



**United States House of Representatives  
Committee on Energy and Commerce Subcommittee on Health  
Hearing on “Health Care Lifeline: The Affordable Care Act  
and the COVID-19 Pandemic”  
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**Written Testimony Submitted By:  
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Good morning Chairwoman Eshoo, Ranking Member Burgess, and distinguished members of the committee. My name is Peter V. Lee and I serve as the Executive Director of Covered California – California’s state-based health insurance marketplace for the individual and small group markets. I am honored to participate in today’s hearing. The information and perspectives I will provide are based on seven years of experience operating a robust and successful state-based marketplace as well as over 20 years working to make sure health care better meets the needs of America’s consumers.

The COVID-19 pandemic and economic crisis highlight the critical importance of the protections of the Affordable Care Act, how implementing the law makes a significant difference in who gets and keeps their coverage and provides vital lessons on how we need to improve the law. Throughout my testimony, I hope to provide the Committee with key perspectives on the following issues:

- How the Affordable Care Act is providing critical protections and access to coverage by millions of Americans, and California’s approach to protect and build on the law;
- How the COVID-19 pandemic and recession are changing why consumers are seeking coverage or leaving the individual market;
- How the recent economic recession underscores the health coverage affordability challenges faced by many consumers, as well as the fragility – and often inadequacy – of employer-sponsored insurance provided to many Americans; and,
- Federal action to apply these lessons can lead to building on and improving the Affordable Care Act to deliver on its promise to ensure Americans throughout the country can access coverage.

## **California has Protected, Built-on, and Gone Beyond the Affordable Care Act**

Today, more than 10 years after its passage, many of the transformative policies of the Affordable Care Act are generally taken for granted and the implications of turning back the clock to the days before these vital protections were commonplace would be catastrophic for

tens of millions of Americans. Among its fundamental tenets are groundbreaking, consumer-protective policies that have now become almost universally accepted by Americans across the political spectrum, including:

- Protecting Americans with pre-existing conditions from being discriminated against by insurers;
- Requiring coverage by insurers to meet minimum coverage standards with requirements that premium dollars are spent on health care;
- Changing the nature of the health insurance markets to reward health plans that provide better access to affordable care, rather than rewarding them for avoiding sicker consumers;
- Expanded benefits for Medicare beneficiaries, including more prescription drug benefits; and,
- Making coverage more affordable by expanding Medicaid and providing financial help through marketplaces to Americans without employer-sponsored insurance or other forms of coverage.

The Medicaid expansion and the marketplaces created under the Affordable Care Act – such as Covered California – were always intended to provide a coverage backstop for individuals who are not eligible for other coverage through their jobs, Medicare, or other sources. Today, the Affordable Care Act is facing the first “pressure test” of responding to Americans’ needs in the face of the biggest public health crisis and economic downturn in many years. Covered California has sought to rise to the challenge as millions of Californians have lost jobs or income due to the COVID-19 pandemic and recession, and our state has invested in the Affordable Care Act through bold policies that positioned us to be able to better respond.

Before we move ahead, it is important to look back at the steps California has taken that have led us to this moment. A year ago, I sat before this very same committee to discuss how Covered California has used all the tools of the Affordable Care Act to build a strong and sustainable individual market that helps keep health care premiums as low as possible. Covered California’s 11 contracted qualified health plans vie for consumers based on price and quality. Our significant investments in marketing and outreach have led to strong, steady enrollment and a consumer pool that is consistently among the healthiest in the nation. As a state, California expanded its Medicaid program (known as Medi-Cal) providing coverage to millions of newly eligible Californians and outlawed short-term plans that do not cover pre-existing conditions or provide essential health benefits.

Leading up to the 2020 coverage year, California made coverage more affordable by offering state subsidies to eligible consumers, including becoming the first state to provide financial help to middle-income consumers earning up to 600 percent of the federal poverty level. In addition, California implemented a state individual mandate penalty in response to federal action that zeroed out the federal individual mandate penalty. Further, Covered California continued its practice of making large marketing and outreach investments – \$121 million for the 2020 open-enrollment year. These actions fostered confidence from the health insurance carriers that robust outreach would promote greater and healthier enrollment. All these actions led health insurance carriers to reduce rates by between two and five percentage points and resulted in a 41 percent increase in new enrollment during the most recent open-enrollment period.

