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Hearing on Affordability of Health Care Coverage
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Thank you, Chairman Smith, Ranking Member Neal, and members of the Committee. My name is Paul Markovich. I am Chief Executive Officer and President of Ascendiun, a nonprofit and parent company of Blue Shield of California.

Blue Shield of California is a non-profit, federal and state taxpaying health plan with nearly 6 million members across all lines of business (Employer, Affordable Care Act, Medicare and Medicaid). Our mission is to create a health care system worthy of our family and friends that is sustainably affordable. To that end, we are the only health plan that voluntarily caps our income at 2 percent of revenue.

The American Health Care System is Failing Us:

The American health care system is bankrupting and failing us. It is way too expensive, too impersonal, doesn't cover everyone, achieves inferior outcomes relative to other countries, is often described as a "sick care system," and is mistrusted by too many Americans.

This is unacceptable.

We are all mortal, which means we are all going to need the health care system. When our loved ones need it, we want them to be able to afford it and to be treated the way they deserve to be. Our non-profit organization describes this as a health care system that is "Worthy of our family and friends and sustainably affordable for everyone" or simply "Worthy of Us."

We are a long way from that ambition right now because even as many of us recognize that the system is broken, it has too many defenders. By that I mean that there are far too many times when the participants in the current health care system – health plans, hospitals, physicians, pharmaceutical companies, and others – put profits over patients and are complacent about how complex, inconvenient and inefficient our system is. This leaves many Americans, employers, and our government financially stressed and frustrated with the inconsistent, impersonal and imprecise service they receive.

The good news is that we can fix this if we have the collective courage and conviction to do so.

It starts by recognizing that we must fundamentally change this flawed system and we must all take accountability for doing so. We don't need more explanations as to why health care costs so much nor more attempts to blame others for the problems.

We need to enact bold reforms as soon as possible that force everyone in the health care system to improve the health of Americans much more efficiently.

There are three critical things we need to do:

- First, ensure every American has access to a comprehensive, real-time digital health record that, combined with the appropriate use of technology, can be used to personalize their health care and to dramatically reduce administrative costs.
- Second, break the 'do more, get paid more' fee-for-service model that puts profits before patients and put the entire system on a budget.
- Third, make prescription drugs accessible and affordable by eliminating kickbacks in the form of rebates, fees, and spread pricing.

We need your help to make this a reality. While it is possible for the health care industry to adopt changes on its own, the system will not fix itself.

Unsustainable Medical Spending Drives Premium Growth:

As fast as premiums have grown, premium increases have been far outpaced by unsustainable increases in medical spending. Even though Blue Shield had $27 billion in revenue last year, we would have had an operating loss in 2025 were it not for a strong return on our investments.

While Blue Shield voluntarily caps its margin at 2 percent of revenue, our five-year net margin is just 0.23 percent – including the loss of nearly a billion dollars in 2022. Similarly, Blue Shield's Medicare Advantage and Part D lines of business operated at a loss from 2021 through 2024. We are also projected to have an operating loss in 2025.

Blue Shield is committed to reforms to make the health care system work better. We support aggressive policy action to reduce health care spending and improve the consumer experience. These include:

- **Making pharmaceuticals affordable and accessible.**

Blue Shield implemented an innovative model to unbundle pharmacy benefit manager (PBM) services, reduce drug costs, and increase transparency. Last year, we began implementing our Pharmacy Care Reimagined initiative— a first-of-its-kind pharmacy care model that makes the cost of medications much more predictable for members by moving to transparent, value-based

pricing. This is resulting in more affordable access to lifesaving drugs and trusted pharmacists, and greater convenience through delivery or retail pharmacies.

Additionally, we were the only health plan to support California's PBM reform law (SB 41) that lowers costs for payers and consumers by stopping PBMs from profiting off inflated list prices. California's law passed on an overwhelming bipartisan basis and leveraged (and went beyond) bipartisan PBM reforms stalled in Washington. The law:

- Requires that PBMs pass-through all negotiated drug rebates to payers and consumers from all of their entities in the supply chain, including Group Purchasing Organizations (GPOs) frequently domiciled overseas;
- Saves consumers out-of-pocket costs by requiring that co-pays be based on lower net prices and not inflated list prices;
- Limits PBM profits by prohibiting PBMs from generating income from anything other than a transparent fee charged to payers for services delivered; and
- Prohibits spread pricing, in which PBMs charge a plan more for a drug than it pays a pharmacy.

We strongly urge Congress to pass these stalled reforms to give the benefit of lower costs to a broader range of businesses and consumers.

Blue Shield has also taken action to bring down the cost of pharmaceuticals from manufacturers, a major driver of health spending. Blue Shield supported drug price negotiation in Medicare and the commercial market to address market failures where the highest-cost drugs did not face competition even after patent expiration. We helped start Civica Script, a non-profit pharmaceutical manufacturer that is disrupting the market for off-patent drugs. $11 insulin is already available on our formulary as of January 1, 2026. And in 2024, we worked with Fresenius Kabi to reduce the price of an FDA-approved Humira biosimilar to a transparent net cost of $525 per monthly dose, down from $2,100, allowing us to offer the drug to most of our members for $0 out-of-pocket.

