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THE PRESIDENT'S FISCAL YEAR 2014 BUDGET PROPOSAL WITH U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES SECRETARY KATHLEEN SEBELIUS

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

APRIL 12, 2013

Serial No. 113–FC05

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PUBLISHING OFFICE

21–125 WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
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THE PRESIDENT'S FISCAL YEAR 2014 BUDGET PROPOSAL WITH U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES SECRETARY KATHLEEN SEBELIUS

FRIDAY, APRIL 12, 2013

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The Committee met, pursuant to call, at 9:05 a.m., in Room 1100, Longworth House Office Building, Hon. Dave Camp [Chairman of the Committee] presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE
Friday, April 5, 2013
No. FC–05

CONTACT: (202) 225–3625

Chairman Camp Announces Hearing on the President's Fiscal Year 2014 Budget Proposal with U.S. Department of Health and Human Services Secretary Kathleen Sebelius

House Ways and Means Committee Chairman Dave Camp (R–MI) today announced that the Committee on Ways and Means will hold a hearing on President Obama's budget proposals for the Department of Health and Human Services for fiscal year 2014. **The hearing will take place on Friday, April 12, 2013, in 1100 Longworth House Office Building, beginning at 9:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from the invited witness only. The sole witness will be the Honorable Kathleen Sebelius, Secretary, U.S. Department of Health and Human Services. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

On April 10, 2013, President Obama is expected to submit his fiscal year 2014 budget proposal to Congress. The President's proposed budget will contain his tax, spending, and policy proposals for the coming fiscal year, including his proposed budget for the Department of Health and Human Services and the programs it operates and oversees. Many of the Department's programs such as Medicare, efforts to assist those who lack health insurance, and Temporary Assistance for Needy Families are within the Committee's jurisdiction.

In announcing this hearing, Chairman Camp said, **"I am encouraged that the President has signaled that he intends to include reforms to Medicare in this budget. We look forward to this discussion, but our time is short and we must act soon to protect seniors and ensure the Medicare program remains solvent for future generations. We also will examine HHS' efforts to implement the Democrats' healthcare law, which threatens to increase healthcare costs for American families, and puts jobs and job creation further at risk, and jeopardizes the health care that many already have and like. The deadline to implement this law is just around the corner, and the American public needs much more information from this Administration about how it is preparing for this unwieldy new entitlement. Members also look forward to reviewing the Administration's proposals affecting human services programs, including whether the Administration will continue its unlawful and unprecedented pursuit to waive the work requirements that have helped welfare recipients replace welfare checks with paychecks."**

FOCUS OF THE HEARING:

U.S. Department of Health and Human Services Secretary Sebelius will discuss the details of the President's HHS FY14 budget proposals that are within the Committee's jurisdiction.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov*, select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Friday, April 26, 2013**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721 or (202) 225–3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TDD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://www.waysandmeans.house.gov/*.

Chairman CAMP. The Committee on Ways and Means will now come to order.

Madam Secretary, thank you for appearing before us today. The Ranking Member and I have agreed this morning to allow the Chair and Ranking Member of the Health Subcommittee to give the opening statement this morning, and after that, we will begin with questions where we left off yesterday. We had the Secretary of the Treasury here yesterday. We were not able to get through the entire panel.

So I will now recognize Health Subcommittee Chairman Brady for his opening statement.

Mr. BRADY. Thank you, Mr. Chairman.

Secretary Sebelius, thanks for joining us today to discuss the President's 2014 budget. One of the top priorities for this Committee is to act now to save Medicare so that every generation of

seniors can count on it. So I welcome the inclusion of some conceptual reforms to Medicare, including recognizing the urgent need for a permanent solution to pay local doctors fairly so they can continue to treat our seniors and improvements to the current Medicare structure to modernize cost sharing.

However the President's budget falls far short of what is needed to save Medicare. Its trustees tell us this important program is going broke sooner rather than later. The White House and Congress need to act together now, this year, to save Medicare for the long term. And I challenge you and the President to save Medicare for its own sake, not conditioned upon wringing tax increases from hardworking Americans that have nothing to do with Medicare.

This Committee will act. At the direction of Chairman Camp, we have convened a series of hearings beginning next week to examine bipartisan solutions to save Medicare, some supported by the President. And I invite you to join this Committee in working toward long overdue actions to protect, improve and strengthen Medicare.

Both Republicans and Democrats can agree that Americans need the right kind of healthcare reform, reform that lowers costs, improves health and protects the vulnerable. But many Americans are concerned the Affordable Care Act may not be able to deliver. They have real concerns about how the law will affect their personal health care, that the President's law will cause healthcare costs to go up while the quality of care goes down.

This White House repeatedly promised it would lower costs by thousands of dollars for individuals and families and that Americans would not lose the health insurance they have and like.

Yet, you recently admitted that the mandates in the new law will make healthcare premiums more expensive. And this week you warned that almost 25 million Americans will lose the insurance they get at work. Clearly, the President's new law is not helping families or local businesses, and this budget does nothing to offer them relief.

To add insult to injury, as our economy continues to struggle and millions of Americans have given up looking for work, the healthcare law is resulting in fewer jobs and frozen wages. It is forcing local businesses to replace full-time jobs with part-time jobs. In one survey from the U.S. Chamber of Commerce, over 70 percent of small businesses said the President's healthcare law prevents them from hiring new workers. Another study found it would put over 3 million jobs at risk in the franchise industry alone. And as one small businessman in Virginia stated, I am convinced the primary reason we are not seeing a robust economic recovery is the uncertainty and costs associated with this healthcare law.

In a wood pallet plant that I toured in Conroe, Texas, the company owner told me the extra healthcare costs from the President's new law is equal to opening two new plants and adding 100 new workers.

Our local businesses and their workers are worried. They are asking, why are my healthcare premiums going up? Why am I losing the health insurance I have and like? And why does Washington keep heaping on new red tape that keeps me from growing my business?

These are serious questions I hope you can answer today, Madam Secretary.

On top of the $2 billion already spent to set up bureaucracy for this new law, the President's budget seeks $1.5 billion more including adding 1,000 new IRS employees to ensure Americans comply with the new taxes and mandates.

But what we really need are 1,000 more doctors and nurses, not more IRS agents.

Finally, will the White House be able to deliver on October 1st? Three full years after the law was passed, this Administration seems in disarray as it rushes to set up the healthcare exchanges by that date. With just 6 months to go, no one has any idea how many and which Americans will be forced into the exchanges, how they will operate, what the health insurance plans will look like, or if Americans' private information will be protected.

Patients, local businesses and those expected to deliver health care are extremely concerned. Many Americans believe that, so far, this has been nothing short of an absolute nightmare.

Madam Secretary, we are looking to you for honest and specific answers, as we know you will give us. Our families and small businesses deserve to know.

[The submission of the Honorable Kevin Brady follows:]

Marketplace Timeline

	FEB 2013	MAR 2013	APR 2013	MAY 2013	JUN 2013	JUL 2013	AUG 2013	SEP 2013	OCT 2013
Policy	2/2013 Essential Health Benefits & Market Rules, Payment Notice	3/2013 Medicaid FMAP Rule	4/2013 Eligibility Rule (Marketplace & Medicaid/CHIP Appeals						
Operations & IT	2/2013 Income Definition Business Rules Finalized		4/2013 Issuers Submit QHP Rating & Benefit Data for HHS Marketplace			7/2013 Final QHP Evaluation Results Recd. & Data Finalized	8/2013 QHP Plan Preview for HHS & Partner Marketplaces	9/2013 IT Dev. & Integration Testing Complete	
Issuers & States	2/2013 State Partnership Marketplace Blueprints Due	3/2013 Secretary Final Decisions for Marketplaces 3/2013 Issuer QHP Plan Designs Complete				7/2013 State Dept. of Insurance Approval of QHPs, State Partnership Review of QHPs Complete			
Consumer Assistance			4/2013 Single Streamlined Application Finalized		6/2013 Web Re-Launch & Call Center Launch	7/2013 Navigator Portal Available	8/2013 Navigator/ Agent/Broker Training Complete		10/2013 ENROLLMENT BEGINS

CHIP: Children's Health Insurance Plan **QHP:** Quality Health Plan
FMAP: Federal Medical Assistance Percentages (Matching funds for Medicaid and other State-administered programs)

Chairman CAMP. At this point, we are going to recognize the Health Subcommittee Ranking Member McDermott to deliver his opening statement.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

Welcome, Madam Secretary. I have enjoyed working with you during the President's first term and am very pleased that you decided to stay. Others have left, and I am sure that there are things that might be attractive in leaving, but your willingness to stay and serve the people should be recognized because this is a very daunting task that you face.

Implementing the Affordable Care Act on top of managing Medicare and Medicaid will not be easy. Enrolling millions of people by the end of the year is a Herculean task, which is why the leadership and continuity you provide is so critical. Your experience, both as a health insurance commissioner and a Governor, you know what it is like on the other end, so it is going to be very important to have you at the top talking about what happens.

The President's budget really is an effort, in my view, to reinvigorate a search for common ground and the common good. Unlike our colleagues on the other side, the President has been clear about his willingness to tackle the tough issues. Unfortunately, it doesn't mean much when the House Republican leadership refuses to engage in meaningful conversation about shared sacrifice or deficit reduction.

We just heard that we are 3 years into this. Well, what they did for the last 3 years was they would not negotiate, and in fact, Republicans have been as unrelenting in their zeal to get rid of the ACA, even though it is the first serious and successful attempt ever in this country to curb healthcare costs. It is projected to reduce the deficit, even with its benefits, by more than $1 trillion over the next two decades. Despite 33 House votes for repeal, the Supreme Court ruling and the Presidential election results, their efforts to destroy the law continue.

We know they won't get rid of it, and they know they won't get rid of it. John Boehner even said the other day that it is the law of the land. And they also know that there is more than one way to skin a cat. Republicans know the best way to secure a government that won't tax or regulate them is to create a government that can't do anything. Starve the programs, and the people won't fight for them. Cripple the government, and no one will understand what they need.

The sequester cut 8 percent of the program management budget for CMS, a direct hit to ACA's implementation efforts. It was obvious they did it. Their budget raises costs for current senior citizens by repealing Medicare improvements and ends Medicare as we know it for people nearing eligibility by turning it into a voucher program.

Ironically, the CBO says the Republican Medicare voucher proposals would lead to higher national healthcare spending. We have dealt with access with the ACA. We now have to deal with costs. That is what is the implementation that we are going to be into presently.

Their policy is not a clever one. It doesn't lead to better care. It isn't either ethically or fiscally responsible. In contrast, our Medi-

care reforms in the ACA were based on reality, not rhetoric. Through our efforts Medicare's per person growth rates are historically low and projected to remain so for the foreseeable future. Solvency was significantly extended. New payment and delivery system reforms will create a program that favors value over volume and helps drive the right cost, the right care to the right patient at the right time.

It hasn't been easy, but that is why I'm glad you are still here. No one is better suited to do the job. You understand the importance and the complication of State partnerships, and you are asking for what you need, $1.5 billion to get the uninsured Americans health care, to establish sustainable spending and tackle the number one cause of personal bankruptcy, that is a bargain at $1.5 billion.

HHS staff are to be commended, especially those at CMS, because they have worked tirelessly to improve changes that overhauled nearly every Medicare payment system. They are creating a whole new infrastructure on the promises of ACA, and they have done it on a shoestring. We know you don't have the resources you need and the job has been made infinitely hard by false and misleading attacks by opponents.

Now, enough is enough. It is time for my Republican colleagues to work with us and the Administration to ensure effective implementation of what the American people are demanding, a simpler, more fair healthcare system that is established by the Affordable Care Act.

They had 4 years of advertising against it, and they reelected the President overwhelmingly because he put it in place.

I hope today's conversation is a productive start toward that eventuality, and I look forward to hearing the discussions.

Chairman CAMP. Thank you and welcome to the Ways and Means Committee.

And we have your written testimony. You are now recognized for 5 minutes.

STATEMENT OF THE HONORABLE KATHLEEN SEBELIUS, SECRETARY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC

Secretary SEBELIUS. Well, thank you, Chairman Camp and Ranking Member Levin, Subcommittee Chairs.

And thank you, Ways and Means Committee, for the opportunity to discuss the President's 2014 budget for the Department of Health and Human Services.

I think this budget directly supports the overall goals of the President by strengthening our economy and promoting middle class job growth. It ensures that the American people will continue to benefit from the Affordable Care Act, and it provides much-needed support for mental health services and takes steps to address the tragedy of gun violence.

We are proposing to strengthen education for our children during their critical early years to ensure they can succeed in a 21st century economy. The budget secures America's place as the world leader in health innovation so that it remains a magnet for jobs of

the future and helps to reduce the deficit in a balanced, sustainable way.

I look forward, Mr. Chairman, to answering your questions about the budget, but first, I want to just share a few of the highlights.

The Affordable Care Act is already benefiting millions of Americans, and our budget makes sure that we will continue to implement the law. By supporting the creation of new health insurance marketplaces, the budget will ensure that starting next January, Americans in every State will be able to get quality health insurance that fits their budget.

Our budget also addresses another issue that has been on all of our minds recently, mental health services and the ongoing epidemic of gun violence. Now we know that a vast majority of Americans who struggle with mental illness are not violent. But recent tragedies have reminded us all of the staggering toll that untreated mental illness can take on our society, and that is why we are proposing a major new investment to help ensure that students and young adults get the treatment they need, including training 5,000 additional mental health professionals to join our behavioral health workforce.