The individual market in California has seen premium increases over the past six years that have been about half those in the federally-facilitated marketplace states. More recently, California's individual market has enjoyed two consecutive years of record-low rate changes of 0.8 percent for the 2020 coverage year and, based on preliminary rates, an increase of only 0.6 percent for 2021. Major beneficiaries of these low premium increases are the over 800,000 Californians who are "off-exchange" and receive no state or federal subsidies

A key driver of these low premium increases is larger, healthy enrollment and steady retention – by both subsidized and unsubsidized consumers. When compared to the rest of the nation, individual market health care premiums in California are estimated to be about 20 percent lower than what they would have been if the health of our enrollees was at the national average. Between 2014 and 2018, Covered California's risk scores were approximately 20 percent below the national average for the individual market, resulting in likely savings of approximately \$2.5 billion per year for enrollees and the U.S. Treasury. This translates to approximately \$12.5 billion in savings over this five-year period, and those savings are likely to have continued, if not become larger, in 2019 and now in 2020.

While we ended the 2020 open-enrollment period with strong enrollment, Covered California has continued to use all the tools of the Affordable Care Act to provide quality coverage at the best value as it has responded to the pandemic and recession. Covered California invested in outreach during the recent COVID-19 special-enrollment period and increased our marketing and outreach budget for the 2020-21 fiscal year by \$30 million to a total of \$157 million.<sup>1</sup> We have also allocated \$13 million for additional customer service upgrades to meet the needs of consumers who may have lost their job-based coverage.

Consumers will continue to benefit from competition and choice, with 11 carriers serving the state and two of them expanding their coverage areas. In 2021, virtually all (99.8 percent) Californians will have two or more health carriers to choose from, and about four out of five (77 percent) will have four or more plan choices.

While uninsured rates have been rising across the nation since 2016, California's uninsured rate has been reduced from 17.2 percent in 2013 to 7.7 percent in 2019<sup>2</sup>. When you count only those currently eligible for coverage through Medicaid or our marketplace — not

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<sup>1</sup> Covered California, July 16, 2020 – "Covered California Increases Investments in Marketing and Outreach to Reach Uninsured Californians During the COVID-19 Pandemic," <https://www.coveredca.com/newsroom/news-releases/2020/07/16/covered-california-increases-investments-in-marketing-and-outreach-to-reach-uninsured-californians-during-the-covid-19-pandemic/>

<sup>2</sup> U.S. Census Bureau, Sept. 15, 2020 – "Health Insurance Coverage in the United States: 2019," <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-271.pdf>

including individuals who are ineligible for coverage due to their immigration status — California’s “eligible uninsured rate” is about 3 percent. We in California still have work to do, but by fully implementing the Affordable Care Act and using the tools available today we are approaching universal coverage for those eligible.

## **Covered California’s Lessons from the COVID-19 Pandemic**

As described in the just released report, [Coverage When You Need It: Lessons from Insurance Covered Transitions in California’s Individual Marketplace Pre and Post the COVID-19 Pandemic](#), Covered California’s overall enrollment reached an all-time high of 1.53 million actively enrolled consumers as of June 2020 (See Exhibit 1). This represents an 8 percent increase over Covered California’s previous high of 1.4 million in March of 2018. The record enrollment in Covered California is what would likely be expected for marketplaces that were established to be part of the safety net for consumers with gaps in coverage, but it did not “just happen.” Rather, the enrollment has been driven by significant investments in marketing and outreach throughout Covered California’s history, along with patient-first policies during the current pandemic and recession.

California is the nation’s most populous state, and when the COVID-19 pandemic began to rage across the country, it became the first state to issue stay-at-home orders to nearly 40 million people on March 19. One day later, Covered California announced a special-enrollment period to provide a path to coverage for those who were uninsured amid the pandemic.<sup>3</sup> The move opened the marketplace to anyone who met Covered California’s eligibility requirements, similar to the requirements in place during the annual open-enrollment period.

In the weeks and months after the launch of the COVID-19 special-enrollment period, millions of Californians lost their jobs, including many who also lost their job-based health insurance coverage. California’s unemployment rate skyrocketed to a record 16.4 percent in May, and while there has been marked improvement since then, millions of people remain out of work.

