

Thank you for the invitation to speak at today's General Membership Meeting.

Malou Ernest asked me to update you all on the Affordable Care Act.

It's been over two years since I spoke with you about the health reform law.

Since then, the Supreme Court has ruled on its constitutionality.

So implementation is moving forward.

Malou also asked me to talk about what's happening with immigration reform.

There is an 800-page bill that the Senate Judiciary Committee just approved.

And Majority Leader Harry Reid says the full Senate will debate the bill in June.

That's the big picture.

But what you want to know is how health reform and immigration reform impacts you – specifically – the companies you represent and the employees you are responsible for.

Let's start with the Affordable Care Act.

One way to think about this massive Act is to divide it into three parts: 1) insurance requirements, 2) Medicaid and other grants, 3) market reforms.

Each part applies differently in the Northern Marianas.

First, the insurance requirements: You have probably been reading about this a lot in the national press.

Here's a recent editorial from the *New York Times* by Casey Mulligan, an economics professor at the University of Chicago.

He writes: "Beginning next year, the Affordable Care Act will penalize employers that fail to offer health insurance to their employees."

Mulligan goes on to say: "I suspect large businesses will have human resource personnel dedicated to helping company employees complete the application and obtain and accurately reconcile the subsidy to which they are entitled."

I can understand why articles like this would grab your attention and what questions you are asking:

*There's an application that human resource personnel will have to help employees fill out???*

*Human resource personnel will have to help employees reconcile their subsidies???*

*Employers are going to be penalized if they don't provide health insurance???*

It sounds like human resource managers have lots of reasons to be worried about the Affordable Care Act.

The problem is – or maybe I should say the solution is – none of these insurance requirements apply in the Northern Mariana Islands.

The employer mandate, the individual mandate, the tax penalties for non-compliance – none of this applies to those of us in the U.S. territories.

You can breathe a sigh of relief.

But this is a double-edged sword.

Remember: health care reform is intended to cover tens of millions of Americans, who have no insurance.

Here in the Marianas 34 percent of our population has no health insurance, according to the 2010 Census.

That's about 18,000 people.

They pay out of their own pocket when they get sick.

Or the hospital has to write off the cost of their care.

Or they live with chronic illness that makes them less and less productive – or leads to early death.

Now, I believe that we really cannot be a successful community — a well-off community — unless we all have access to affordable and good-quality health care.

So, yes, for the moment we can breathe a sigh of relief.

Many of these untested, untried new requirements of the Affordable Care Act do not apply here.

But in the long run we may wish they did.

Or we may decide that we need some local laws that give us similar protections.

To some extent we will have the advantage of seeing what happens in the States. What works. What doesn't.

If the time comes, when we want to be covered by the Affordable Care Act, we will know what to ask for and what to avoid.

But in the meantime, with respect to this first part of the law – the insurance requirements – we in the territories are not covered.

We are covered by the second part of health care reform – the increases in Medicaid funding and other grants in the Affordable Care Act.

This was not the case, when the bill was first introduced.

As you know, the Northern Marianas is one of five U.S. territories.

The largest – Puerto Rico – has almost 4 million people living in it.

So any provision in the law that included territories was going to add many billions of dollars to the overall cost.

For that reason, territories were not in the original bill.

The territorial Delegates knew, however, that we were looking at a once-in-a-generation change in health care laws.

And in Congress you have to take advantage of these moments.

We were going to have to claw our way into the bill.

And we were going to have to focus on the most glaring problem with federal health policy in our territories – the Medicaid program.

A quick summary:

Medicaid is the national health insurance program for Americans below the poverty line.

In the rest of the country, Medicaid money is unlimited.

The more people who qualify for care, the more money the federal government provides.

There is a State match required. But the match is based on income levels.

So States with lots of poor people pay less.

In the territories Medicaid is different:

There is a cap on the federal money.

No matter how many people qualify, the federal dollars don't go up.

And the local share was 50 percent in the territories, whereas the poorest States pay only 25 percent.