Our budget also supports the President's call to provide every child in America with access to high quality early learning services. It proposes additional investments in new early Head Start child care partnerships, and it provides additional support to raise the quality of child care programs and promote evidence-based home visiting for new parents. Together, these investments will create long-lasting, positive outcomes for families and provide a huge return on investment.

As we prepare the next generation of Americans to succeed in the 21st century economy, our budget also makes sure that America remains a world leader in health innovation. The significant new investments this budget contains for NIH reflect our commitment to furthering the biomedical research that will help create good new jobs and advance the cause of cures in medical science.

The new investments in health IT will allow us to continue to support the development and use of compatible electronic health records systems that have huge potential for improving care coordination and public health.

Even as our budget invests for the future, it also helps reduce the long-term deficit by making sure that programs like Medicare are put on stable fiscal trajectory.

Medicare spending for beneficiary grew at an historically low rate of .4 percent in 2012, four-tenths of 1 percent in 2012, thanks in part to the successful implementation of the Affordable Care Act's $800 billion in saving provisions that strengthen the Medicare program.

The President's 2014 budget achieves even more savings. For example, the budget allows low-income Medicare beneficiaries to get their prescription drugs at the lower Medicaid rates, resulting in savings of more than $120 billion over the next 10 years, without sacrificing their drug benefits.

In total, the budget would build on the Affordable Care Act's cost-containment measures, generating an additional $371 billion

in Medicare savings over the next decade, reducing the deficit and putting Medicare on sounder financial footing.

Our budget also reflects our commitment to aggressively reducing waste and fraud in all our programs. We are proposing an increase in mandatory funding for our healthcare fraud and abuse control program, an initiative that last year alone saved taxpayers nearly $8 for every dollar that was spent. And we are investing in additional efforts to reduce improper Medicare, Medicaid and CHIP payments and to strengthen our Office of Inspector General.

What all of this adds up to is a budget that will equip HHS to support the Administration's North Star of a thriving middle class. It will promote job growth and keep our economy strong in the years to come while also helping to bring down the long-term deficit.

And I know many of you have questions, and I am happy to take those now. Thank you, Mr. Chairman.

[The prepared statement of Secretary Sebelius follows:]

TESTIMONY IS EMBARGOED UNTIL THE START OF THE HEARING AT 9:00 AM ON APRIL 12, 2013

STATEMENT OF

KATHLEEN SEBELIUS

SECRETARY

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

ON

THE PRESIDENT'S FISCAL YEAR 2014 BUDGET

BEFORE THE

COMMITTEE ON WAYS AND MEANS

UNITED STATES HOUSE OF REPRESENTATIVES

APRIL 12, 2013

Testimony of
Secretary Kathleen Sebelius
U.S. Department of Health and Human Services
before the
United States House of Representatives
Committee on Ways and Means
April 12, 2013

Chairman Camp, Ranking Member Levin, and Members of the Committee, thank you for the invitation to discuss the President's FY 2014 Budget for the Department of Health and Human Services (HHS).

The Budget for HHS provides critical investments in health care, disease prevention, social services, and scientific research in order to create healthier and safer families, stronger communities, and a thriving America.

The President's fiscal year (FY) 2014 Budget for HHS includes investments needed to support the health and well being of the nation, and legislative proposals that would save an estimated $361.1 billion over 10 years. The Budget totals $967.3 billion in outlays and proposes $80.1 billion in discretionary budget authority. With this funding HHS will continue to improve health care and expand coverage, create opportunity and give kids the chance to succeed, protect vulnerable populations, promote science and innovation, protect the nation's public health and national security, and focus on responsible stewardship of taxpayer dollars.

Improving Health Care and Expanding Coverage

Expanding Health Insurance Coverage. Implementation of the Exchanges, also referred to as Marketplaces, will expand access to affordable insurance coverage for more than 25 million Americans. Marketplaces make purchasing private health insurance easier by providing eligible consumers and small businesses with one-stop-shopping where they can compare across plans. New premium tax credits and rules ensuring fair premium rates improve affordability of private coverage. Marketplaces will be operational in 2014; open enrollment begins October 1, 2013 for the coverage year beginning January 1, 2014. The Budget supports operations in the Federal Marketplaces, as well as oversight and assistance to State-based and Partnership Marketplaces.

Beginning in January 2014, Medicaid coverage rules will be simplified and aligned with rules for determining eligibility for tax credits for private insurance in the Marketplaces, and millions of low-income people will gain coverage. The Centers for Medicare & Medicaid Services (CMS) is committed to working with states and other partners to advance state efforts that promote health, improve the quality of care, and lower health care costs.

Also beginning in 2014, consumers will benefit from a number of new protections in the private health insurance market. Most health insurers will no longer be allowed to charge more or deny coverage to people because of pre-existing conditions. These new protections will also prohibit most health insurers from putting annual dollar limits on benefits and from varying premiums based on gender or any factor other than age, tobacco use, family size, or geography. In addition, new plans in the individual and small group market will be required to cover a comprehensive package of items and services known as Essential Health Benefits, which must

include items and services within ten benefit categories. Finally, most individuals choosing to participate in clinical trials will not face limits in health insurance coverage. This protection applies to all clinical trials that treat cancer or other life-threatening diseases.

Expanding Access to Care through Health Centers. The FY 2014 Budget includes $3.8 billion for the Health Centers program, including $2.2 billion in mandatory funding provided through the Affordable Care Act Community Health Center Fund. In FY 2014, 23 million patients will receive health care through more than 8,900 sites in medically underserved communities throughout the nation. The Budget funds 40 new health center sites for the provision of preventive health care services, expanding outreach and care to approximately 1.5 million additional patients.

Improving Patient Safety. HHS is committed to improving patient safety and reducing the risks and harm that patients can encounter. The Budget includes $63 million for patient safety research at the Agency for Healthcare Research and Quality (AHRQ). AHRQ's patient safety research focuses on the risks and harm inherent in the delivery of health care in order to understand the factors that can contribute to adverse events and how to prevent them. In FY 2014, AHRQ will fund projects to address the challenges of health care teamwork and coordination among providers. AHRQ will also support research on how to establish cultures conducive to patient safety in health care organizations. This research will serve as the foundational basis on which patient safety can be improved.

Increasing Access to Mental Health Services

The FY 2014 Budget includes over $1 billion for mental health programs at the Substance Abuse and Mental Health Services Administration (SAMSHA), including the $460 million for the Community Mental Health Services Block Grant. This block grant provides States flexible funding to maintain community based mental health services for children and adults with serious mental illnesses, including rehabilitation, supported housing, and employment opportunities. The Budget also proposes funding within the block grant to encourage States to build provider capacity to bill public and private insurance. This will support States in an effective transition in the first year of the Affordable Care Act, which will include expanded coverage for mental health and substance abuse treatment services.

Expand Prevention and Treatment for Youth and Families. While the vast majority of Americans with a mental illness are not violent, and are in fact more likely to be the victims of violence, recent tragedies have brought to light a hidden crisis in America's mental health system. The Budget addresses these issues by investing $130 million to help teachers and other adults recognize signs of mental illness in students and refer them to help if needed, support innovative state-based programs to improve mental health outcomes for young people ages 16-25, and train 5,000 more mental health professionals with a focus on serving students and young adults.

Helping Families and Children Succeed

In his State of the Union Address, President Obama proposed a series of new investments to create a continuum of high-quality early learning services for children beginning at birth through age five. As part of this initiative, HHS and the Department of Education are working together to make high-quality preschool available to four-year olds from low- and moderate-income families through a partnership with states, expand the availability of high-quality care for infants and toddlers, and increase highly-effective, voluntary home visiting programs to provide health, social, and education supports to low-income families. Specifically, the FY 2014 HHS Budget includes:

Home Visiting. The Budget extends and expands this voluntary evidence-based program that has shown to be critical in improving maternal and child health outcomes in the early years, leaving long-lasting, positive impacts on parenting skills; children's cognitive, language, and social-emotional development; and school readiness. The Budget proposes a long-term $15 billion investment beginning in FY 2015.

Early Head Start—Child Care Partnerships. The Budget proposes $1.4 billion in FY 2014 for new Early Head Start – Child Care Partnerships that will expand the availability of early learning programs that meet the highest standards of quality for infants and toddlers, serving children from birth through age three. In addition to the new Partnerships, the Budget provides $222 million above FY 2012 to strengthen services for children currently enrolled in the program, avoid further enrollment reductions, and support the Head Start Designation Renewal System. Together, these investments total $9.6 billion, an increase of $1.7 billion over FY 2012.

Child Care Quality Fund. The request includes $200 million above FY 2012 in discretionary funds to help states raise the bar on quality by strengthening health and safety measures in child care settings, supporting professional development for providers, and promoting transparency and consumer education to help parents make informed child care choices. In addition to this funding, the Budget provides $500 million above FY 2012 in mandatory funds to serve 1.4 million children, approximately 100,000 more than would otherwise be served.

Child Support and Fatherhood Initiative. Additionally, the Budget includes a set of proposals to encourage states to pay child support collections to families rather than retaining those payments. This effort includes a proposal to encourage states to provide all current monthly child support collections to Temporary Assistance for Needy Families recipients. Recognizing that healthy families need more than just financial support alone, the proposal requires states to include parenting time provisions in initial child support orders, to increase resources to support, and facilitate non-custodial parents' access to and visitation with their children. The Budget also includes new enforcement mechanisms that will enhance child support collections.

Protecting Vulnerable Populations

Addressing the Unique Needs of Communities. The Administration for Community Living (ACL) was formed in April 2012 as a single agency designed to help more people with disabilities and older adults have the option to live in their homes and participate fully in their

communities. The FY 2014 Budget reflects the creation of ACL by bringing together the resources for the Administration on Aging, the Office on Disability, and the Administration on Intellectual and Developmental Disabilities, into a consolidated request. This newly organized agency works across HHS to harmonize efforts to promote community living, which can both save federal funds and allow people who choose to live with dignity in the communities they call home. ACL's Lifespan Respite Care program, as an example, focuses on providing a test bed for needed infrastructure changes and on filling gaps in service by putting in place coordinated systems of accessible, community-based respite care services for family caregivers of children and adults with special needs.

Promoting Science and Innovation

Advancing Scientific Knowledge. The FY 2014 Budget includes $31.3 billion for the National Institutes of Health (NIH), an increase of $471 million over the FY 2012 level, reflecting the Administration's priority to invest in innovative biomedical and behavioral research that spurs economic growth while advancing medical science. In FY 2014, NIH will focus on investing in today's basic research for tomorrow's breakthroughs, advancing translational sciences, and recruiting and retaining diverse scientific talent and creativity. Investment in NIH also helps drive the biotechnology sector and assure the nation's place as a leader in science and technology.

Alzheimer's Disease Initiatives. The Department continues to implement the National Plan to Address Alzheimer's Disease, as required by the National Alzheimer's Project Act. In FY 2014, the Budget includes a $100 million initiative targeted to expanding research, education, and outreach on Alzheimer's disease, and to improving patient, family, and caregiver support. Included in this initiative is $80 million within the NIH budget to be devoted to speeding drug development and testing new therapies. Also, the request for the Prevention and Public Health Fund (Prevention Fund) includes $20 million for the Alzheimer's Disease Initiative. Of this, ACL will use $15 million to strengthen state and local dementia intervention capabilities and for outreach to inform those who care for individuals with Alzheimer's disease about resources available to help them. HRSA will use the other $5 million to expand efforts to provide training to healthcare providers on Alzheimer's disease and related dementias.

Focusing on Responsible Stewardship of Taxpayer Dollars

Contributing to deficit reduction while maintaining promises to all Americans. The HHS Budget makes the investments the nation needs right now, while reducing the deficit in the long term and ensuring the programs that millions of Americans rely on will be there for generations to come. Already, we have seen how our programs are making a difference to reduce the deficit. The Affordable Care Act has helped to slow rising costs by building a smarter system to get at the underlying health care costs that have been driving Medicare and Medicaid spending. In fiscal year 2012, per beneficiary Medicare spending grew by only 0.4 percent, and total per beneficiary Medicaid spending actually decreased – by 1.9 percent. For the 1st time in a decade, overall health care costs grew more slowly than the economy. We are driving down costs while improving quality for patients by building a smarter system – for example, after decades stuck at

19 percent, avoidable hospital readmissions fell to 17.8 percent in Medicare last year. The Budget helps HHS to build on this work.

The Budget maintains ongoing investments in areas most central to advancing the HHS mission while making reductions to lower priority areas, reducing duplication, and increasing administrative efficiencies. Overall, the FY 2014 Budget includes nearly $2.3 billion in discretionary terminations and budget reductions.

The specified Medicare and Medicaid legislative proposals in the FY 2014 Budget seek to reduce the deficit while encouraging economic growth and maintaining the administration's commitment to HHS programs upon which tens of millions of Americans depend. Medicare savings would total $371.0 billion over 10 years by encouraging beneficiaries to seek value in their health care choices; strengthening provider payment incentives to promote high-quality, efficient care; and increasing the availability of generic drugs and biologics. The Budget also includes $22.1 billion in savings over 10 years to make Medicaid more flexible, efficient, and accountable while strengthening Medicaid program integrity. Together, the FY 2014 discretionary budget request and these legislative proposals allow HHS to support the Administration's challenging yet complementary goals of investing in the future and establishing a sustainable fiscal outlook.