Covered California also responded by launching new television ads, to encourage the uninsured to sign up for coverage, as part of a \$9 million campaign.<sup>4</sup> The marketplace also worked with California’s Employment Development Department so that every unemployment check includes a flyer describing Covered California and Medi-Cal (the state’s Medicaid program) -- delivering 3.5 million inserts with unemployment benefits.<sup>5</sup>

Covered California’s history of being recognized by many Californians as the place to turn if they lose coverage and the promotion during the pandemic resulted in a significant increase in consumers signing up for coverage during our COVID-19 special-enrollment period.

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<sup>3</sup> Covered California, March 20, 2020 – “California Responds to COVID-19 Emergency by Providing Path to Coverage for Millions of Californians,” <https://www.coveredca.com/newsroom/news-releases/2020/03/20/california-responds-to-covid-19-emergency-by-providing-path-to-coverage-for-millions-of-californians/>

<sup>4</sup> Covered California, May 4, 2020 – “Covered California Launches New Ad Campaign That Focuses on the COVID-19 Pandemic and Encourages the Uninsured to Sign Up for Coverage,” <https://www.coveredca.com/newsroom/news-releases/2020/05/04/covered-california-launches-new-ad-campaign-that-focuses-on-the-covid-19-pandemic-and-encourages-the-uninsured-to-sign-up-for-coverage/>

<sup>5</sup> Covered California, April 14, 2020 – “Covered California Enrolls Tens of Thousands as Impacts of COVID-19 Pandemic Hits California Households,” <https://www.coveredca.com/newsroom/news-releases/2020/04/14/covered-california-enrolls-tens-of-thousands-as-impacts-of-covid-19-pandemic-hits-california-households/>

Between March 20, 2020 and August 31, 2020, more than 289,000 people signed up for coverage, which is more than two times the rate seen during the same time period a year ago (See Exhibit 2.).

These new enrollees also appear to be contributing to the individual market in California's positive healthy risk mix (See Exhibit 3.). To inform its negotiations with its contracted health plans, Covered California conducted an analysis of both the 2020 open-enrollment risk profile and the risk profile of those enrolling during the special-enrollment period, both before and after the announcement of the COVID-19 special-enrollment period. While this analysis only looks at prior health experience among the enrolling individuals, it appears that the risk profile of the new enrollees during the 2020 open-enrollment period were much healthier than the renewing members – being six percent “healthier.” The COVID-19 special-enrollment period enrollee cohort is most similar to the risk mix of the 2020 open-enrollment cohort.

The positive risk profile information was information used by health plans in California that set premiums increases for 2021 resulting in an average weighted increase of only 0.6 percent (after an increase of only 0.8 percent in 2020). By opening its doors and making more consumers eligible for coverage during the pandemic, Covered California increased its ranks of healthy consumers and drove premiums down for all consumers in the individual market.

The fact that Covered California was able to enroll hundreds of thousands of people during such a dramatic upheaval and loss of employer coverage is evidence that the Affordable Care Act can work to keep people covered when the worst happens. Individual marketplaces **should** see significant gains in enrollment during an economic downturn because they are part of the safety net that is most needed during a health crisis and recession. However, in order for that safety net to work right, consumers will be better served if it is reinforced by state actions such as we those undertaken in California: robust marketing and outreach; a history of getting the word out about the role of the marketplace; Medicaid expansion; and protection from junk short-term plans that do not ensure pre-existing coverage, and from policies that undermine comprehensive coverage.

The federally-facilitated marketplace – which provides coverage for Americans in 38 states – has significantly reduced its efforts in marketing and outreach in recent years, promoted short-term plans that put consumers and major financial risk, and did not launch a COVID-19 special-enrollment period. In contrast to the enrollment seen in California, the federal marketplace saw only a 27 percent increase in enrollment through the end of May at a time when millions of Americans were losing their job-based health insurance<sup>6</sup> (See Exhibit 4.).

Our analysis finds that if the federally-facilitated marketplace had experienced the same level of growth as California did during special enrollment, then more than 500,000 Americans would have gained health care coverage instead of going uninsured during the pandemic. What this data makes clear is that not only does the Affordable Care Act provide the tools to protect consumers, but the decision to not use those tools results in many more Americans facing the pandemic without health insurance coverage.

