



THE SECRETARY OF HEALTH AND HUMAN SERVICES

WASHINGTON, D.C. 20201

September 9, 2010

Ms. Karen Ignagni
President and Chief Executive Officer
America's Health Insurance Plans
601 Pennsylvania Avenue, NW
South Building, Suite 500
Washington, DC 20004

Dear Ms. Ignagni:

It has come to my attention that several health insurer carriers are sending letters to their enrollees falsely blaming premium increases for 2011 on the patient protections in the Affordable Care Act. I urge you to inform your members that there will be zero tolerance for this type of misinformation and unjustified rate increases.

The Affordable Care Act includes a number of provisions to provide Americans with access to health coverage that will be there when they need it. These provisions were fully supported by AHIP and its member companies. Many of the legislation's key protections take effect for plan or policy years beginning on or after September 23, 2010. All plans must comply with provisions such as no lifetime limits, no rescissions except in cases of fraud or intentional misrepresentation of material fact, and coverage of most adult children up to age 26. New plans must comply with additional provisions, such as coverage of preventive services with no cost sharing, access to OB / GYNs without referrals, restrictions on annual limits on coverage, a prohibition on pre-existing condition exclusions of children (which applies to all group health plans), access to out-of-network emergency room services, and a strengthened appeals process. And health plans that cover early retirees could qualify for reinsurance to sustain that coverage for businesses, workers, and retirees alike.

According to our analysis and those of some industry and academic experts, any potential premium impact from the new consumer protections and increased quality provisions under the Affordable Care Act will be minimal. We estimate that that the effect will be no more than one to two percent. This is consistent with estimates from the Urban Institute (1 to 2 percent) and Mercer consultants (2.3 percent) as well as some insurers' estimates. Pennsylvania's Highmark, for example, estimates the effect of the legislation on premiums from 1.14 to 2 percent. Moreover, the trends in health costs, independent of the legislation, have slowed. Employers' premiums for family coverage increased by only 3 percent in 2010 – a significant drop from previous years.

Any premium increases will be moderated by out-of-pocket savings resulting from the law. These savings include a reduction in the "hidden tax" on insured Americans that subsidizes care for the uninsured. By making sure insurance covers people who are most at risk, there will be


less uncompensated care, and, as a result, the amount of cost shifting to those who have coverage today will be reduced by up to \$1 billion in 2013. By making sure that high-risk individuals have insurance and emphasizing health care that prevents illnesses from becoming serious, long-term health problems, the law will also reduce the cost of avoidable hospitalizations. Prioritizing prevention without cost sharing could also result in significant savings: from lowering people's out-of-pocket spending to lowering costs due to conditions like obesity, and to increasing worker productivity – today, increased sickness and lack of coverage security reduce economic output by \$260 billion per year.

Given the importance of the new protections and the facts about their impact on costs, I ask for your help in stopping misinformation and scare tactics about the Affordable Care Act. Moreover, I want AHIP's members to be put on notice: the Administration, in partnership with states, will not tolerate unjustified rate hikes in the name of consumer protections.

Already, my Department has provided 46 states with resources to strengthen the review and transparency of proposed premiums. Later this fall, we will issue a regulation that will require state or federal review of all potentially unreasonable rate increases filed by health insurers, with the justification for increases posted publicly for consumers and employers. We will also keep track of insurers with a record of unjustified rate increases: those plans may be excluded from health insurance Exchanges in 2014. Simply stated, we will not stand idly by as insurers blame their premium hikes and increased profits on the requirement that they provide consumers with basic protections.

Americans want affordable and reliable health insurance, and it is our job to make it happen. We worked hard to change the system to help consumers. It is my hope we can work together to stop misinformation and misleading marketing from the start.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathleen Sebelius". The signature is fluid and cursive, with the first name "Kathleen" written in a larger, more prominent script than the last name "Sebelius".

Kathleen Sebelius