Combating fraud, waste, and abuse in health care: The FY 2014 Budget makes cutting fraud, waste, and abuse a top Administration priority. In addition to the base discretionary Health Care Fraud and Abuse Control (HCFAC) funding in FY 2013 and FY 2014, the Budget seeks new mandatory funding to support these efforts. Starting in FY 2015, the Budget proposes all new HCFAC investments be mandatory, consistent with levels in the Budget Control Act. This investment supports fraud prevention initiatives like the Fraud Prevention System and screening for Medicare providers and suppliers to reduce improper payments in Medicare, Medicaid and CHIP; and HHS-Department of Justice Health Care Fraud Prevention and Enforcement Action Team initiatives, including the Medicare Strike Force teams and the Fraud Prevention Partnership between the federal government, private insurers, and other key stakeholders.

From 1997 to 2012, HCFAC programs have returned over $23 billion to the Medicare Trust Funds, and the current three-year return-on-investment of 7.9 to 1 is the highest in the history of the HCFAC program. The Budget's 10-year HCFAC investment yields a conservative estimate of $6.7 billion in Medicare and Medicaid savings.

The Budget includes $389 million in discretionary and mandatory funding for the Office of Inspector General (OIG), an increase of $101 million above the FY 2012 level. This increase will enable OIG to expand CMS Program Integrity efforts for the Health Care Fraud Prevention and Enforcement Action Team and improper payments, and also enhance investigative efforts focused on civil fraud, oversight of grants, and the operation of Affordable Care Act programs.

The Budget also includes $82 million for the Office of Medicare Hearings and Appeals (OMHA), an increase of $10 million from FY 2012, to address OMHA's adjudicatory capacity and staffing levels and maintain quality and accuracy of its decisions. The increase allows

OMHA to establish a new field office in the Central time zone supported by additional Administrative Law Judge teams and attorneys, and operational staff.

Performance, Evaluations and Effectiveness

Assessing the Impact of Health Insurance Coverage Expansions on Safety Net Programs. The Budget includes $3 million to the Assistant Secretary for Planning and Evaluation to evaluate the impact of health insurance coverage and benefit expansions among beneficiaries of HHS direct service programs. This request supports the continuation of research and evaluation studies, collection of data, and assessments of the costs, benefits and impacts of policies and programs under consideration by HHS or the Congress. This data will inform decisions about how to tailor policies and programs to align with new coverage options and support available starting in 2014.

Thank you for the opportunity to testify. I will be happy to answer any questions you may have.

Chairman CAMP. Well thank you, very much, Madam Secretary.

Mr. Marchant is recognized for 5 minutes.

Mr. MARCHANT. Thank you, Mr. Chairman.

Welcome, Madam Secretary.

I am concerned about the impact the President's healthcare law will have on the small businesses in my district. HHS recently announced the delay of the choice option for small businesses in the 33 Federal exchanges. The Small Business Majority, a group that has been a witness before this Committee, called your decision a major letdown for small businessowners and their employees. Operational challenges have been cited as the reason for delaying the choice option.

Can you please detail exactly what these operational challenges were and the specific problem that ultimately led you to delay the program?

Secretary SEBELIUS. Yes, Congressman, I would be glad to answer that. The SHOP Exchange will be up and running in every State in the country in 2014. The SHOP is the small business market exchange. In it, small businessowners who now pay about 20 percent more than their large competitors for insurance, will finally have competitive choices, transparency and an ability to leverage the kind of buying power that the large competitors have.

The SHOP Exchange, as written, had two components. One was a choice for businessowners, and that will be up and running, and the second was an opportunity to offer those businessowners then to give their employees a variety of choices of plans. A lot of feedback, from both insurance companies and from some business groups, indicated that that would be a very hard second tier to get set up year one. So what we have determined to do is, in at least the Federal exchange—and the State-based exchanges can have the full program up and running because they are just doing one State—in the Federal exchange, every small businessowner will have a choice of plans, will have competition and will be automatically in a larger pool with rates that the small, the Congressional Budget Office has estimated will be significantly lower than what they are able to pay right now.

What will happen year two, Congressman, is those employers then, if they choose, can give employees the wide choice of plans with an aggregated premium. That is the only portion that is being delayed.

Mr. MARCHANT. But what specifically led to the decision to delay that program?

Secretary SEBELIUS. It really was feedback mostly from insurance companies and others that, operationally, to try to get the aggregated premiums, all the choice plans available up and running year one was probably going to lead to some major glitches, and we really took that advice seriously. So all businessowners will have an opportunity to have competition and a choice of plans in the small market and then again, in year 2, offer from then on the opportunity for their employees to choose among a variety of plans.

Mr. MARCHANT. Due to the delay, do you believe that some small businesses may choose to completely drop their health coverage for employees and opt to pay the fine instead of provide coverage?

Secretary SEBELIUS. I do not, sir, because what we know is that the employer will have a choice. The employer will have a competitive market for the first time ever. That will be up and running in every State in the country.

What the law then says is that the employer, if he or she chooses, could offer employees a choice of every plan in the market. That is the phase that will not be in place, at least in the Federal market, until year 2. So employer choice will still be there. The smallest employers will qualify for an up to 50 percent tax break to offer their employees coverage through the SHOP. They will have negotiated rates. They will have transparency, and they will have competition and be part of a larger pool that right now they don't have.

Mr. MARCHANT. Do you anticipate making the same decision to delay the implementation of the exchanges in the entire Affordable Care Act?

Secretary SEBELIUS. No, sir. We will be up and running in every State in the country October 1st for open enrollment and January 1st, 2014, for the plans to begin.

Mr. MARCHANT. As a followup question, has HHS made any preparation for how to meet the added cost for providing care for the potential 10 million or 12 million people that might gain permanent resident status under any kind of an immigration bill?

Secretary SEBELIUS. Sir, we don't do anything about what the Congress may or may not do in the future, no sir.

Mr. MARCHANT. So there has been no preparation made whatsoever for that large group of people?

Secretary SEBELIUS. We are working with the law as it is right now and, believe me, have our hands full to try to make sure that the law of the land is carried out.

Chairman CAMP. Thank you. Time has expired.

Mr. Thompson is recognized.

Mr. THOMPSON. Thank you, Mr. Chairman.

Madam Secretary, thank you very much for being here.

I want to second my colleague Mr. McDermott's comments on how pleased we are that you are where you are and that you are staying. It has been a pleasure to work with you through the rollout of this measure, and you and your team have been fantastic, and it is going to require that you continue that as we do the, as you do the rest of the implementation.

It is disheartening to me that so many people are working so hard to discredit the Affordable Care Act rather than to make sure that it works and that our constituents and the American people have access to quality affordable health care, and that is another reason why your work is so important, to make sure that we get over what I am sure will be a bump in the road when we look back on this.

Thank you also for your provisions regarding mental health. As someone who has been working on gun violence issues during this Congress, the mental health issue is clearly an important one, and I am glad that you brought it up because it is not enough just to say mental health is the problem, and use that as the beard to ignore the bigger inclusive problem; not only is it part of the issue but it is part of the issue that we have to deal with, and funding for that is certainly part of it.

On a specific issue in the healthcare reform measure, and you mentioned it in your opening statement, and that is the audits to deal with the fraud and the abuse, the RACs, I believe they are called, where you are working with the hospitals to figure this out.

Can you talk a little bit about that or maybe better, I will leave it up to you to either talk about it now or get back to me on it. But I know I am hearing from a lot of hospitals, especially the small ones, where they are having some trouble going through all of the procedures associated with the RACs.

I recognize that we are saving Medicare money doing it, and I recognize that we have to do it. I would just like to know how it is being done and specifically the provisions on the education and training portion.

Secretary SEBELIUS. Well, Congressman, I think there are two facets of the fraud initiative. One is improper payments. And as you know, many improper payments are not fraud; they are mistakes, and they are clerical errors and they are miscoding, misbilling. So we are ramping up fairly dramatically the technical assistance support effort to work in advance with providers to try to make sure that, at the outset, the bills are submitted correctly, that we pay the proper amounts correctly, that we don't spend a lot of time going back and not only dinging hospitals or providers but having to try to recollect that money.

The effort that I was commenting on that is really saving about 8 cents on the dollar—I mean $8 on the dollar—is the new effort that the President has directed both the Attorney General and I to partner in and has resulted in an amazing collaboration with U.S. attorneys on the ground with State attorneys general, with the so-called HEAT task force, including our Office of Inspector General and members of the Justice Department and really ramping up the prosecution of individuals who are bent on stealing healthcare dollars from consumers.

So we have had an unprecedented number of not only takedown operations, sting operations, but returns to the Federal Treasury in both Medicare trust fund payments and Medicaid payments to the States that is really resulting in making sure that people understand that this is a bad way to steal money from the government. It is a bad way to steal medical services.

So we are hoping that the mandatory request for new resources would be granted. It is one of the single best investments with an eight to one return, and we have now 3 years of a very impressive track record to share, but we would really like to ramp those efforts up.

Mr. THOMPSON. Thank you. And can you get back to me on the education and training piece of the RAC portion?

Secretary SEBELIUS. I would be glad to, sure.

Chairman CAMP. Thank you.

Mrs. Black is recognized.

Mrs. BLACK. Thank you, Mr. Chairman.

And Madam Secretary, I want to go to the issue of the navigator program. You recently released preliminary rules for the navigator program that is enacted in the healthcare law, and the rule that was released last week reported that you expect to pay these navigators up to $48 an hour.

While HHS has not released the estimates on the total number of workers that would be hired in this program, it has been reported that California is requesting 21,000 of these navigators, and it would cost taxpayers about $1.5 billion in California alone.

Have any other States released estimates on how many workers that they need to support the navigator program in their State?

Secretary SEBELIUS. Well, Congresswoman, there are two issues. The funding proposal that was released by our department is aimed at the States where we, the HHS, will be operating a Federal marketplace. That is not California, which is going to have a State-based market. And California resources will pay for the California navigator program.

This is really an effort to make sure that the 41 million eligible uninsured Americans, some of whom have never had health coverage before, are aware of the law, aware of how to sign up for the law and have some assistance and help along the way to understand the benefits and make some good choices for themselves and their families. We do not have a salary scale set in the funding proposal. We are trying to make some estimates of a range of scale that was recommended to us by community groups on the ground and others, but that is not an hourly rate that is set in the funding proposal.

Mrs. BLACK. So you don't have an hourly rate at this point in time.

Secretary SEBELIUS. We do not.

Mrs. BLACK. The $48 that was reported was inaccurate?

Secretary SEBELIUS. We tried to estimate an amount based on what we found community workers and community groups charging on the ground. But we will be looking at competitive funding proposals, and the payment to these navigators has nowhere nearly been established.

Mrs. BLACK. Let me make sure I hear what you are saying. So in those States that have chosen to do their own exchanges, they will be paying for their own navigators.

Secretary SEBELIUS. That is right.

Mrs. BLACK. But for those that you go in, that you are going to run as a Federal program, you are going to pay for those navigators in those States. Is that correct?

Secretary SEBELIUS. Yes, ma'am.

Mrs. BLACK. So if the State has chosen to do it, they are not going to get the assistance. They are not going to get grants. They are not going to get any money to help them with their navigators, but those run by the Federal Government will be paid?

Secretary SEBELIUS. The States that have chosen to run their State-based exchanges have planning dollars available to them and operational dollars for year 1 until they are able to be fully up and running, where the fees for the insurance companies operating in their exchanges will take over the operational costs. So they have planning dollars available within the Affordable Care Act. This grant announcement is for the States that have—where we will be operating a Federal marketplace.

Mrs. BLACK. So it is a very complex application. From what I understand, it is about 15 pages long, run by three different agen-

cies. Is there a way to take some of the complexity out of the application?

Secretary SEBELIUS. We are talking about the navigator application.

Mrs. BLACK. No, the application for someone to apply for the program itself, to get into the exchanges.

Secretary SEBELIUS. To get health insurance.

Mrs. BLACK. That is right.

Secretary SEBELIUS. First of all, we are working hard to I think make the application as user friendly as possible.

And just to give a little perspective, because I have seen some reports about how daunting this will be, we looked around the country, and the average health insurance application, if you would go get a paper file from California or Nevada or Georgia, is in the 20-page range. A life insurance application is about 23 pages long right now in the market. We are trying to actually make this a much more user-friendly proposal. What we know is this will depend on how complicated the families situation is, if someone is single and looking for insurance and has a relatively simple tax situation, we think it could take 15 minutes online to go ahead and apply. If it is a complicated family situation with more information needed, it could take longer and require more information.

There is a tension, Congresswoman, between making sure we verify correctly the income levels and what is actually eligible if a person is eligible for——

Mrs. BLACK. I am looking to reclaim my time because I see my red light. Madam Secretary, what I would like to also know that I am not going to have time to ask but if you could send it to my office in writing, I want to know what the qualifications—educational qualifications—will be for these navigators. I also want to know why the brokers that are already educated in insurance are not going to be eligible to be a navigator. So if you could just respond back to my office for that I would appreciate it.

Secretary SEBELIUS. I would be happy to.

Chairman CAMP. Thank you.

Mr. Blumenauer is recognized for 5 minutes.

Mr. BLUMENAUER. Thank you, Mr. Chairman.

Thank you, Madam Secretary. Welcome to Congress.