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<sup>6</sup> CMS, June 2020, “Special Trends Report: Enrollment Data and Coverage Options for Consumers During the COVID-19 Public Health Emergency,” <https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/SEP-Report-June-2020.pdf>

You cannot look at the pandemic, and how marketplaces have responded, without looking more broadly at how a marketplace has served its people over time. Policies matter and the goal of any marketplace should be to promote enrollment and ensure that people have the coverage they need to protect themselves and their families during their time of need, particularly if they are one of the 130 million Americans with a pre-existing condition.

### **Covered California’s Analysis of the COVID-19 Special Enrollment**

The individual market has always served as an option for those without other coverage options and for those who experience changes in life circumstances. Transitions between coverage sources are natural aspects of the America’s health care landscape, as individuals experience changes in eligibility for employer coverage, Medicaid, or Medicare (due to shifts in factors such as employment, income, and age). Each year, about one-third of Covered California’s membership consists of new enrollees, and one-third of its annual membership leaves the marketplace within the plan year (See Exhibit 5.). Those “normal” ebbs and flows of coverage look very different in the months since the COVID-19 pandemic and recession hit.

Covered California conducted an extensive survey and analysis of the consumers who joined the marketplace during the special-enrollment period (See Exhibit 6.). During this COVID-19 special-enrollment period, Covered California saw nearly 300,000 consumers sign up, over twice the number who signed up during the same period in 2019. Of those enrolling, the vast majority (79 percent) would have been eligible to enroll for coverage in a normal special-enrollment period. They enrolled because they lost job-based coverage, or experienced other qualifying life events, and knew where to go to get help because of Covered California’s efforts both during this period and over the past five years.

Based on our survey data, of those who enrolled during the COVID-19 special-enrollment period, about 21 percent were uninsured at the time of their plan selection, meaning they were most likely ineligible to sign up for coverage under normal special enrollment rules.<sup>7</sup> The percentage who were uninsured is very similar to what Covered California sees during its open-enrollment period. Based on the overall volume of new sign-ups with Covered California the decision to declare a special-enrollment period for the uninsured allowed an estimated 60,000 more Californians to sign up for coverage than would have otherwise.

Despite Covered California’s record enrollment, a critical concern moving forward is to ensure that these coverage gains do not further exacerbate disparities in health outcomes, especially as research shows that people of color are disproportionately affected by COVID-19.<sup>8</sup> While enrollment in Covered California during this special-enrollment period shows the distribution among race and ethnicity to be relatively similar to prior open- and special-enrollment periods (See Exhibit 7.), more research is recommended, as people of color are believed to be overrepresented in industries most impacted by the recession.

Looking ahead, Covered California has established new paths to coverage for consumers who lose their job or suffer a reduction in income – regardless of whether that job provides

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<sup>7</sup> Covered California, Sept. 22, 2020 – “Coverage When You Need It: Lessons from Consumers’ Moving In and Out of the Individual Marketplace in California Before and After the COVID-19 Pandemic,” [https://hbex.coveredca.com/data-research/library/CoveredCA\\_Coverage-When-You-Need-It\\_09-22-20.pdf](https://hbex.coveredca.com/data-research/library/CoveredCA_Coverage-When-You-Need-It_09-22-20.pdf)

<sup>8</sup> Kaiser Family Foundation, Sept. 16, 2020 – “COVID-19 Racial Disparities in Testing, Infection, Hospitalization, and Death: Analysis of Epic Patient Data,” <https://www.kff.org/report-section/covid-19-racial-disparities-in-testing-infection-hospitalization-and-death-analysis-of-epic-patient-data-issue-brief/>



them with health insurance coverage – and those impacted by the wildfires raging throughout the state.<sup>9</sup>

Covered California's analysis also revealed additional trends: (1) the pandemic highlights the fragility and often inadequacy of coverage for those with Employer-Sponsored Insurance; and (2) affordability of coverage for those who might be in individual marketplaces continues to be a challenge (See Exhibit 9.). These trends are further discussed below.

