easier for Americans. Before the Affordable Care Act, insurance marketing materials could be confusing, making it hard for consumers to comparison shop or to even understand their own coverage. The Affordable Care Act requires health insurers to provide consumers with clear, consistent, and comparable summary information about their health plan benefits and costs. This makes it easier for consumers to be informed purchasers of health insurance.

New Consumer Protections and Health Coverage Options Will Help Millions Next Year

These are just some of the benefits of the Affordable Care Act that Americans are already enjoying today. Starting January 1, 2014, new consumer protections will go into place that will extend the benefit of reliable health coverage to millions who would otherwise be uninsured or uninsurable.

- More people will have the security of knowing that they will be able to purchase health insurance. 57.2 million non-elderly adults and children in the United States—more than one in five—have a pre-existing condition that could lead to denial of coverage in today’s

individual insurance market.⁸ Starting January 1, 2014, the Affordable Care Act prohibits insurance companies from denying people coverage, denying coverage for particular services, or charging individuals more if they have a pre-existing condition. As a result, Americans who have pre-existing conditions or a family member with a pre-existing condition will no longer be locked into jobs that do not allow them to use their full potential just to retain health coverage.

- Fewer people will be saddled with unmanageable medical debt. Medical costs have been a major contributing factor in more than half of all bankruptcies in recent years in the United States.⁹ Many of those who experience medical bankruptcy have health insurance, but they might be left with unmanageable bills because of lifetime or annual coverage limits. The health care law banned lifetime limits in 2010, and, as of January 1, 2014, health insurance policies will no longer be allowed to set annual limits.
- Millions of Americans will have new health coverage options, and premium subsidies will be available to make that coverage more affordable. Starting October 1, open enrollment in plans in new health insurance marketplaces will begin, with coverage becoming effective January 1, 2014. Premium subsidies to make coverage more affordable will be available for individuals with incomes up to four times the federal poverty level (approximately \$46,000 for an individual living alone or \$94,200 for a family of four in 2013). Those premium subsidies will ensure that moderate-income individuals and families do not have to spend more than a set percentage of their income on health insurance. The premium subsidies will be provided on a sliding scale, with the lowest income people receiving the largest subsidies. Young adults – who tend to be unemployed or in entry-level jobs – are likely to receive the largest premium subsidies.
- Many states will be expanding their Medicaid programs to extend health coverage to all residents with incomes below 138 percent of poverty (\$32,499 for a family of four in 2013). Previously, many individuals in those states were not eligible for Medicaid assistance no matter how poor they were.

These momentous changes will mean greater health care security and economic opportunity for all Americans. It is critically important that consumers get accurate information about their new options.

Buying health insurance is an important decision for a family that should be carefully considered. The federal government, states, localities, consumer groups, health care providers, businesses, and others will be coming together to help educate Americans so that they can take full advantage of the new opportunities available to them under the law. Rather than wasting time trying to hinder successful implementation of the law or causing families undue worry by indicating that the law's consumer benefits will not be fully realized, it would be wise, and in the

best of interest of those they represent, for members of Congress to focus on educating their constituents on how to enroll in coverage and take full advantage of the new opportunities available.

Delay in Employer Requirements Will Not Affect Implementation

On July 2, 2013, the Department of the Treasury and the White House announced that they were delaying for one year the reporting requirements that the Affordable Care Act includes to help the Internal Revenue Service enforce the law's employer responsibility provision. This provision requires employers to provide health coverage to full-time employees or pay a penalty. However, the provision is limited in scope—it applies only to employers with at least 50 full-time employees. The consternation that this delay has caused from some quarters is much ado about very little.

The Obama administration chose to give businesses an additional year to comply with reporting requirements in response to feedback from businesses that the requirements were too complicated and that they needed additional time to comply. The Administration has concluded that employers would simply not be able to implement the requirements of the law at this time. Businesses have responded favorably to the delay. Historically, both Democratic and Republican administrations have sometimes delayed implementing legislation due to time constraints, which appears to be the case here.

