

**Testimony of Mike Kreidler**  
**Office of the Insurance Commissioner**  
**On behalf of the State of Washington**

**Regarding:**  
**Challenges of the Affordable Care Act**

**Before the Committee on Ways and Means**  
**Subcommittee on Health**  
**House of Representatives**  
**Kevin Brady, Chairman**  
**Jim McDermott, Ranking Member**

**December 4, 2013**

## **Introduction**

Chairman Brady, Ranking Member McDermott, and members of the Committee, thank you for the opportunity to testify today. My name is Mike Kreidler. I serve as the elected insurance commissioner for the Office of the Insurance Commissioner in the State of Washington. It is on the behalf of the citizens of the state of Washington and my office that I present this testimony today.

As the longest-serving elected insurance commissioner in the United States, I would like to share my thoughts on how health care reform is working in the other Washington, the challenges that are indeed before us, and the success that we can create in reforming a broken system if we commit to putting people before politics.

I am a former member of the House of Representatives. I served in 1993 and 1994, representing the Ninth Congressional District. I have a doctorate in optometry and practiced for 20 years with Group Health in the Pacific Northwest.

I also served 16 years in the Washington state Legislature. I am now in my fourth term and approaching my 14<sup>th</sup> year as Washington's insurance commissioner.

All my years of working as a health care provider, an elected official at the federal and state level, and now as insurance commissioner, have put me in touch with thousands of individuals with no access to health care, other than a hospital emergency room. I have spoken with many others who thought they had health insurance, only to discover that the coverage they believed they had was denied to them when they got sick, had an accident, or had a child.

These experiences have made me an advocate and proponent of health-care reform. No one can doubt that the health-care system we had in this nation was broken and failing our citizens. Without changes, our system would have only become worse.

That is true in the state of Washington. My office has done studies that show that a million of Washington's residents have no health-care coverage.<sup>1</sup> About half of

---

<sup>1</sup> State of the Uninsured, Health Coverage in Washington State. Costs, trends and projections 2008 to 2014: <http://www.insurance.wa.gov/about-oic/commissioner-reports/documents/2011-uninsured-report.pdf><sup>1</sup>

these residents without coverage are employed, often in the lower-wage or part-time jobs that unfortunately became increasingly common during the recent great recession. About 200,000 to 300,000 individuals in Washington are paying for insurance that, for the most part, leaves them without comprehensive coverage in a time of need. The lack of prescription drug coverage and maternity care in many of these plans are but two of the most glaring concerns.

I believe the Affordable Care Act is the first major step toward making changes that will improve the lives of millions of our fellow citizens. The Act has already extended coverage to children with pre-existing conditions. Young people can remain on their parents' plans until age 26.

The Act eliminates lifetime and annual limits on benefit coverage. This is especially important since lifetime and annual limits have bankrupted many Americans, who, through no fault of their own, have been diagnosed with a serious illness such as cancer or multiple sclerosis.

In less than a month, all Americans will have access to health insurance in the individual market – even if they have a pre-existing condition. No longer can an insurance company reject them or ask a lengthy list of probing questions about their health.

Insurance in the individual and small-group markets will not be priced on health or gender. Rates for older Americans will be limited to a proportionate amount. And subsidies will be available for millions of Americans to help them pay for insurance.

From my view – and from the pleas of countless individuals I have met over the years – these reforms are long overdue. And from my view, the Affordable Care Act uses the right tools to achieve these reforms, coupling the existing private, state-regulated insurance market with minimum federal protections and measures to promote more coverage.

Though the path to implementation has not and will not always be smooth, I remain committed to the Affordable Care Act as our pathway toward national health-care reform.

## **Decision on discontinued policies**

It was that commitment to the Affordable Care Act that guided my decision-making three weeks ago, when President Obama announced a state option to permit health insurance companies to maintain existing “non-grandfathered” health plans in 2014. Though I appreciated the reasons behind the President’s decision to allow increased flexibility, I declined the President’s option for Washington State.

I made this decision for several important reasons.

First, this option was not in the best interests for the State of Washington because our state’s implementation of the Affordable Care Act is well underway. Washington State recognized the promise of the Affordable Care Act early on and moved forward with bipartisan support.

Our health-insurance marketplace has been preparing for a 2014 implementation date for several years. Our office has already approved premium rates and plans for 2014, and policy holders started receiving notices about coming changes to their plans months ago.

Allowing discontinued plans back into the market at this late date would have only created uncertainty and disruption for our entire health insurance marketplace. Insurance companies would have had to roll back the protections they have already implemented, and re-communicate with consumers who have already begun to assess their new coverage options.

If consumers then chose to stay in the old plans, it could skew the careful calibrations about enrollment and risk that insurers have made, which could lead to higher premiums next year.

Second, allowing discontinued policies to continue for another year only would have only prolonged a failing system. For many years, insurers have raised premiums by double digits while at the same time cutting back on benefits and forcing consumers to pay higher levels of out-of-pocket costs.

Consumers for years have been paying a lot more for a lot less. Retaining the discontinued plans would preserve this status quo.

My decision to decline the President's option does not mean I oppose the President. I believe the Affordable Care Act can and will work. I support the efforts of the President and many others to reform the broken and failing health-care system in our country.

I simply believe that the option offered does not work for the State of Washington — a decision the President permitted by giving insurance commissioners flexibility to make a state-level decision.