### **The COVID-19 Pandemic Highlights the Fragility and Inadequacy of Employer-Sponsored Insurance for Many Consumers**

Covered California's analysis found the pandemic exposed the fragility of the employer-sponsored insurance market, where not only is the overall quality of plans deteriorating for many, but tens of millions of people across the nation have suddenly been left without coverage due to the pandemic.

Covered California's survey of consumers enrolling during the COVID-19 special-enrollment period found that 57 percent, or approximately 165,000 plan selections, were made by consumers who were previously enrolled in employer-sponsored insurance (See Exhibit 6.). This represents a nearly 20-point increase from the 39 percent of new enrollees who came to Covered California from job-based coverage during the 2019 open-enrollment period.

In addition, when you look at the consumers leaving Covered California – as people come in and out of marketplaces every month as life circumstances change – far fewer people are leaving for employer-sponsored insurance (See Exhibit 8.). The survey found that only 14 percent left the marketplace for job-based coverage during the COVID-19 special-enrollment period, compared to 54 percent during the 2019 open-enrollment member survey, which highlights the fact there are fewer employment opportunities available during the current recession.

National survey data from The Commonwealth Fund indicates that more Americans will continue to lose their employer coverage in the months to come, as results show that more than half of adults who had employer-sponsored insurance – but were furloughed due to the recession – are still covered through their job.<sup>10</sup> It remains unclear how long employers will continue to offer coverage to their furloughed employees, but even as the unemployment rates stabilize, these results indicate that shifts in coverage transitions may be delayed for many. Future analysis of the overall rate of the uninsured will be essential to evaluate how well consumers were able to access coverage during this pandemic.

Beyond the fact that consumers are losing employer-sponsored insurance and facing greater difficulties finding jobs with insurance coverage, a challenge facing many Americans is the fact that many of those with employer-sponsored coverage are underinsured and face barriers to getting needed care. In a recent report by The Commonwealth Fund, about one-

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<sup>9</sup> Covered California, Aug. 24, 2020 – “Covered California Opens New Paths to Coverage for Wildfire Victims and Those Who Lose Their Job or Income During the Pandemic and Recession,”

<https://www.coveredca.com/newsroom/news-releases/2020/08/24/covered-california-opens-new-paths-to-coverage-for-wildfire-victims-and-those-who-lose-their-job-or-income-during-the-pandemic-and-recession/>

<sup>10</sup> The Commonwealth Fund, June 2020 – “An Early Look at the Potential Implications of the COVID-19 Pandemic for Health Insurance Coverage,” <https://www.commonwealthfund.org/publications/issue-briefs/2020/jun/implications-covid-19-pandemic-health-insurance-survey>

quarter of adults with employer plans are “underinsured.”<sup>11</sup> The fact that high deductibles and cost-sharing can lead to consumers missing needed care is well documented – the same report noted the high proportions of those with insurance coverage but “underinsured” were likely to either skip recommended tests or not visit a doctor or clinic when they had a medical problem.

For those with private insurance, including both those with employer coverage and coverage through the individual market, as of 2020 almost half (46 percent) have deductibles of more than \$1,000.<sup>12</sup> While there are similarities between the affordability challenges faced by many in the individual market and those with employer-sponsored insurance, one major difference is that few with employer-sponsored insurance have support for their premium or cost-sharing that is adjusted for their income.<sup>13</sup>

State and federal actions addressed these realities by establishing policies that, irrespective of health plans benefit designs, there would be no cost-sharing for consumers receiving COVID-19 tests or for care and treatment of those diagnosed with COVID-19. It is clear in a pandemic, the public benefits by having potentially infectious individuals get tested and treated. It is less clear why the same logic does not apply to other infectious conditions – such as hepatitis, malaria, HIV/AIDS or tuberculosis. Why do we as a nation outlaw cost-sharing to ensure people with COVID-19 are effectively treated, yet we do not seem to be concerned that high cost-sharing means millions living with diabetes, cancer, heart disease or other conditions forgo needed care due to financial barriers. These are common diseases that are not only extremely deadly and costly to our health care system, but that disproportionately impact lower-income consumers, communities of color and those who are underinsured in the employer-sponsored insurance market and in marketplaces.