I do not expect this small delay to have a significant impact on the ongoing successful implementation of the Affordable Care Act for several reasons—the principal reason being that the vast majority of employers that would be affected by the mandate already provide health coverage to their workers.

Ninety-eight percent of employers with 200 or more employees and 94 percent of employers with 50 to 199 employees already offer their workers health insurance.¹⁰ These employers are offering coverage absent any federal mandate or associated penalty. There is no reason to believe that this will suddenly change in 2014 if the employer mandate is delayed for one year.

A recent survey from the International Foundation of Employee Benefit Plans found that 94 percent of employers stated that they would “definitely” or be “very likely” to keep offering coverage once the Affordable Care Act is fully implemented.¹¹ Less than 1 percent are expected to drop coverage. The reasons employers gave for offering coverage were primarily to retain or attract talented employees. That dynamic will be the same in 2014 as it is today, whether or not there is a one-year delay in the employer mandate.

A key goal of the Affordable Care Act is to extend health coverage to the tens of millions of Americans who do not have it now. It does so while taking significant steps to decelerate health

care costs. In January, we will take huge steps to that make the coverage goal a reality, which will improve the health, financial security, and lives of Americans. The increased flexibility given to employers, most of whom already provide health coverage, will have little impact on that outcome.

What is important now is that members of Congress come together, support implementation of the law, and encourage their constituents to take advantage of the new opportunities available. That should be everyone's number one priority.

¹ Benjamin Sommers, *Number of Young Adults Gaining Insurance Due to the Affordable Care Act Now Tops 3 Million* (Washington: Department of Health and Human Services, Office of the Assistant Secretary of Planning and Evaluation, June 2012), available online at <http://aspe.hhs.gov/aspe/gaininginsurance/rb.pdf>.

² Department of Health and Human Services News Release, "Consumers Saved \$3.9 Billion on Premiums in 2012," June 20, 2012, available online at <http://www.hhs.gov/news/press/2013pres/06/20130620a.html>.

³ *Ibid.*

⁴ Department of Health and Human Services News Release, "Seniors Saved Over \$6 Billion on Prescription Drugs as a Result of the Health Care Law," March 21, 2013, available online at <http://www.hhs.gov/news/press/2013pres/03/20130321a.html>.

⁵ Laura Skopec, et al., *Seventy-One Million Additional Americans Are Receiving Preventive Services Coverage without Cost-Sharing under the Affordable Care Act* (Washington: Department of Health and Human Services, Office of the Assistant Secretary of Planning and Evaluation, March 2013), available online at http://aspe.hhs.gov/health/reports/2013/PreventiveServices/ib_prevention.pdf.

⁶ Kathleen Stoll, et al., *Good Business Sense: The Small Business Tax Credit in the Affordable Care Act*, (Washington: Families USA and the Small Business Majority, May 2012), available online at <http://familiesusa2.org/assets/pdfs/health-reform/Small-Business-Health-Care-Tax-Credit.pdf>.

⁷ *Ibid.*

⁸ Christine Sebastian, et al., *Health Reform: Help for American with Pre-Existing Conditions* (Washington: Families USA, May 2010), available online at <http://www.familiesusa.org/assets/pdfs/health-reform/pre-existing-conditions.pdf>.

⁹ David Himmelstein, et al., "Medical Bankruptcy in the United States, 2007: Results of a National Study," *American Journal of Medicine* 1122(8) (August 2009): 741-6, available online at http://www.pnhp.org/new_bankruptcy_study/Bankruptcy-2009.pdf.

¹⁰ Gary Claxton, et al., *Employer Health Benefits 2012 Annual Survey* (Washington: Kaiser Family Foundation, September 2012), available online at <http://kaiserfamilyfoundation.files.wordpress.com/2013/04/8345.pdf>.

¹¹ Neil Mrkvicka, et al., *2013 Employer-Sponsored Health Care: ACA's Impact* (Brookfield, WI: International Foundation of Employee Benefit Plans, 2013), available online at <http://www.ifebp.org/pdf/research/2103ACAImpactSurvey.pdf>.