Sometimes it must seem a little surreal for you because you hear tales of woe and doom and gloom and all the problems of the healthcare system, all of which were very much in evidence for 10 years before we passed the Affordable Care Act. And you have made clear in your many presentations about the changes that are already underway. The reforms are making a difference. Costs are going down. It is not easy, and it has been made harder because this Congress chose, instead of working with you to accelerate reform, chose to tilt at windmills attempting to repeal it and cutting away at the resources you need to do a difficult job well. I find no small amount of irony that a Congress that could not summon the courage to close military bases instituted an independent commission to help them, now there are howls of outrage that there may be an independent commission if Congress doesn't do its job dealing with healthcare reform costs in the future.

But, I have two questions that I would offer up for you. One deals with the notion of where we are in terms of actual healthcare savings. It has been documented by independent sources that healthcare reform will produce approximately $1 trillion worth of net budget savings over the next 20 years. There is work underway, and I, again, deeply appreciate the flexibility and partnership of the department working with my State in Oregon, accelerating those reforms, and if successful—and it is tough—but it looks like there is an opportunity—if it would produce savings, if they were taken on a national level, that would achieve over $1 trillion in 10 years.

And my first question would be that you might comment on some of the reform opportunities that you see in Oregon and elsewhere.

My second question, and I don't think there will be time to get into it in the 5 minutes I have, and I would welcome a written response, deals with some of the areas that don't have to be partisan that we could move on quickly to accelerate reforms.

I have suggested to my colleagues on the Health Subcommittee that we could take, for example, a piece of legislation I am honored to cosponsor with my friend Mr. Gerlach that would have a secure ID for Medicare recipients that might cut down on fraud and mistakes. I have bipartisan legislation that deals with end-of-life care. Ninety percent of the American public actually support having some assistance helping them navigate those difficult challenges.

We have bipartisan legislation with Dr. Roe, with Mr. Hanna and Dr. McDermott, that would give what 90 percent of the people want. It is supported by the Hospital Association and insurance companies. Ellen Goodman's Conversation Project will be coming to Washington, D.C., next year. I would like to know in writing if we can work with you and your department to try to make some progress helping Americans be able to deal with the challenges they face at the end of life and making sure they know their choices and that whatever those choices are they will be respected.

I would appreciate that in writing but maybe you can talk about healthcare reform in the remaining time.

Secretary SEBELIUS. Well, thank you, Congressman. I think that while there is a lot of attention and focus on what is happening in the insurance market which will affect, I would say, a relatively limited number of Americans, what is going on in the delivery system that the authors of the Affordable Care Act and those who supported the Affordable Care Act wrote into the bill is, to me, the most exciting and has the biggest potential for long-term gain. And it really deals with delivery system reforms that affect everyone, whether or not they have coverage now, whether or not they will be in the new market, whether or not they will have new choices for insurance.

Oregon is one of the country's leaders, no question about it. But we are also seeing a number of other States. We are working closely with Arkansas, with Massachusetts, with others, who are really trying to do a couple of fairly straightforward things—better patient care, better protocol when a patient hits the healthcare system, better public health, so looking at prevention programs that actually lower costs, and care improvements that improve the deficit and lower costs.

And what we are seeing is some pretty dramatic improvements already.

And there is real hope that those kinds of system changes could produce not only long-term financial benefits but long-term health benefits. America still spends almost twice as much as any developed country in the world on health care per capita, almost twice as much. We have more people uninsured than any developed country in the world without health benefits, and we live sicker and die younger than most of our competitors. So that is not a great formula for a global competition.

Chairman CAMP. Okay, thank you. Time has expired.

Mr. Young is recognized for 5 minutes.

Mr. YOUNG. Madam Secretary, thanks so much for being here today and thank you for your service.

Today, you have assured this Committee that the exchanges will be up and running pursuant to the Affordable Care Act on time and functional October 1st of this year. It is encouraging to hear because it is, in fact, the law. I do know there is a lot of anxiety. I visit with my constituents and other stakeholders about this matter.

There is also some anxiety with the release of this budget, certainly anxiety that I harbor, about the cost of these exchanges and said implementation.

The President's budget has HHS spending $1.5 billion on exchange grants in 2013. That is an increase of over $300 million compared to last year's estimates for fiscal year 2013 spending, despite the fact that most States have chosen not to create their own exchanges.

The budget also anticipates an additional $2.1 billion in spending on exchange grants in fiscal year 2014.

Now, through the original law, Congress appropriated $1 billion for implementation, but you, Madam Secretary, were also given unlimited authority to fund State exchange grants through 2015.

Now, press reports say there is about $235 million left in the law's original implementation fund. Can you confirm that number or tell us how much the department has spent on the exchanges so far and from what other funding sources these expenses are being funded?

Secretary SEBELIUS. Well, sir, I think that if I heard correctly, there were a lot of numbers in your question, you have conveyed a fairly accurate picture. When this bill was passed in 2010, the Congressional Budget Office estimate was a $10 billion administrative cost to full implementation of the law. And you are correct, in the law itself, there was $1 billion appropriated, one-tenth of what the nonpartisan CBO recommended be the cost.

I think we have done an extraordinary job, frankly, here in 2013, allocating and using judiciously the $1 billion that we had. We do have about 230 million of those dollars left. We will use those and some additional resources in 2013, and we have asked for an additional $1.5 billion in 2014, and that is really to get the IT hub, the call center, the IT up and running and——

Mr. YOUNG. I am aware of the significant logistical and information technology challenges of this. Some would say that the design of the project may have been too ambitious. But, nonetheless,

certainly sensitive to that and all the good people who are working on such implementation——

Secretary SEBELIUS. I think the good news is we are well under what the budget estimates were.

Mr. YOUNG. But $1 billion was originally what was authorized in the original law——

Secretary SEBELIUS. That is correct.

Mr. YOUNG. That Congress provided. That is what it was said was required by this body when it passed the Affordable Care Act. But we have a doubling of the projection for setting up the exchanges by Congress, and this is with less than half—I want to emphasize—with less than half the States participating.

And so I guess, you know, I have a concern that if more States did participate, that would cause the cost to explode even further. Is that your estimation?

Secretary SEBELIUS. No, sir. And in fact, I think that characterization is a little bit misleading. We have right now 31 States and the District of Columbia running all or part of the up and coming marketplaces. So two-thirds of the States are actually engaged. Some of them are not running the entire program; they are running the plan management part or consumer outreach or both, or they are running the entire thing.

In the remaining States, we will be setting up the entire exchange as a start, but we are actually in conversations with lots of States, who said we would really, once this gets up and running, we see ourselves taking it over.

Mr. YOUNG. Thank you. Finally, if you don't receive the additional funding requested, is this going to preclude the ability to launch the exchanges on time? And if not, what is your contingency plan? Presumably there is one.

Secretary SEBELIUS. Well, we are confident that we will launch the exchanges. We will be open for open enrollment October 1st. The hub is basically built and paid for, and we will be using the remaining resources that we have. We are using every opportunity we have to look at my transfer authority within HHS and the dollars that we have. But you are absolutely right. We have a law that is the law of the land. The Supreme Court has confirmed its constitutionality, there are millions of Americans looking forward to the benefits, and we have requested additional resources to make sure that we can reach out to folks who need it.

Chairman CAMP. Thanks so much. Time has expired.

Mr. Kind is recognized for 5 minutes.

Mr. KIND. Thank you, Mr. Chairman.

Madam Secretary, thank you so much. And we do appreciate your service. And I think outside of the President and perhaps Speaker Boehner, you have had the toughest job in Washington in the last 4 years, and it may be a little tougher when we go into crucial phases of implementing the Affordable Care Act. But just today, I think it is a little bit refreshing that we have some colleagues on the other side that are concerned about HHS moving too slowly in the implementation of the Affordable Care Act.

And I share Mr. Marchant's concern about the delay in the SHOP Act, in particular the impact on the small businessowner and the small group market.

But I want to ask you a question in regards to the sustainability and the cost containment that we are already starting to see with these reforms being implemented, because I think it is a great story that really hasn't been told. And the law is starting to slow down the growth of healthcare costs. For instance, U.S. healthcare spending grew at 3.9 percent the last 3 years; it is the lowest growth rate in over 50 years. Medicare per beneficiary spending rose by just, as you pointed out in your testimony, 4 percent in 2012. Medicaid beneficiary spending actually dropped by 1.9 percent in 2012. And one of the great untold stories that just happened a little over a month ago is CBO's recalculation in the 10-year cost figures on both Medicare and Medicaid. And CBO determined that both Medicare and Medicaid will now spend $700 billion less over this next 10-year period than previously estimated. Medicare will save $382 billion reduction in spending, roughly 3.5 percent; Medicaid $239 billion reduction.

And the question will be whether this is sustainable.

But there are also more instances of cost containment and cost recapture that you and your department have already gone after, nearly $15 billion in fraudulent Medicare payments are being recaptured now because of the beefed up authority and enforcement we gave you under the Affordable Care Act. Hospital readmissions are down 75,000, and the hospital-based infection rate is the fourth largest hospital expense, so we are starting to move the dial in that area. The law has already led to nearly $2.1 billion in savings for American consumers due to medical loss ratio being overcharged, and those rebates are going out right now.

The healthcare law also provides $250 million in health insurance rate review grants to States that are using that as oversight and review of premium increases which is having a real impact, and the growth of private plan premiums has also slowed. Again, it hasn't been a story told that much.

Annual premiums for employer-sponsored family health coverage is down by 4 percent in 2012. It is the lowest rate except for one of the last 13 years. And so this is some real progress when it comes to cost containment, especially in these budget deliberations, where healthcare spending is the largest and fastest growing area of spending we have in the Federal budget. And we are seeing some real progress right now. But we also have 250 new Affordable Care Act organizations with a new model of delivery system and then payment reform, so it is quality, not quantity, based payments anymore. And I also find it striking that the President's budget before us today actually finds more savings in Medicare over the next 10 years than the Republican budget does. And that is because we understand that it is important we move forward on reform. We don't have the luxury of waiting 10 years before we start reforming the entire healthcare system. We have to be doing that now, and it has to be a comprehensive holistic approach.

But this is a tremendous success, at least initially in the first 3 years of the passage of the Affordable Care Act, and I am wondering in your opinion with CBO's recalculation of cost reductions, is this sustainable with structural reforms that are happening? Or is it a remnant of the great recession that we are coming out of? What are you seeing and what is your opinion?

Secretary SEBELIUS. Well, I think that you have enumerated what is a snapshot of what is going on. In spite of some reports to the contrary, there is a very, very positive story to tell on cost reductions, cost improvement, on care improvement, and that is with additional benefits for Medicare beneficiaries, with additional people insured, with additional coverage in the marketplace, so that is not sacrificing the beneficiaries to get those costs savings as some would do in plans, but it is really enhancing the benefits that people are receiving.

I think we have a great opportunity with the kind of delivery system reforms, again, that you, Mr. Kind, and colleagues made sure were part of the Affordable Care Act from the outset, driving toward a value-based payment system, looking at strategies to make sure that medical protocol was appropriate and paying for that, reducing the kinds of costs that come with avoidable hospital readmissions that are built into the system, and, frankly, having insurance coverage under a vast majority of uninsured Americans will be another huge step forward, getting to care treatments at a much less expensive point in time, making sure that people don't continue to access emergency room care at a more expensive, least effective point in time, and really working on prevention efforts around obesity and smoking, which are beginning to show, again, positive signs.

This has enormous opportunity and I think enormous potential to make sure these costs containment strategies continue into the future and that health improves for Americans at the same time.

Chairman CAMP. Thank you.

Mr. Kelly is recognized.

Mr. KELLY. Thank you, Mr. Chairman.

And thank you, Madam Secretary, for being here. It is good to see. One of the questions I have back home, there is a company called HealthSouth that does inpatient care. Now, when it comes to market basket cuts for inpatient at the rehabilitation facilities, now, is there any policy behind this, or is this just a cut? Is that the market basket, is that something, a term that you are familiar with?

Secretary SEBELIUS. Yes.

Mr. KELLY. I wasn't saying it to be funny. That wasn't a gotcha. There is just so much here that we assume everybody knows. But for people to build their economic model based on future payments or repayments, it makes it very difficult for people like HealthSouth then to develop any type of business performance. So what was the policy that drove that?

Secretary SEBELIUS. Congressman, I think there is an enormous amount of analysis of the health system that goes on with every market update and every market basket proposal, and it really looks at cost outliers. It looks at how the services are used, where we are seeing I would say aggressive upcoding in some instances to try to recover where there are regions of the country that have tremendous differences without care variations, so I would say there is an ongoing, enormous analysis. Jon Blum, who is sitting behind me, is the deputy in charge of Medicare Services. And, as you know, with each market basket update, there is also

a public display and a lot of feedback, because we are always trying to balance effective cost strategies with beneficiary needs.

Mr. KELLY. I think that one of the things that all of us are looking at is the Patient Protection and Affordable Care Act. The intentions were great. The reality of it is really staggering, and it is the uncertainty of it. It is the unknown part of it because the budget keeps changing and the costs keep changing. And as wonderful as the product was supposed to be at the end, it is almost like if you don't know where you are going, any road will get you there. And so we find we really attack providers.

Now, when I am back home and I am talking to people that have independent hospitals, like HealthSouth, what they are doing, when we continue to say, well, the problem is that the providers are making too much money, we are going to have to find a way to dial that back. They are making too much money. So I have to tell you, from being in the private sector my whole life, I have never been in a situation where you just don't know what it is going to cost you going into the future.