While California’s policies to eliminate cost-sharing – as well as similar ones instituted nationwide – helped people get care during the pandemic, they were necessary because research shows that those who are underinsured in the employer-sponsored market<sup>14</sup>, and those who have Bronze marketplace coverage, tend to avoid getting needed care because of affordability issues (See Exhibit 9.).

### **Pandemic Highlights Affordability Concerns**

While the recession is impacting how consumers come to the marketplace and where they go after they leave the marketplace, it is also affecting whether or not consumers can maintain coverage and get access to needed care. Covered California’s survey found that the share of consumers who left the marketplace to become uninsured is increasing, with nearly one in four (24 percent) reporting they left Covered California to be uninsured – over two times the number who reported that in 2018 (10 percent). This data appears to reinforce

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<sup>11</sup> Commonwealth Fund, August 2020, “U.S. Health Insurance Covered in 2020: A Looming Crisis in Affordability,” <https://www.commonwealthfund.org/publications/issue-briefs/2020/aug/looming-crisis-health-coverage-2020-biennial>

<sup>12</sup> Commonwealth Fund, August 2020, “U.S. Health Insurance Covered in 2020: A Looming Crisis in Affordability,” <https://www.commonwealthfund.org/publications/issue-briefs/2020/aug/looming-crisis-health-coverage-2020-biennial>

<sup>13</sup> Covered California 2018 & 2019 California Health Coverage Survey

<sup>14</sup> Kaiser Family Foundation, Oct. 2018 – “2018 Employer Health Benefits Survey,” <https://www.kff.org/report-section/2018-employer-health-benefits-survey-section-section-14-employer-practices-and-health-plan-networks/#figure1415>



prior research that affordability of individual market coverage remains a challenge, a concern especially in the context of a global health pandemic.<sup>15</sup>

In addition, the response to the pandemic also put a spotlight on concerns that affordability of care can be a barrier to many with individual market and employer-sponsored coverage seeking treatment. In Covered California – with 90 percent of enrollees receiving subsidies tied to their income that lower their health care premium and lower cost sharing – about 69 percent of consumers have plans that are “silver” or above – meaning their actuarial value is more than 70 percent. About 31 percent of enrollees, however, are still choosing the lowest cost plans – bronze with an actuarial value of 60 percent. With the consumer-centered benefit design, all of the bronze products provide multiple physician visits that are not subject to any deductible, but beyond those exceptions these are high-deductible products (with the individual deductible of \$6,300). Based on Covered California member surveys, about one-third of consumers with bronze plans report delaying or skipping needed care based on costs, which is two or three times the rate of those with richer benefits (see Slide 9 in attached slides).

### **Looking Ahead to Building on the Affordable Care Act**

While the Affordable Care Act has provided a strong framework that has helped millions of Americans gain access to quality health coverage and care, there is more work to be done both in California and across the nation.

We have highlighted five areas of importance:

- **State Efforts Are Not a Substitute for National Solutions** – While several states have instituted their own policies to either build on the Affordable Care Act or restore measures that have been removed by federal action, they are not sustainable over the long-term. Policies such as reinsurance, individual mandate penalties and enhanced subsidies are best instituted on a national basis instead of a patchwork of state efforts. In some cases, such as reinsurance, a federal plan is the only plan some states will be able to achieve because of the significant cost involved.
- **Increased Subsidies for Low- and Middle-Income Consumers** – California addressed the infamous “subsidy cliff” for middle-income consumers by creating a new state subsidy program and extending those benefits to eligible people who earn up to 600 percent of the federal poverty level. The program has helped hundreds of thousands, including more than 30,000 middle-income Californians pay for their health insurance coverage. However, California’s state subsidies are time-limited, and as we are getting to ready to enter year two of the 3-year program, the policy is not perfect as consumers could still spend nearly 20 percent of their income on health insurance. The federal government would have a much greater impact by permanently expanding subsidies nationwide and eliminating the “subsidy cliff,” which can shut consumers out of receiving financial help once they reach the current income eligibility threshold and require them to spend a significant portion of their income on health insurance premiums. Increasing financial help and removing the cliff entirely will increase the number of Americans who have health insurance and move our nation closer to universal coverage.

