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Debt Limit and Deficit Reduction Remain At Top of Congressional Agenda

AHIP, Washington Update, 6/3/2011

The House began a one-week recess this afternoon, just as the Senate is preparing to return from a one-week recess on Monday. Despite the alternating recess periods, lawmakers and Administration officials are continuing to focus intensely on the goals of increasing the federal government's debt ceiling and reducing the federal budget deficit.

President Obama discussed these issues in separate meetings with House Republicans on Wednesday and with House Democrats on Thursday. Treasury Secretary Timothy Geithner also engaged in a dialogue on these issues in a meeting with freshman members of Congress. On Wednesday, Secretary Geithner issued a statement reaffirming that the Treasury Department continues to project that the federal government will exhaust its borrowing authority under the debt limit on August 2, 2011.

The need for congressional action to increase the debt limit was highlighted yesterday by a statement issued by Moody's, a major credit rating agency, which stated that "if there is no progress on increasing the statutory debt limit in coming weeks, it [Moody's] expects to place the U.S. government's rating under review for possible downgrade, due to the very small but rising risk of a short-lived default." Moody's further explained that "the rating outlook will depend on the outcome of negotiations on deficit reduction" and that "substantial deficit reduction would support a continued stable outlook; lack of such an agreement could prompt Moody's to change its outlook to negative on the AAA rating."

AHIP Testifies at House Hearing on ACA Regulatory Burdens

On June 2, the House Energy and Commerce Subcommittee on Health held a hearing on the regulatory burdens of the Affordable Care Act (ACA). The hearing, which included a strong focus on the new medical loss ratio (MLR) requirements, featured testimony from a panel of seven witnesses. AHIP was represented by Randi Reichel, an attorney with the law firm of Mitchell, Williams, Selig, Gates & Woodyard.



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Subcommittee Chairman Joseph Pitts (R-PA) questioned the value of the MLR requirements, noting that many states are seeking waivers and that the NAIC has warned HHS about the potential for unintended consequences. Rep. Frank Pallone (D-NJ), the subcommittee's ranking Democratic member, asserted that the MLR requirements are needed to hold health plans accountable. Pallone suggested that granting waivers on a state-by-state basis, rather than creating a nationwide transition, is the best way to address concerns about the MLR's impact.

Testifying on behalf of AHIP, Reichel emphasized that the MLR requirements impose an unprecedented new federal cap on the administrative costs of health plans, strictly micro-managing their ability to invest in new initiatives and innovations to benefit their enrollees. She expressed concern that this policy will have a number of unintended consequences for individuals, families, and employers.

Noting that the MLR regulation does not provide for a transition period, Reichel cautioned that without time to make the adjustments and changes needed to comply, some health plans will have no choice but to exit the market altogether. She pointed to recent HHS letters which acknowledged, in response to state requests for MLR adjustments, that the federal MLR standard could lead to the destabilization of the individual health insurance market in Nevada and New Hampshire.

Reichel also testified that the MLR requirements turn back the clock on efforts to improve quality and prevent fraud and abuse, while also increasing administrative costs by mandating a variety of new reporting and compliance activities that go far beyond what health plans are required to do today. AHIP's written testimony addresses these and other concerns in greater detail. Our testimony also outlines recommendations for implementing an effective transition to the 2014 reforms for all markets and, additionally, recognizing fraud prevention programs and ICD-10 implementation startup costs as quality improvement activities.

The American Senior Benefits Association (ASBA) is a 501(c)(3) not-for-profit association where membership is completely free. ASBA is committed to lifestyle enhancement through benefits, advocacy and education for the over-50 population. ASBA concentrates its efforts on the issues that are of greatest concern to its members. Through its partners and programs, ASBA members receive product and service discounts, as well as other benefits. Current ASBA membership stands at over 700,000 nationally.