And one of the things that the Patient Protection and Affordable Care Act has done—I don't think this was intentional—it has driven a wedge between employers and the employees, between the owners of the business and their associates. It is forcing people who have had longtime relationships, they have been to baptisms and Bar Mitzvahs and First Communions and weddings and funerals, and it is portraying the owner of the business as someone who doesn't want to do something for his associates. And a lot of my friends, Bill Paterson back in Erie, for example, he has a lot of employees. Do you know what he has to do now to meet this? He has to make them part-time employees.

Now, I used to look at a work week; I thought 40 hours was a work week. No, no, no, it is 30 hours. Then it may get down to 10 or 15, whatever we need to make the numbers work. This is what bothers me, and this is what really scares the living daylights out of small business people because they don't know where they are going. And it is apparent to them that the government also doesn't know where they are going. And the costs keep escalating and escalating and escalating, other than in Washington, D.C., where all you have to do is pick somebody up by the heels and shake the money out of their pockets. For people that actually have to go to work every day with a plan to be profitable, and cost is a huge factor in it because it drives either the end price of the service or the product, gosh we have done these people a tremendous disservice. It has been a disservice all across the board.

We are destroying the most important relationship that we have. It is a trust factor between those that own the businesses and run the businesses and those that work there. And when you destroy that, when you get into the really tough times, when you really get into the hard pulls and you have to rely on each other to get through it, you had better believe that we are on the same side.

And I have to tell you, I understand the budget. I am looking at the budget, and all I know is, yeah, we need more money to do it, and yeah, we are going to take care of more people.

The reality of it is, ma'am, how many pages of regulations do we have now?

Secretary SEBELIUS. I can't tell you.

Mr. KELLY. My understanding is it is in excess of 14,000 pages. The bill was 2,700 pages, and it is still being written today. So if I were to ask Ms. Sebelius where do you think this ends? When does this merry-go-round stop? When do we finally know what the costs of this are going to be? Not all these wonderful things of what could happen in the future, but in the reality of today for people who have to make a payroll, for people who have to keep their associates intact—they trained them, they have educated them, they have provided tools and stuff for them—and now we are forcing them to separate that relationship they had and making them adversaries. They are against each other. And that is what I don't like about this.

The idea, great, great, affordable, accessible care for everybody. The reality of it is, it is not affordable, and it is never going to be affordable.

Chairman CAMP. The time has expired.

Mr. Pascrell is recognized.

Mr. PASCRELL. Madam Secretary, thank you for being here again today. Many times you have been here before.

I had a question on the President's BRAIN initiative.

Secretary SEBELIUS. I am sorry, I am having trouble hearing.

Mr. PASCRELL. I am sorry. I had a question on the President's BRAIN initiative, one of the investments that I think is particularly worthwhile. As the cochair of the Traumatic Brain Injury Task Force, I am well aware of the advances we have made in research on the brain in recent years. It is pretty fantastic. Some good came out of the two wars when we facilitated this effort, when we accelerated the effort and got the DOD to understand what their responsibilities were. It took us a long time doing it, but in a bipartisan way we accomplished that.

Now, according to the Centers for Disease Control and Prevention, each year an estimated 1.7 million people sustain a traumatic brain injury in our country. Unfortunately, TBI is a contributing factor to a third of all injury-related deaths in the United States, 30.5 percent to be exact. Beyond these numbers, TBI has become the signature wound of both Iraq and Afghanistan. Twenty percent of the soldiers deployed are estimated to have experienced some form of brain injury.

So it is clear brain injuries can impact anyone at any time. It has really flowed over into the research and development into sports in our own country, male, female, all kinds of sports, and we have seen in our lifetime in the last 5 years the NFL finally owned up, and they are doing a great job in trying to reverse what has become a horrific situation among their own players.

This $100 million commitment is not just coming from your department, but can you speak to the goals of the BRAIN initiative for all of us?

Secretary SEBELIUS. Well, Congressman, I think it is one of the exciting next horizons. Dr. Francis Collins, who runs the National Institutes of Health, sees this as the project that has a lot of parallels to the genome mapping project. We need to map the brain, because whether it is looking at Alzheimer's disease or the kinds of brain injuries that you have identified that wounded warriors

are suffering, or concussions that affect our kids, we don't know enough about what is happening to people and how to deal with it, how to prevent slowdown, or how to rehabilitate some of these injuries and traumas.

So there is a public-private partnership initiative announced, which will include private foundations that are already working in the brain space; the Department of Defense, who has a great deal of interest in this topic as you correctly outlined; the National Institutes of Health, where a number of the institutes are already doing critical research, but could accelerate that further, and really in a shared collaboration do the kind of multiyear brain mapping, accelerated cure strategy that has been successful in a number of other areas.

Mr. PASCRELL. I have seen the help now as compared to the help 5 or 6 years ago with our servicemembers, and it was a catastrophe in the beginning. Soldiers are now being saved, which obviously was not happening 5 or 6 years ago. And this is a tremendous effort, with many departments that are involved.

How do you think servicemembers are going to be helped potentially, in your mind?

Secretary SEBELIUS. I have had the opportunity in the not-too-distant past to visit the amazing research facility at Walter Reed, which is looking at a lot of these cutting-edge strategies in terms of rehabilitating the wounded warriors, and I think the research going on there, again trying to identify what exactly happens when somebody—when an IED blows up, and what posttraumatic stress syndrome actually is causing to happen in the brain and how that can be dealt with in the future, that has a clear impact on hundreds of thousands of soldiers who are returning and trying to resume a normal life. So the faster we can accelerate this, the more we know.

We know how to treat their limb injuries. We know what happens if they have to be stitched up. We don't know nearly enough about what has happened to their brain and nerve system, and I think the faster we can get to this research, the more help we can give.

Mr. PASCRELL. Thank you, Madam Secretary.

Thank you, Mr. Chairman.

Chairman CAMP. Thank you.

Mr. Griffin is recognized.

Mr. GRIFFIN. Thank you, Mr. Chairman.

Thank you, Madam Secretary, for being here. I appreciate your service. I appreciate you answering our questions today.

I believe in healthcare reform, and I believe we need healthcare reform, and what I am particularly concerned about is reform of Medicare that my mother relies on and Medicaid, which is not in this Committee's jurisdiction. But I am concerned about long-term permanent reforms, not tweaking at the edges. I believe that we need to strengthen these reforms so they will be there for my generation. I know they will be there for my mother, but I am worried about my generation and the next generation.

And I am particularly concerned about what we call in Washington mandatory spending, squeezing out a lot of the investments that we need to be making in breast cancer research, in NIH re-

search, Alzheimer's, MS. A lot of people may not realize that a lot of that is from the discretionary side, and the longer we leave the mandatory side without reform, the more pressure it puts on those critical investments.

So that brings me to—you mentioned Arkansas. And I know there is a big debate going on with Arkansas, and you have been working with Governor Beebe down there on Medicaid expansion or some alternative to that. My view is we ought to have permanent, lasting reforms all over the country. I like what was approved for Rhode Island in early 2009.

But I want to ask a few questions specifically about what is going on in Arkansas. I have some of the correspondence with Governor Beebe. Have you met with—I know you met with Governor Beebe. Have you met with any of the legislators in the House or Senate from Arkansas?

Secretary SEBELIUS. I have not, sir.

Mr. GRIFFIN. Would you like to meet with any of them? Would you be willing to meet with any of them?

Secretary SEBELIUS. Sir, we really—the way the Medicaid program runs, we negotiate with the State.

Mr. GRIFFIN. Okay. Have you seen the bill that is——

Secretary SEBELIUS. No, sir.

Mr. GRIFFIN [continuing]. That is floating around? Okay.

So if this bill—and the vote is coming up soon, it passed the Senate, it is going to come up in the House soon, at least the appropriations for it. The bill itself I think passed yesterday. If this passes, have you decided whether to approve it, or are you waiting——

Secretary SEBELIUS. No, sir.

Mr. GRIFFIN. Okay. So it is not approved.

Secretary SEBELIUS. Well, again, I am a former legislator, a former Governor. As you well know, anticipating what any legislative body may do before they do it is probably not a very beneficial expenditure of time.

Mr. GRIFFIN. I am familiar with that.

So your staff hasn't seen—I mean, the bill has been published.

Secretary SEBELIUS. I assume my staff is in close touch with the Arkansas staff, but, again, we have not looked at the—when the bill passes, we will be happy to take a look at it.

Mr. GRIFFIN. Got you.

I am very concerned about how we pay for the estimated $630 billion that it will cost for Medicaid expansion. I believe we need to take care of our most vulnerable, but I am afraid that we are setting up expectations and making promises that we are not going to be able to keep. So I would just continue to advocate—I will continue to advocate for long-term, lasting, permanent reform of Medicaid, and I believe you would find a lot of people on this side of the aisle who are willing to work with you in fashioning reforms that will make our Medicaid program stronger. The same with Medicare. Extend the life of it and raise the quality of care for people.

I thank you for being here today.

Chairman CAMP. Thank you very much.

Mr. Davis is recognized.

Mr. DAVIS. Thank you very much, Mr. Chairman.

Madam Secretary, let me thank you for appearing. But more than that, let me thank you and your staff for the way in which you have handled one of our most precious commodities, and that is health care for the people of these United States. I think that you have done and continue to do an outstanding job.

I was pleased to note as you explained the options that exist for small businesses, that this is something that people have been trying to deal with for many, many years without coming up with anything that was going to be beneficial or helpful. I was also pleased to note that the exchanges across the board seemed to be on target; that is, they are moving right along, notwithstanding all of the criticism, all of the efforts that there have been to discredit that approach and to discredit them.

Two questions that come to mind. I am pleased to note that health education, health awareness, health promotion, the utilization of individuals to interact with the general public, providing them with information, early screening and detection, I think all of these things generate cost savings that are sometimes almost immeasurable.

Let me just ask you, how has the prevention, early detection, screening, these aspects of the plan been working, and how are people making use of them?

Secretary SEBELIUS. Well, Congressman, one of the, I think, very important features in the Affordable Care Act is a direction to shift from acute care to preventive care, and that is contained in all aspects of the bill. So insurance policies in the private market now have reduced the financial barrier for people to access preventive care. No copays, no coinsurance for mammograms and colon cancer screenings and vaccinations for kids, things that we know will keep people healthy in the long term or identify a problem early enough that it can be lifesaving.

Medicare benefits now have more robust preventative care strategies, including a yearly wellness checkup and a plan to sit down with a healthcare provider and make a strategy for the future, something that we know is benefiting the 54 million seniors who participate in the Medicare program.

But there are also now community strategies under way and efforts to really, through our community health centers, through community health workers, try to prevent hospital admissions by delivering care strategies at an earlier point, getting school-based health clinics into underserved areas so that children and their families have access to care providers.

So I think all those strategies are really aimed at reducing the health burden that people feel, and that is not just for those individuals. They are more productive workers if they can go to work every day. They are more productive parents if they don't suffer from an illness. They live longer lives. They are more productive in their communities. So this has an economic benefit. Beyond just the individual family and the individual patient, it has an economic benefit for communities and for our country.

Mr. DAVIS. Let me ask you how have young people, young adults, been making use of the provision that they could stay on their parents' insurance policies until age 26?

Secretary SEBELIUS. Well, we have about—at last count I think there were about 7 million young adults who are now enrolled in their parents' plan, and over 3 million of those young adults had no insurance at all before this provision came about, so that young adults in America were the second largest category of uninsured Americans. And for a number of them, that may have been risky strategy, but it was okay. For others who were identified with a serious illness or who were in an accident or had a health situation, they are facing a lifetime of bankruptcy. They may bankrupt their families at the same time. So this provision that allowed across the country young Americans to enroll in their parents' plan has been enormously successful.

Mr. DAVIS. Thank you very much. I yield back.

Chairman CAMP. Thank you very much.

Mr. Renacci is recognized.

Mr. RENACCI. Thank you, Mr. Chairman, and thank you, Madam Secretary, for being here. Thank you for your service.

One of my colleagues was talking about small businesses. Of course, I was a small businessowner for almost three decades before coming here just 2 years ago, and I know that the biggest problem with jobs and job creators are certainty and predictability, and I know this healthcare rollout is causing a lot of uncertainty and unpredictability. But even in the business world when you have that, sometimes you have to redirect, you have to change, you have to make certain decisions.

I want to read to you an email that I received, and it is from a worker in my district. He writes that upon returning to work, he was told that his hours were going to be reduced from a full-time 40-plus-hour-a-week job to 30 or less, which for him would result in approximately a 25 percent decrease in income.

The employer mandate penalty raises significantly the cost of employing full-time workers, especially low-skilled workers, because the penalty is a higher proportion of their compensation than for the higher-skilled worker. Would you at least acknowledge that the employer mandate will hurt low-income workers the most, and what is the Administration's plan to address the law's disproportionate impact on that vulnerable group?

Secretary SEBELIUS. Well, I would say, Congressman, first of all, what we know about the market that falls under the employer responsibility plan is about 94 percent of businessowners who employ 50 full-time workers or more currently offer health insurance; 94 percent. If you get over 200 people, it is about 98 percent currently offer health insurance.

What we also know is that they pay significantly more for that policy that they are offering their workers than their large competitors do, because they don't have any market leverage. They can't negotiate with the hospital, they can't negotiate with the drug company to say, we will send you 1,000 workers, and you discount our hospital bills.

So what we are looking at is capturing markets that already exist, but actually giving for the first time people some choices that they don't have. They will have competitive plans, transparent plans. They will know what is happening going in. Their workers will not be penalized for a preexisting health condition, which is a

huge issue for a small employer, and they will be able to move forward.