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<sup>15</sup> The Commonwealth Fund, Aug. 2019 – “Who Are the Remaining Uninsured, and Why Do They Lack Coverage? The Commonwealth Fund,” <https://www.commonwealthfund.org/publications/issue-briefs/2019/aug/who-are-remaining-uninsured-and-why-do-they-lack-coverage>

- **Give Americans with Inadequate Employer Coverage a Path to Meaningful Coverage** – For many, employer-sponsored coverage works and works well, especially for those with coverage negotiated on their behalf by unions. However, many Americans, most of them low-income earners, have employer sponsored coverage that is inadequate. While the Affordable Care Act ties co-pays and deductibles to your income – you earn less, you pay less for a doctor’s visit – the same is not true for most people with job-based coverage. Consumers whose employer-sponsored insurance does not meet certain standards or value should be allowed to look to the marketplaces for more affordable and better coverage or the nation needs to address other routes so those with thin employer-sponsored coverage do not have coverage in name only.
- **Lower Underlying Health Care Costs** – The United States continues to lead the way, by a significant margin, when it comes to high health care costs. The most recent data shows that the United States spent 16.9 percent of its Gross Domestic Product on health care, which is nearly twice the average of 10 other high-income nations.<sup>16</sup> However, we continue to see the lowest life expectancy and highest chronic disease burden among the 11 nations. Covered California is working to improve health system performance by holding carriers accountable for assuring quality care and promoting delivery system reform.<sup>17</sup> More effort must be made address the underlying costs of health care in our country, whether it is through making publicly negotiated pricing available to all consumers or through reforms to high prescription drug costs, the current situation is not sustainable over the long-term.
- **Addressing Equity and Disparities** – The pandemic highlighted the fact that a global health crisis impacts communities differently. As noted earlier, we know that African American and Latino communities are bearing a higher cost in the battle against COVID-19 as they have suffered higher infection and death rates. Addressing this inequity, as well as dealing with the long-standing disparities facing communities of color will take a concerted and unified effort.

## Conclusion

As a nation, we are at a pivotal time for the Affordable Care Act and for health care more broadly. In much of the country, the challenges we face have been exacerbated by recent federal policy actions – including the federal elimination of the individual mandate penalty, promotion of short-term, limited duration insurance, and the reduction in marketing and outreach by the federally-facilitated marketplace. As a result, these actions have chipped away at the integrity of the Affordable Care Act, forced millions to lose their coverage and steadily raised the national uninsured rate from 8.6 percent in 2016 to 9.2 percent in 2019.

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<sup>16</sup> Commonwealth Fund, Jan. 30, 2020, “U.S. Health Care from a Global Perspective, 2019: Higher Spending, Worse Outcomes,” <https://www.commonwealthfund.org/publications/issue-briefs/2020/jan/us-health-care-global-perspective-2019>

<sup>17</sup> Covered California, Dec. 2019, “Covered California Holding Health Plans Accountable for Quality and Delivery System Reform,” [https://hbex.coveredca.com/data-research/library/CoveredCA\\_Holding\\_Plans\\_Accountable\\_Dec2019.pdf](https://hbex.coveredca.com/data-research/library/CoveredCA_Holding_Plans_Accountable_Dec2019.pdf)

The Affordable Care Act remains the most significant piece of health legislation passed since the establishment of Medicare and Medicaid in 1965. While it is not perfect, it has protected Americans with pre-existing conditions and provided quality care to those who have no other coverage options. Looking forward, I hope Congress can get beyond the labels to focusing on building on the progress made in the past ten years and acting to make improvements to better meet the needs of millions of Americans.

I would like to thank the committee for inviting me to testify. I am honored to represent Covered California, and as always, I hope my testimony helps inform the health policy

dialogue at both state and federal levels. Again, please do not hesitate to reach out to us if we can provide you with any additional information that can assist you as you consider health care proposals that come before you in Congress.

**Attachments:**

- [\*Exhibits Supporting the Testimony of Peter V. Lee, Covered California\*](#)
- [\*Coverage When You Need It: Lessons from Insurance Covered Transitions in California's Individual Marketplace Pre and Post the COVID-19 Pandemic, Covered California, September 22, 2020.\*](#)
- [\*Coverage Transitions in California's Individual Marketplace Pre and Post COVID-19 Pandemic: Chart Pack\*](#)