- **Digitizing, simplifying, and automating the health care system.**

The United States health care system is digitizing vast amounts of health information, but that data is often siloed and held statically in electronic health record or claims systems. The consequences of continuing to rely on fax machines and failing to routinely share, integrate and use electronic health information are clear: limited progress has been made on using data to drive better quality, higher value, reduce waste, and lower costs. Physician burnout due to administrative burdens has increased. Patients, providers, and health plans struggle to seamlessly access and effectively use electronic health information.

Unlocking the power of data created by the health care system holds the promise to improve health outcomes for patients and families, reduce costs for businesses and taxpayers, and target cures to effectively treat illness and save lives. To support these objectives, in 2009, Congress passed bipartisan legislation that invested more than $35 billion to promote widespread provider adoption and use of electronic health records. The law was successful in accelerating adoption of electronic health records but failed to ensure providers shared that information with each other and their patients. Frustration over the burden of systems that were unable to "talk" to each other led to a second bipartisan Congressional effort, the 21st Century Cures Act. Signed into law in 2016, the Cures Act aimed to address barriers to nationwide data sharing and hold individuals and organizations accountable for blocking the flow of patient data throughout the health care system.

Fast forward to today: despite two federal laws, massive federal investments, multiple federal regulations, and advances in the standards by which electronic health information can be shared, our health care system still relies on photocopies, faxes, and CD-ROMs to share data. That's why congressional action is needed. We can't wait another 10 years hoping the system will transform itself into an open, digital ecosystem that supports secure, real-time exchange of electronic health information and that guarantees a patient's right to their comprehensive, personal health record regardless of where they live or receive care. Congress must demand these outcomes and hold the system accountable.

Last year we introduced the Member Health Record, a new digital resource that allows our members to easily view health reminders, past doctor visits and medications, as well as download and share health records — all in one place. This information helps consumers make better choices. We also supported a state law (AB 133) to establish the California Data Exchange Framework which requires secure, real-time data sharing among health and social service organizations to improve care delivery.

- **Putting the Entire Health Care System on a Budget**.

Blue Shield helped lead a coalition of employers, labor, and consumer groups that passed California's Office of Health Care Affordability. Its major objective is to increase the affordability of health coverage for purchasers and consumers by bringing health care spending growth into line with overall wage growth. In addition to setting an overall statewide spending growth target, the Office will set spending targets specific to individual health sectors and geographic regions.

Policymakers also ensured that the Office's spending objectives are not achieved in isolation from broader system transformation goals, such as:

- Promoting Alternative Payment Models (APMs): Increasing APM adoption through establishment of statewide APM standards and participation targets;
- Supporting Primary Care: Promoting investment in primary care and behavioral health through specific targets and public reporting; and
- Analyzing Consolidation: Conducting ongoing market monitoring and transactional review to assess consumer-level cost effects of health care mergers, acquisitions and corporate affiliations.

We believe setting spending targets for the entire system and then holding the system accountable is the best way to drive affordability in a market as complex as health care.

- **Reforming Prior Authorization.**

Blue Shield partnered with Salesforce on a Prior Authorization initiative in 2024 and we continue to build capabilities to provide physicians and patients with prior authorization answers in near real-time, rather than days. We also joined other health plans to commit to meaningful reforms, including:

- Reducing the number of services subject to prior authorization and reporting those publicly;
- Standardizing processes to make more decisions in real time; and
- Ensuring continuity of care when members change insurers.

These changes will help eliminate unnecessary delays, improve patient experience, and protect taxpayer dollars by reducing waste and complications.

- **Enabling everyone to have affordable health care coverage and access.**

While we agree that Congress should focus on solutions that address affordability for the health care system broadly, the Affordable Care Act (ACA) is the part of the market that is currently facing the most acute affordability challenges. The loss of expanded premium tax credits means that the amount an average ACA enrollee pays for health care coverage in California—and across the country—will double (on average $125 per member per month). Blue Shield and our industry are open to discussions about improving the structure of tax credits, including those that expired in January. However, we want to share our perspective on a few key issues:

1. We do not see evidence of "phantom enrollees" in California: Every insurance market has a certain number of enrollees who do not file a claim in a year. The number of enrollees in Blue Shield's ACA coverage who do not file a claim is around 18 percent—lower than in our employer market. There is no evidence of fraudulent enrollment.

2. Americans in every other health care market get help with coverage from the government: Employers get a tax benefit when they buy health coverage for their employees. People on Medicaid and Medicare get subsidized coverage. The expanded tax credits applied this same principle—on a sliding scale—to individuals and families, like entrepreneurs and farmers, who may own their own business but buy coverage on their own.
3. We are seeing lower enrollment and a switch to higher deductible coverage as a result of the tax credit expiration: In California, new sign-ups are down nearly 80,000 since last year. Additionally, we see many more people buying or switching into bronze coverage with lower premiums but higher cost sharing. This will continue to magnify affordability challenges as out of pocket costs go up for enrollees who need to access their coverage.

Congress should take immediate action on both fronts—pass an extension of the expanded tax credits for those in the ACA market and implement broader solutions that address costs for members across all health insurance markets.

Conclusion:

While we've done a lot, the fact is that I and our organization have much more work to do. I and we are a part of the problem with the unaffordable and highly flawed health care system we have today, but I am committed to doing our part to fix it.

We have an affordability crisis. Our health care system is broken but we are not. On behalf of Blue Shield of California, I am ready to work together to create a system that is truly Worthy of Us.