The employer mandate only falls on employers who have 50 or more full-time workers, and, as I say, right now 94 percent of them are in the market, but they are a market that isn't very cost-effective for them.

Mr. RENACCI. But you have heard that most companies are looking to keep their employment less than 50 employees.

Secretary SEBELIUS. Actually, I have not heard that. I have heard a variety of strategies and some speculation about what may or may not happen. What we know happened in the one State where this was fully implemented with an employer responsibility provision was Massachusetts, and in Massachusetts, while the predictions were that businessowners would drop coverage, that people would get out of the market, just the opposite happened. In fact, they have more small businessowners in the market today than they did when the law was first passed. They didn't cut hours, they didn't shift rates, they didn't drop employment.

What I also know, Congressman, from talking to businessowners across the country, is they lose good employees every day to large competitors based on the benefits they can or cannot offer; that this is a huge challenge for small businessowners because they can't provide the coverage. For the first time we will have virtual pools larger than they have, negotiated powers, transparency, and we think those market strategies will be enormously beneficial.

Mr. RENACCI. Well, I hope you are right. I mean, again, as a small businessowner and somebody who still has a lot of small business friends, you touched on costs, and it is kind of interesting, because when I talk to my small businessowners back in my district, they are talking about premiums up 52 percent, premiums up 35 percent.

There is a lot of studies out there. An Oliver Wyman study says that many under the age of 50 will see rates increase significantly. The Aetna CEO has warned premiums would double in some marketplaces, and that goes on and on. The President's healthcare plan at one point in time was a promise of a $2,500 reduction in family premiums. Will that ever occur? Do you see the President's promise of a $2,500 premium reduction for all American families occurring?

Secretary SEBELIUS. Well, again, I don't think that was the President's promise. It was what the Congressional Budget Office estimated, that people would see a cost decrease as we moved into a fully insured marketplace. And I think, Congressman, what we know is that the CBO, you know, is a nonpartisan objective body. They are looking at strategies in the markets.

What you are referring to in terms of current rate increases, first of all, is not impacted by the full implementation of the Affordable Care Act because it is not in place yet; and, second, is really a situation where there are costs going up and down. But what we know is that they are rising at a much slower rate right now than they did 3 years ago before this law was passed.

We have insurance departments, many for the first time, with aggressive rate-review strategies in place, where they are actually looking at the rates, they are rejecting double-digit increases. And we have the so-called 80–20 rule, which has never been in place

before for insurance companies, where they actually have to spend 80 cents of every dollar on health benefits, not CEO salaries, not marketing plans, but health benefits, and the companies that didn't meet that threshold returned about $2 billion last year to customers. People all over this country got checks back from their insurance companies.

So there are some market strategies in place that are cost-effective.

Mr. RENACCI. I think I am out of time. I yield back.

Chairman CAMP. Your time has expired.

Ms. Sanchez is recognized.

Ms. SANCHEZ. Thank you, Mr. Chairman and Madam Secretary. Thank you so much for taking the time to appear before the Committee today to discuss the Administration's fiscal year 2014 budget.

Budgets, simply put, are just a reflection of our priorities, and our priorities should be very clear: protecting our seniors in their golden years, giving our children quality education so they can achieve their dreams, and properly funding health care to keep our families in good health. And I was pleased to see that the President's budget does address many of those shared priorities.

In particular, I was happy to see that the President's budget adds $1.5 billion in new funding to implement the federally facilitated and State partnership exchanges that will help provide healthcare insurance for over 25 million people; that the President's budget invests $1.4 billion in new Early Head Start Childcare Partnerships. That is an issue that is incredibly important for southern California; that it increases funding for the Food and Drug Administration by $280 million to improve food and drug import safety; that it continues to invest in the National Institutes of Health; and that it increases funding for vital Title X family-planning programs by $30 million over last year's request.

All of those, I think, are important priorities that every American family can benefit from. And as a working mom, I have a particular soft spot in my heart that the President's budget would improve both the availability and the quality of child care. I hear far too often from parents that the lack of affordable and quality child care is a significant barrier for them to work.

But what I want to really focus in on is something that has been touched on by my colleague, Mr. Kind, and others in passing, and that is the savings that the Affordable Care Act produces, because something that I find somewhat paradoxical, if you will, is that the Republican budget that we saw included all of the ACA's Medicare savings and taxes in that budget. So on the one hand I hear from my Republican colleagues, they claim that the ACA destroyed Medicare and levied a heavy tax burden across health care, but on the other hand they passed a Republican budget that retained the ACA's savings.

So, Madam Secretary, I would be interested in hearing about some of the savings that the ACA has produced and your comments on the paradox that on the one hand folks seem intent on repealing ACA, but on the other hand they want to retain the savings from ACA.

Secretary SEBELIUS. Well, I think the President believes very strongly, as we do in the Department of Health and Human Services, that keeping our commitment to the seniors of this country that was made in 1965 when my father officed in this building, and sat on the Energy and Commerce Committee, and helped to write the Medicare law, and just turned 92, and he is pretty happy that he did——

Ms. SANCHEZ. I am sure you are, too.

Secretary SEBELIUS. I am. We are very concerned that, on one hand, Medicare beneficiaries continue to receive that commitment and that promise, and that we find strategies that continue to look at deficit reduction and long-term growth in the plan. And I think that is what is captured in the President's budget. It was part of the Affordable Care Act, $800 billion worth of savings, and we are very much on track to fully implement that with additional benefits.

People said, you can't do it, you know, it can't be done, you can't deliver good care and cut costs. Well, I think we are on our way, and we are in year 3 of doing exactly that. We see that same strategy into the future where you can actually figure out care strategies that work to benefit a growing number of seniors. We have 11,000 people a day turning 65 in this country, each and every day, so we have the largest number of Medicare beneficiaries ever involved in the program. And yet we are on an historic low in spending, 0.4 percent in 2012. Never seen before. And as Congressman Kind said, the CBO has reconfigured their projections into the future years.

So I think the President's budget captures the notion that there are very effective strategies that deliver appropriate care, make sure that we take seniors' needs into account, and we continue to update quality programs, and at the same time constrain the costs into the future.

Chairman CAMP. All right, thank you.

Mr. Ryan is recognized.

Mr. RYAN. Thank you.

I guess I should pick up where Mrs. Sanchez left off. The difference in our budget approaches were we make sure that all the Medicare money stays in Medicare. The chief actuary of CMS was here just a year ago saying you can't spend the same dollar twice. You can't, on the one hand, count savings from Medicare to pay for ObamaCare and count it as savings to Medicare. He even went so far as to put an appendix in the report to that effect.

The other point is in our budget we put a reserve fund, which is a budgetary mechanism to address any inadequacies in the provider community that may arise if the case occurs where we feel like providers are restricting access to beneficiaries because of these cuts.

So that is just to answer the difference with the paradox, so-called.

I have three questions. You just released your budget this week, Madam. It's good to see you, by the way, Madam Secretary. First on the means testing, for Part B and D, you have in your S–9 tables, a $50 billion savings associated with that. Before, we have had mutually agreed-on policies which got us $30 billion in savings.

Where is the delta? Where do you make up the difference, the $20 billion?

Secretary SEBELIUS. The difference, Congressman Ryan, is that there is a new formula. Rather than having, I think, what was in the past four different categories, it is now nine. The lower limit——

Mr. RYAN. Is the top still 80, or does it go up to 90?

Secretary SEBELIUS. The top is 96—196.

Mr. RYAN. No, no, no. The percentage that the beneficiary pays of——

Secretary SEBELIUS. Yes, it is still 90 percent. But there are more categories.

Mr. RYAN. More categories. Is it still kicking in at $80,000 for an individual and $160,000 for——

Secretary SEBELIUS. I mean, I would love to get that to you in writing just so I make sure I don't——

Mr. RYAN. I certainly want to know.

Secretary SEBELIUS. There are more categories, and there is a slightly different starting point and a different ending point.

Mr. RYAN. Okay. A different starting point on income or different starting point on threshold, on percentage of the premiums that the person bears themselves?

Secretary SEBELIUS. The percentage of the premiums that the person bears themselves is the same.

Mr. RYAN. Okay. All right. So $20 billion is a pretty big difference when you are looking at a $30 billion score.

Secretary SEBELIUS. And I would be happy to get you all the details.

Mr. RYAN. Okay. So your Medicare Advantage demonstration program, which I think scored at $8.5 billion, where you are offsetting 71 percent of the hit to the ACA in 2012, then it goes to 32 in 2016, if I recall. I don't see that here in the budget. Did you not put that in your budget? That is a pretty substantial change in mandatory spending, especially for a demonstration program. Is that not in your budget?

Secretary SEBELIUS. It is in the baseline, Congressman. It is still going on. And I think the very good news is we are seeing beneficiaries choose higher-quality programs, and we are still very much on track to actually pay Medicare Advantage plans at the same rate that fee-for-service plans will be paid on even a faster pace, including the quality demonstration plan. So it is all working very well.

Mr. RYAN. You are sticking with the formula of phasing it out in 2014?

Secretary SEBELIUS. Yes.

Mr. RYAN. Okay. IPAB. I am trying to watch time here. I am not going to ask you to pore through your budget here, but in the past you have not had attributed any savings to IPAB in your budget before because your threshold of growth rate, GDP plus 0.5, was above what you estimate cost growth to be. But now you have savings starting in 2021, 2022, 2023 so that IPAB is actually starting to score positive savings.

How do I interpret that? Does that mean that you believe excess cost growth at the end of the budget window is starting to per-

forate the GDP 0.5, or are there new proposals associated with IPAB that accrue those savings?

Secretary SEBELIUS. Congressman, there aren't new proposals that accrue those savings, except for the fact that this budget does capture what the President's belief is, which is different than the Affordable Care Act, which is that IPAB should kick in at GDP plus 0.5 rather than GDP plus 1.

Mr. RYAN. But that was in your budget last year as well.

Secretary SEBELIUS. I understand. This is really based on just the actuary's estimate of what will happen in outlying years and right now as they look at the snapshot into the future. As you just heard, the CBO estimates have revised the long-term strategy. I think it can be revised again if we stay on a sustained cost reduction. But that is just a reflection of when they feel that the trigger point might meet with the 0.5.

Mr. RYAN. So that answers that question. So the actuary is now saying the IPAB mandate, keep spending within GDP 0.5, which last year's budget didn't happen in the first 10 years because Medicare spending was below that, now they are saying it is being triggered so it is going to occur in 2021? If you can just answer briefly.

Secretary SEBELIUS. Can I get back to you on that? My understanding is——

Mr. RYAN. It has huge budget effects in the outyears.

Secretary SEBELIUS. I thought the yield projection was actually in 2019 that IPAB would trigger, and it has now been moved to 2021. That is what I need to check. That was certainly my understanding.

Chairman CAMP. Thank you.

Ms. Schwartz is recognized.

Ms. SCHWARTZ. Thank you, and I am pleased to have you with us, and I appreciate some of the good information that has been discussed this morning, particularly in relationship to the incredible progress that you have made in the last 3 years in implementing the Affordable Care Act, and in containing the rate of growth and costs in both the private sector and in the public sector and between Medicare and Medicaid. So some really important work is going on in this country, and I think we have moved that dial forward, and you have and the Administration has, in really quite extraordinary ways. So it bodes well for the future as we stay on this course.

There are a lot of challenges that you face, and I know in States like mine where there are real issues where the Federal Government is going to have to step in, you are going to have to step in, to assure that Pennsylvanians benefit from the increased opportunity to buy insurance, and I hope we can continue to build on some of the really important work we are doing in some ways on healthcare delivery system reform.

So I wanted to ask you specifically about an issue I have been pushing on pretty actively, you won't be surprised that I would raise this issue, but it is one that actually has some bipartisan support, as you know, which is the repeal of the sustainable growth rate, finally making a decision legislatively, I know you need us to do that, which is to recognize that we are not going to implement the sustainable growth rate. We should not. We are not going to

cut physician reimbursement in this country by 10 or 20 or 30 percent, which is all a possibility, and the budget that the President has proposed actually says that, that we are going to repeal SGR and that we are going to replace it.

And you added, which is very important to me, it is not just about saying this failed—I wasn't here when it happened, but this failed—and we are going to recognize that, but it really is about moving forward in a way that does sort of universalize what you have been talking about some this morning, which is that we should be paying our healthcare providers differently. That would make sure that all providers in this—under Medicare meet quality standards that are accountable for that, that are transparent, that we help them do that. We are doing that, but we improve the health status of our seniors in particular.

We think this will have a role for younger people as well, but that we actually pay them in a way that encourages that, encourages them to coordinate care, and to meet these quality standards, and contain the rate of growth in costs.

I have written legislation to do that. There has been a lot of interest on the part of the Health Subcommittee here on Ways and Means to pass legislation that would give you the tools to do that, that would build on these models so that they wouldn't be just interesting demonstration projects that are making a very big difference or in States where they are really doing important work on this or doing that, but are actually changing the way we reimburse physicians in this country.

And I appreciate the language that you have put in, and what I would ask you to do is just to speak to how you think we get there. I know it requires us to take action. And I asked the Chairman, and I know that Mr. Brady has been very helpful on this, but to really see if we can't get that done this year, rather than just yet again saying we are not going to implement the SGR, but we are going to keep that uncertainty for physicians and health providers in this country.

My concern, of course, is that if we do that, we hold them back from really embracing some of these new, different ways of delivering health care in the way they want to, hope to, and that it actually meets the needs of our seniors in this country.