To keep the consumer protections we have enacted and ensure that we keep health insurance costs down for all consumers, we are staying the course in Washington. I know it will be difficult for some Washington residents in the short term, as they research the new health-insurance options and transition from the old plans. But over the long term, this is the decision our state needed to make.

Although I was one of the first to make this decision, I am not alone. About 20 other states have decided against the renewal of discontinued policies. The reasoning is the same: Implementing consumer protections in some plans but not others would deny consumers the benefits of the Affordable Care Act while destabilizing the insurance market, increasing the risk of high premiums for those plans that do comply, and further confusing consumers.

### **Washington's experience**

In Washington State, our Legislature took full advantage of the coverage opportunities and flexibility in the Affordable Care Act by deciding to expand Medicaid and run our own Exchange. Unlike the 36 states that surprisingly decided to cede this responsibility to the federal government, Washington has an online Exchange that is functioning. Almost 100,000 individuals to date have enrolled through our Exchange. Another 160,000 have started applications and are working on completing the enrollment process. Many of these individuals will have health coverage for the first time in their lives.

Washington's Exchange got off to a rocky start. Its website had glitches during the first days of operation. People were unable to sign on at first, and the website also experienced some early errors in calculating eligibility. However, those issues have now been resolved. Others cropping up are being worked on successfully. In fact, we are observing that daily enrollment numbers continue to increase as the online

experience and customer assistance capacity increase. We expect that December will be our busiest month yet.

Washington's Exchange, like other state-based exchanges in Kentucky, Vermont and Connecticut, to cite a few examples, are demonstrating how bipartisanship delivers results.

I cannot overemphasize the importance of bipartisan support for improving the health care of our citizens. In Washington, I am a member of the board that oversees the state-based Exchange. The board members represent a rainbow of political views. While we may disagree at times about the best course of action, we share a commitment to making health-care reform work. The Affordable Care Act has been successful in our states because our leaders grasped the importance of expanding coverage and have avoided the temptation to use health-care reform as a political football. Partnership from many different corners has been necessary to achieve the best results.

For example: Last summer, my office had the responsibility for reviewing plans from insurance companies that had applied to be included in the new Exchange marketplace. At one point, I had to disapprove plans from several insurance companies because our initial review showed the plans did not meet key consumer protection standards. I took a lot of heat for this. I even received a letter signed by almost 20 members of the Republican Party, including congressional representatives. They urged my office to approve more plans for the Exchange in order to offer greater competition for consumers.

Given our state's history of working on Affordable Care Act reforms in a bipartisan fashion, my office took these concerns seriously. As part of my office's process for reviewing plans that were initially denied, we worked with the disapproved insurance companies. They were eventually included in our state-based Exchange.

Today, there are 46 plans in the Exchange for consumers to consider. And in the individual market outside of the Exchange, consumers have another 51 plans to choose from.

In Washington, representatives from all political persuasions, from the insurance industry to consumer advocacy groups, understand that providing real coverage to our citizens is a shared commitment. Our key goal is to encourage all consumers, young and old, healthy and ill, and everyone in between, to participate in the insurance pool so that insurance will be affordable and available to all.

### **A time for patience**

As a former member of Congress and a longtime legislator and elected official, I understand that you want to make sure that the Affordable Care Act meets the needs of your constituents. I know that it is concerning when you hear from constituents who are confused by changes to their insurance policies or experiencing issues in the enrollment process.

But I also know that it takes time for laws and regulations to work smoothly. That was true for the creation of Social Security in 1935 and for Medicare following its enactment in 1965.

The expansion of prescription drug coverage for Medicare under former President George W. Bush is the most recent example of a new program that did not have a smooth rollout. I note highlights from this news report in the Washington Post on January 18, 2006:

“President Bush’s top health advisers will fan out across the country this week to quell rising discontent with a new Medicare prescription drug benefit that has tens of thousands of elderly and disabled Americans, their pharmacists and governors struggling to resolve myriad start-up problems.”

“Even as federal leaders touted the enrollment figures, state officials and health care experts continued to report widespread difficulties, especially for the poorest and sickest seniors who were forced to switch from state Medicaid programs to the new Medicare plans on January 1.”

“In a letter to Bush, 14 Democratic governors wrote that while well-intended, the new Medicare drug benefit has caused confusion, mismanagement, and a bureaucratic nightmare.”

In 2006, the secretary of Health and Human Services at the time said that starting an enormous insurance program for 42 million people is “bound to entail bumps.”

That is similar to what we are hearing today about the Affordable Care Act. Again, we are experiencing a quick rush to judgment. We are also seeing that our political system is not very patient.

But it should be.

We do not remember those headlines from 2006 because, as a nation, we fixed the problems encountered during the initial rollout. We took the time to listen to one another and then worked together to make the necessary changes.

We are now in just the early stages of enrollment for the Affordable Care Act. We are encountering the same types of challenges that arise when other changes in policies have occurred in our history.

I speak often to citizen groups in my state. I am always asked: “Can we make the Affordable Care Act work?”

My response is always the same: Yes, we can – if we remain committed to the long-term goal of improving the lives of so many people.

As the insurance commissioner from the other Washington, I respectfully urge you to exercise patience, work together to resolve the challenges before us, and transform a broken health-care system into one that provides real and lasting benefits for all the citizens of our nation.