So do you want to help us on that and help us figure out—your leadership on this could be very important in moving us in this direction.

Secretary SEBELIUS. Well, Congresswoman, I know you have had a great deal of interest in this for a long time, and I appreciate your leadership in this area. I think the President shares the concerns that, first of all, the lingering uncertainty of the SGR cliff really is probably the single biggest issue threatening the care of our seniors. There is way too much time and energy that, frankly, doctors spend every year coming to Capitol Hill trying to get a fix that then takes them down the road for the next 10 or 11 months, and then they start all over again. So having a long-term strategy we are eager to work on.

What we have proposed as part of this budget is—and our baseline assumes that the SGR is fixed, but what we would like to propose is a couple of years of sort of status quo, if you will, which

has been done by Congress a year at a time, and then working carefully with this Committee and others who have a great deal of interest in this, and certainly the provider community, on formulating a value-based payment system that would be our future look at how we pay Medicare providers, very much recognizing that payments should be tied to outcomes, it should be tied to care delivery, it should be tied to protocol. I think there are ways to do that. We are beginning to see accountable care organizations and medical home models and a variety of strategies.

And the other thing that is going to be in place, which is a key part of this, is the broad implementation of electronic health records, which for the first time will actually capture and measure what is actually happening in the marketplace.

So we would love to work with you.

Ms. SCHWARTZ. This is really very bipartisan. It is a chance for us to get that done. Thank you very much.

Chairman CAMP. It is. We have released a memorandum and outline and phase 1 and phase 2 with our friends on the Energy and Commerce Committee as well, and we are working in a bipartisan way as well in both Committees on this issue.

Dr. Price is recognized.

Mr. PRICE. Thank you, Mr. Chairman, and welcome, Madam Secretary.

We are talking about the budget here. Your comments in opening remarks talked about this budget strengthening the economy, providing middle-class job growth and a "thriving middle class." And I just thought I would share with you a couple of examples from the real world.

A car dealer in my town has 168 employees. Because of the ACA, 166 of those employees will be moved from full time to part time, 28 hours a week. A fellow that visited my office this week here in Washington has a number of Burger King outlets and has over 900 employees, moving all but five of them to part time because of the ACA.

Madam Secretary, that is not going to lead to a thriving middle class. That is not going to lead to job creation. This bill is harmful to the economy, harmful to job creation. And as a physician, you and I have had conversations, I believe it is fundamentally harmful to the quality of care and access to care that is provided by the docs out there who are trying just as hard as they can to take care of their patients.

To that point this budget has $374 billion in new reductions in Medicare spending, $307 billion of that $374 billion is out of the provider hide, out of the doctor payment. That is not a positive move. The guys and the gals my age out there practicing medicine are looking for the exit door. What is their strategy to be able to survive in spite of the law being put in place?

The HER is a classic example. You have rural docs, single-practice physicians out there in rural communities, small communities, trying to care for their patients, and this imposition by the Federal Government makes it such that they are going to have to close their doors because they can't put in place the requirements for the HER. There is a piece of legislation that Ms. Black has authored that would solve that. I would urge you to take a peek at that.

I want to ask a couple very specific questions. The first is on the in-office ancillary exception and closing that in-office ancillary exception. As you know, oftentimes services provided in a physician's office are more efficient, more cost-effective, have higher quality of care than in any other setting, and yet this budget closes the in-office ancillary exception for things like radiation services and physical therapy and the like, something that MedPAC themselves said ought to be equalized in terms of payment so that you don't incentivize treatment at one venue or another over the objection of the patient or the physician.

Is there any rationale to why the in-office ancillary exception is being closed? Maybe you can get back to me on that.

Secretary SEBELIUS. I just wanted to verify, Doctor, what I thought was the case, and what we are looking at is the utilization factor, that often on the same day we are seeing an increased billing. But I would like to get back to you in writing with some of the rationale behind what you have just identified.

Mr. PRICE. That would be great.

The same-day treatment, same-day utilization of services is oftentimes the most convenient for patients.

Secretary SEBELIUS. That is true.

Mr. PRICE. It may not be for government, but for patients.

Secretary SEBELIUS. We are not trying to diminish the number of in-day; we are just trying to diminish the number of billings that occur when a patient is actually accessing a physician.

Mr. PRICE. Heaven forbid that the patient should be cared for in the physician's office, I understand that.

Let me move, please, to Medicare Part B drugs, cancer care. The quality of care for cancer patients in this country is being harmed because of a decrease in access to care because of a decrease in payment for cancer drugs in the office setting. Your budget proposes a further cut in cancer drugs through Medicare Part B drug services. Is there any rationale for that?

Secretary SEBELIUS. Actually, I think, Congressman, what you are referring to is what happened with the sequester cuts.

Mr. PRICE. The cuts in sequester were ASP plus 4.3 percent. The cuts in your budget are ASP plus 3 percent, a lower amount.

Secretary SEBELIUS. But, actually, the cuts that are proposed in the budget that we have put forward would not interfere with the administrative service of the cancer drugs. Those are held harmless. We are taking an additional cut from actually the drugs themselves. What we learned during the drug shortage is that it is not the pricing of the Medicare drug that has impacted a drug shortage at all.

What happened in the sequester with that blunt cut of 2 percent across the board is the entire cut actually came out of the physician's side of that puzzle, and it did not affect the cost of the drug, it affected the administration of the drug, and that is why some of the cancer centers told us they were choosing not to admit Medicare patients any longer.

Mr. PRICE. Correct. And that has increased in this budget.

Mr. Chairman, thank you.

Chairman CAMP. Thank you.

Mr. Reed is recognized.

Mr. REED. Thank you, Mr. Chairman.

Thank you, Madam Secretary, for being here today.

Madam Secretary, I would like to take some of my time to focus on a very important issue to me, and that is the solvency of Medicare itself, and in particular Part A, the Part A trust fund.

You are a public trustee, obviously, for Medicare, and the report in 2012 indicates that Part A will be bankrupt in 2024. Do you agree with that report, and is that still when the trust fund will go underwater?

Secretary SEBELIUS. Well, I think with this budget we have added 4 or 5 years again to the life of the trust fund. As you know, the ACA added 8 years to the life of the trust fund, so repealing the ACA would actually accelerate that timetable significantly.

Mr. REED. So the best that you did with this budget, under your opinion, is that you moved it 5 years. So that essentially means everybody who is——

Secretary SEBELIUS. Four years, I am sorry.

Mr. REED. Four years. Okay.

So that means everybody who is 51 years of age today and younger are being promised by the President's budget and your office that Medicare Part A will be bankrupt; is that correct?

Secretary SEBELIUS. Well, sir, as you know, first of all, it isn't bankrupt, it is that it would bring in less than is anticipated going out, and I think we have two opportunities——

Mr. REED. No, no, no, no, no. No, I don't think that is——

Secretary SEBELIUS. It isn't entirely out of money.

Mr. REED. I believe it is 25 percent short in what they are going to be reimbursing the providers——

Secretary SEBELIUS. As I say, it brings in less than it would spend.

Mr. REED. So just so we are using the same term, what term would you describe that as?

Secretary SEBELIUS. Well, bankrupt to me means that it is out of money. I just want to make that clear, that there is money in the trust fund.

Mr. REED. But what term would you use to describe that, because I have had this issue with people on the other side of the aisle, and they say "bankrupt" is not the right term. How would you as an official represent that status? Insolvent? Underwater? Underfunded?

Secretary SEBELIUS. Well, it is underfunded, I would say, based on current expectations of what will happen with cost strategies. And I think we have great opportunities between now and then to change those projections dramatically.

Mr. REED. Between now and then. But, as of today, the best we can do is say to people who are 50 years and younger——

Secretary SEBELIUS. As I say, the vote taken by the majority of this Committee would move that insolvency date much closer to where we are right now. It would actually accelerate the date, because 8 years of the trust fund were added with the passage of the Affordable Care Act. We would add another four. And we would love to continue to work on strategies with this Committee, keeping Medicare benefits in place and making sure that we can accommodate them into the future.

Mr. REED. So then the plan I am hearing from the Administration is that we are going to take each year small steps to just push the number out 1 or 2 years and not fix the problem in perpetuity.

See, I am interested in fixing the problem in perpetuity. I want Medicare to be solvent. I don't want people that are 50, I don't want people to look at that 2024 date that was in your 2012 report and say, I am 54, and all you are telling me is that it is going to be bankrupt? I will use the term "bankrupt." "Underfunded" is the term you use.

I think that is a real problem. I think that is a real problem to send to American seniors and people who are getting to the point of retiring, and I want to find out what the plan is, and all I am hearing is we are going to take it year by year, and we will move that number 1, 2, 3, 4 years. What is the long-term plan you are advocating?

Secretary SEBELIUS. Sir, we would love to work with Congress on a long-term plan with the contingency that the long-term plan is not to destroy Medicare as we know it. And that is what has been put on the table, that in the future seniors would not count on a guaranteed set of benefits. What they would have is a voucher. They would negotiate for their care——

Mr. REED. I am familiar with——

Secretary SEBELIUS. Everyone projects that Medicare beneficiaries would pay huge amounts.

Mr. REED. I appreciate that, and I am familiar with how you characterized and classified the House Republican budget and the proposals on that. But the bottom line is that the system is going bankrupt. It is going to be underfunded. We need to solve it. And all I am hearing from you today is the Administration say, we can't change the program. Medicare as we know it cannot be changed.

Secretary SEBELIUS. Actually, sir, in the last 4 years——

Mr. REED. The question I have for you, Madam Secretary, and I don't mean to get into this give-and-take here, the question I have is do you think we can balance or make Medicare solvent in perpetuity by leaving the system in the exact same way that it is today?

Secretary SEBELIUS. I don't think the President or our Administration supports leaving the system exactly as it is, and I would suggest in the last 4 years, sir, that with the legislation passed, and with the budget that is before you, more significant changes are being put forward than have been put forward in decades. We would love to continue to work on how to preserve Medicare well into the future, keeping the promises that we made in 1965.

Mr. REED. Thank you.

Chairman CAMP. The time has expired. Now we will go back to the beginning. I just want to know for the record that our budget does have a guaranteed benefit in it.

Madam Secretary, last week *Wall Street Journal* columnist Peggy Noonan dedicated her column to the wisdom of Lee Kuan Yew, who is the visionary leader who really created modern Singapore, and in describing his book on insights on China and the United States, in her words, Mr. Yew is bullish on America's immediate prospects, but concerned about the long-term future. She noted that he is greatly concerned about our prevailing culture.

And to quote him, "a major problem is the day-to-day images of violence we expose people to through television."

Madam Secretary, I have worked on mental health issues, and I am curious as to what your thoughts are as to the linkage between violence in our culture on TV, in movies and video games and mental health for kids and young adults, particularly troubled young adults, and are you concerned about the pervasive violence in our culture and entertainment industry?

Secretary SEBELIUS. Well, Mr. Chairman, I am concerned certainly about the pervasive culture of violence throughout media, in the entertainment industry, in movies, on TV, and in video games, but also on our street corners, the number of children who live in extraordinary violence day in and day out. They don't have to turn on the TV; they have to walk outside.

So I think we have a culture of violence in this country that is alarming. It clearly has a different impact on different people. But there is no question that I think it does have at a minimum a desensitization for a lot of developing minds about what the impact of violence is, and certainly for someone who is disturbed may have even a more frightening impact.

Chairman CAMP. Does it concern you, then, that the Federal Government provides subsidies to some of these industries, often through the Tax Code, and should the Federal Government be in the business of subsidizing something such as this that may contribute to the breakdown of mental health in this country, or contribute to this culture that people find outside as you will and the desensitization that occurs on the street as well as in the minds of those who are troubled?

Secretary SEBELIUS. Again, I think, Mr. Chairman, that is an appropriate conversation for those of you who are looking at the Tax Code to have. I do feel that there are lots of influences throughout our culture that impact folks, and what the appropriate balance is between industries that we want to encourage and censorship and what they do I think is always open for debate.

But I do share your concern that there is a pervasive culture of violence both throughout the media and the entertainment industry, but also I think America is a violent country, and that is acted out in neighborhoods and on street corners on a regular basis. And that has an impact on our health, on our mental health, on our communities, on our kids.

Chairman CAMP. All right, thank you.

Mr. Levin is recognized.

Mr. LEVIN. Mr. Chairman, in a way I am glad you kind of shifted the discussion from Mr. Reed's approach to the issue of violence, because I share your concern on that, and I am hopeful that the Senate will act on gun violence in the next weeks and bring it up to the House, and we can look at the Tax Code, too.

Mr. Reed is still here, and I just want to say something if I might, because I think we have a friendship. Look, healthcare reform isn't going to be repealed. I think everybody should accept that as a given. And for those who wanted it repealed, I think the case has become more difficult because of the diminution in healthcare cost increases. They have been going down now for 3 years, Madam Secretary?

Secretary SEBELIUS. Yes, sir.

Mr. LEVIN. And there is some evidence that in part it is because of healthcare reform.

Mr. REED. Will the gentleman yield?

Mr. LEVIN. Let me just finish.

Also, there have been some clear benefits, and you mentioned, Madam Secretary, some of them, the millions of younger people now insured as an example, the millions of seniors who now are paying less for prescription medicines.

So I think with that situation, it is hard for those who opposed healthcare reform to be sure what to do. And I just urge that there be resistance to overstating, to doom and gloom, and I think often to kind of scaring people. That is why I think the Secretary resisted your characterization of Medicare going bankrupt.

On this Committee we have faced underfunding of Medicare many, many times. You were in control for a number of years, and there wasn't this perpetual long-term resolution of the problem. But, again, many times we faced underfunding, and sometimes as a result we have reduced provider reimbursement.

What healthcare reform really does in good measure is to begin the path of changing from fee-for-service to a very different reimbursement system. And while there is some agreement across party lines on this, in terms of scare tactics, sometimes they have described IPAB as a death panel when it is really not that at all.

So let me just quickly ask the Secretary—and then, if there is time, I would be glad to yield—I think another kind of doom-and-gloom approach of those who never wanted the healthcare reform, it is not going to be repealed, is to talk about premium increases. So just address quickly, if you would, your feeling about what is going on.

Secretary SEBELIUS. Well, Congressman, the insurance plans are in the process of beginning to submit preliminary estimates on rates in the new marketplaces. Those will be negotiated by either the State-based markets or the Federal market, and by later this summer we will have a clearer picture.

Again, what we know from the Congressional Budget Office is that the estimate is that rates will be significantly more competitive than people find them right now. There will be an elimination of a lot of the overhead administrative costs. There will be competition as a market strategy, and I have seen this as an insurance commissioner. It does work, that when plans have to compete side by side and it is very transparent, that in and of itself drives prices down.

So we are anticipating having people, if you compare policies to policies, what they have now and what they are going to have, a very beneficial set of rates and benefits that people will have an opportunity to choose from, some of them for the first time ever in their lives because they have been locked out of or priced out of the market.

Mr. BRADY [Presiding]. Well, thank you, ma'am. I appreciate that. All time has expired.

I appreciate Mr. Reed's concern about the need to save Medicare. The clock is ticking. We need to act now, Republicans and Democrats. I don't see that as frightening; I see that as a genuine con-

cern for a program that is in very severe financial straits. To try to bury our heads in the sand is really the wrong thing to do for our seniors.

I think the only scare we heard was the witness' claim that Republicans want to end Medicare as we know it. Didn't that win the national award for the political untruth of the year just 2 years ago? Maybe we would be better off if we actually came to the table together to figure out how we are going to save Medicare rather than throwing out what everyone knows has been discredited.

To that point, I would be cautious about claiming that the slower growth in healthcare costs come from ObamaCare. Independent experts don't say that is the case. In fact, many of them believe that is because this is the worst economic recovery in 70 years. Twenty million people can't find a full-time job. Millions more have just given up looking for work. It is Jimmy Carter days for them.

Mr. BRADY. And since the bottom of the recession, you are more likely to be forced to go to food stamps to feed your kids than actually find a new job. And so it is clear that if you can't find full-time work and you can't feed your kids, my guess is you are not going to the doctor. That is what is more likely slowing the growth in health care.

So I would be cautious at a time when the stimulus claims were exaggerated and the sequester claims were exaggerated. I think on health care, let's stick to the truth.

On this point, Mr. Chairman, I believe you were recognizing me, I apologize while you stepped away, online this is the marketplace timeline for the exchanges, and that is for the public, as well as lawmakers, to track how the exchanges are on track. But as I look at it, what I see is deadline after deadline missed. It is as if the agency is in disarray trying to meet the October 1st deadline.

The final market rules and regulations were missed, the payment notice rule was missed, the business rules for information technology, that is 2 months delayed. You recently announced the delay in the choice option for small businesses. You have also delayed the basic healthcare plan for year 5 of it.

And so, these delays are having real impact, real people are concerned about these delays, and the failure by the agency to meet these deadlines raises real concerns.

So my question is, do you have a Plan B? Do you have a contingency if the exchanges are not ready, up and running, with a fully informed public, by October 1st?

Secretary SEBELIUS. As I answered before, Congressman, we will be open for open enrollment October 1st of 2013, and we will be enrolling Americans across the country January 1, 2014.

Mr. BRADY. So, at this point, you have had no discussions within the agency on contingency plans?

Secretary SEBELIUS. Well, we have lots of contingency plans.

Mr. BRADY. For not meeting the October 1st deadline——

Secretary SEBELIUS. No, we are determined and on track to meet the October 1st deadline.

Mr. BRADY. So you can assure this Committee there will be no further deadlines missed, no further delays in the implementation of the exchanges?

Secretary SEBELIUS. We are on track to meet the October 1st deadline.

Mr. BRADY. The question, again, because I think we are all concerned, Republicans or Democrats, you can assure us there will be no further delays——

Secretary SEBELIUS. Congressman, I can only tell you what I am telling you. We are on track to meet October 1st. I can't tell you what exactly will happen at every step along the way, but I can tell you that that is the determination, we are on track to meet it. We test it.

Mr. BRADY. Well, you are not on track to meet it. That was the question.

Secretary SEBELIUS. Pardon me?

Mr. BRADY. You are not on track to meet it. You have missed deadline after deadline——

Secretary SEBELIUS. We are on track to meet the October 1st deadline, yes we are.

Mr. BRADY. So there will be no further—again, I am just trying to get to the bottom line. There will be no further deadlines missed? There will be no further delays?

Secretary SEBELIUS. Again, I don't know quite what that means.

Mr. BRADY. Well——

Secretary SEBELIUS. Will a rule and regulation be a week later than what it might say on the paper? It could. We will be open for business October 1st.

Mr. BRADY. So no delays. That is great news. No further deadlines missed. That is great news. We are still waiting, the small businesses, for information on the business information notices that are 2 months late. Is that being delayed again this week? Next week? So are we seeing another ongoing delay there?

Secretary SEBELIUS. I think, sir, that is not ours. It is the Labor Department's notice, but my understanding is it is imminent. That is not an HHS rule that is coming out.

Mr. BRADY. Thank you very much, Madam Secretary.

Mr. Rangel is recognized.

Mr. RANGEL. Thank you. Thank you so much. And, again, thank you for your service.

I am concerned about the American people that are now doubtful as to whether or not they would have health insurance and also the fact that I don't know whether history will record such political opposition to any President with a national plan. All of my political life, I had hoped and dreamed that we would have universal coverage. And now we have it. And for some reason, it has become a political issue. Forty attempts or 39 attempts have been made by the Republican Party just to repeal it—not to substitute it, not to improve it—but to repeal it. And, of course, they substitute that with just confusion that it is not going to work, it is going to fail, as though there were only Democrats or potential Democrats that were going to be the beneficiary of the program.

So we have to find some way to bring truth to the American people, no matter what their political persuasion is, and I hope that you can do this by telling me exactly how many Americans would be affected, since we are going to assume that we have already—the President has won. The Supreme Court has sustained this, and

the first question is, is ObamaCare here to stay, politically speaking, is there anything that you can think of, besides withdrawing the President, having to recall with the President or another case in the Supreme Court, ObamaCare is here to stay?

Secretary SEBELIUS. Yes, sir.

Mr. RANGEL. So you would suggest that the best we can do if we don't like it is to improve it, to deliver it, instead of just opposing your efforts?

My question is how many Americans are going to be affected anyway? Those that have insurance are not going to be impacted, right?

Secretary SEBELIUS. Well, I would say, sir, in terms of a new marketplace——

Mr. RANGEL. Yes.

Secretary SEBELIUS. A fairly small number of Americans will be impacted, about 41 million eligible folks who don't have insurance at all, and another 14 or 15 who are in the small market, individual market.

Mr. RANGEL. Do you know the political persuasion of these 41 million people who have no insurance at all?

Secretary SEBELIUS. Do I know the political persuasion, no.

Mr. RANGEL. Are they Democratic people here that we want to hurt, or Republican people, or are they just Americans?

Secretary SEBELIUS. They are Americans.

Mr. RANGEL. Right. What could the Congress do to make certain that we provide, to help you to provide universal coverage at the least cost and the best quality? What would you expect this branch of government to do to help the executive branch to do this for all Americans?

Secretary SEBELIUS. Well, I certainly think that a huge step forward was the passage of a comprehensive health reform bill, which has been proposed by Republican and Democratic Presidents for over 70 years. So we finally have a framework to work on.

You asked earlier, sir, though, how many people are impacted. And what I gave you is an answer for the marketplace, the new insurance fees. I think every American will be impacted and benefited by the delivery system changes, with better care, better population health, more effective ways to deliver care in the future, payment for value instead of volume, and making sure that we no longer continue to be the Nation who spends the most with mediocre health results, and that is where we are right now. And we are on track to look at some care strategies, thanks to elements of the Affordable Care Act, thanks to the innovation center, thanks to what is going on, that could really change that profile and make us much more competitive in a global society.

Mr. RANGEL. Since you have been unable to tell us whether you can give assurances that these programs are going to be open on time, is it safe to say that your assurances that we are on track would be dependent upon some cooperation from the Congress? Or is it possible that we could legislate something to actually avoid you following the guidelines that you have been planning?

Secretary SEBELIUS. Well, again, sir, I don't know how much more specific I can be, but I think we are definitely on track to implement the law as it is anticipated and have open enrollment start

in every State in the country on October 1st and have people enrolled.

Mr. RANGEL. And it is essential that you are going to have a positive support from the United States Congress to do this?

Secretary SEBELIUS. It would be helpful.

Chairman CAMP. Thank you.

Mr. Tiberi for the final question of the morning.

Mr. TIBERI. Madam Secretary, welcome. It is great to have a buckeye here with two Michiganders, the Chairman and the Ranking Member, just to even it out a little bit.

I would like to send you an article from the *Columbus Dispatch*, a paper you are familiar with, from either last week or the week before, to Mr. Renacci's point of a small businessowner who has less than 50 employees that was planning to grow his business beyond 50 employees and publicly said in the article that he is not doing that because of the Affordable Care Act.

It is a problem that I have heard about from a lot of small employers within central Ohio. But this one happened to be willing to say it to a reporter and explained why.

I think that it would just be helpful for you to have that. I am not being—I am not trying to be political about this.

But Mr. Rangel, Mr. Chairman, just asked about the political persuasion of people without insurance today. I was on this Committee when we passed this bill, Mr. Chairman, and I like you a lot. But there is a lot of concern from everyday people out in my district at least regarding the implementation of this bill. And the President over and over said, if you like what you have, you can keep it.

Let me tell you, Madam Secretary, a story from my district from a company that I met with a couple of weeks ago, a self-insured employer. And the executive team, including the HR person, had been looking at this and trying to implement this law with their employees. They provide health insurance to their full-time employees. They have a great plan. Their employees love their plan. Their employees think they are going to be able to keep their plan. Through their ability to look at this implementation, they have found out that their plan, with no added benefits, will increase by 10 percent at least. The $63 fee that they are going to be paying alone will cost over $1 million with absolutely no—no—change in their policy because they already participate in what is called the, just so I am clear on this, the plan that covers people with preexisting conditions and they already take care of their employees through the early retiree subsidy program—they don't get a penny from that.

So they are trying to, Mr. Chairman, figure out what to do next. What is clear is they are going to have to increase costs if they keep what they have to those employees. Those employees don't know that yet. With no—and I am not trying to be difficult here. I am just trying to explain the concern that Members on our side of the aisle have.

I am not going to defend the old system, but they are super concerned about the new system because what may happen, Madam Secretary, and, again, I am not trying to be difficult, is that they may choose to put all their employees into the exchange.

So their employees may not be able to keep what they like, which was a promise of this Committee when the majority was in the minority's hands. And their employees don't even know that yet. And the satisfaction surveys that they have received from their employees from the plan they have are overwhelmingly good, and this is a company that has prided itself on healthcare coverage, dealing with obesity, dealing with cancer, dealing with preexisting conditions. And the choices, in all honesty, from nonpolitical HR people there, I could see it in their eyes how troubled they were with where they were going to have to go, and they asked me, is there any sort of opportunity to change this for folks like us? And I said I don't think so. You might want to contact Sherrod Brown. He might have some better luck doing it.

In all honesty, again, I am not trying to be political, because I think, ultimately, Madam Secretary, and I don't revel in this because these are my constituents and they are Democrats and Republicans and Independents and not political, their health care is going to change, according to their experts, for the worse. So I just like to think that maybe, that you, and I know your history and I know you care about this, that maybe you and your team can be more engaged with some of these employers who are very, very nervous about the future of a benefit that they have provided, and they are not the ones that we were trying to get at in terms of access to health care, if that makes any sense.

Secretary SEBELIUS. It does. And trust me, we are trying to be very engaged. I meet with employers in various parts of the country on a very regular basis as I travel around. I think that as we move into full implementation, I am hopeful that some of the projected fears will be relaxed a bit and that people will have, it is very difficult until then. The case you are talking about, Congressman, is a self-insured plan, so they are looking at some certainty in terms of what fees there may be in the market versus the penalty that they would pay if their employees then are tax eligible, and they can do some calculations.

I am hoping in the long run that employers who have been in this market voluntarily because they find that a benefit to their employees will indeed move forward with that benefit. That is what we continue to hear from folks, and that for people who were locked out of the market because they did not have any affordable options, they didn't have any market leverage, they didn't have an ability to provide those benefits, will finally have some choices based on private plans in their State who have to compete for the first time with a new set of rules.

But I will continue to do the outreach, and we would love to have a chance to talk to some of these folks about what exactly they are looking at.

Chairman CAMP. Thank you very much.

That concludes today's hearing. I want to thank you, Secretary Sebelius, for your time this morning and your testimony.

And with that, this hearing is adjourned.

[Whereupon, at 11:17 a.m., the Committee was adjourned.]

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