Bottom-line: the territories were not getting nearly enough to insure care for the poor.

I won't go into all of the legislative ups and downs as the Affordable Care Act was debated.

It was a nail-biter.

But there was a pivotal meeting at the White House just days before Congress voted.

I was there.

And the President changed his mind about helping the territories on Medicaid.

Not everything we wanted.

But between July 2011 and the end of 2019 the Northern Marianas will get over \$150 million in federal Medicaid dollars – three times more than we would have.

Effectively, that lifts the cap – at least until 2019.

We also got the matching rate improved.

Our local match is now 45 percent. That's a better deal than a dozen of the States.

I don't have to tell you this new Medicaid money could not have come at a better time.

Just as the local government stopped subsidizing the Commonwealth Health Center, CHC suddenly had access to \$110 million in new federal Medicaid money.

And we are using it.

Between July 2011 and this month we drew down \$21 million of that Affordable Care Act money.

I can't say that \$21 million kept CHC from losing its certification.

But you do the math.

And there is still another \$88 million or so available between now and 2019.

Again, that's new money. That's in addition to the \$5.5 million in Medicaid we were getting annually – and continue to get – before the Affordable Care Act.

The hospital is going to need every penny.

For all of us – whether we are on Medicaid, whether we have insurance or not – keeping that hospital open is fundamentally important.

And the Affordable Care Act is helping.

There were other grant funds, too.

We have a Community Health Center in Kagman today – paid for with Affordable Care Act money.

We have received three million for the Maternal, Infant, and Early Childhood Home Visiting Programs and other prevention programs.

Insurance Commissioner Sixto Igisomar has three million to do his job.

And our seniors on Medicare are getting a 50 percent discount on brand name drugs that they were not getting before.

All because of the Affordable Care Act.

Now I am not going to stop on that rosy note and pretend there are no problems with health care reform.

Because even though the employer mandate and the individual requirement to buy health insurance do not apply here,

even though we are getting millions of dollars of new health care money for Medicaid and other programs,

there is a third part of the Affordable Care Act – the so-called market reforms – that does apply here and could be a problem for us.

You probably saw the headline in the *Variety* on May 17: “Affordable Care Act may be unaffordable in NMI”

It’s a well-written article.

It explains that the Commonwealth – and American Samoa, Guam, and the Virgin Islands – all failed to submit “essential health benefit” proposals to the federal government last year.

The Affordable Care Act requires insurers to provide policies that cover ten basic areas of health care.

Each State and territory can define the level of service within each of the ten categories.

If they don’t, they have to use the federal package of essential health benefits.

The Commonwealth did not submit its own package, so our insurers have to use the federal standard.

And our insurers say that’s too expensive.

They may have to pull out of the market altogether.

Clearly, losing access to insurance would not be good for the long-term health of our community.

I think it remains to be seen exactly what the outcome will be.

It is true that insurers are being required to provide more benefits.

And – unlike the States where everyone will be required to have insurance – here in Commonwealth insurers will not have the benefit of an expanded pool of younger, healthier clients signing up and sharing the risk.

On the other hand, insurers can adjust their rates. They can adjust their co-payment structures. They can negotiate costs with providers.

And, if insurers do adjust rates, the public is protected against price-gouging, because the Affordable Care Act is giving our Insurance Commissioner \$3 million, as I mentioned, to oversee and regulate rates.

The ACA also requires that insurers spend at least 80 percent of what they collect to provide care. That “medical loss ratio” provision already resulted in insurers here in the Commonwealth giving back \$300,000 to customers. So we have that protection, too.

I know it looks like the cards are stacked against our local insurers right now.

But it is also true that it is difficult to predict exactly how markets will respond to new laws.

Look at Massachusetts, where “Romneycare” provided the model for “Obamacare.”

It was widely predicted that Massachusetts businesses would drop health insurance for their employees, after Romneycare.

There is a penalty for businesses that don’t provide employee health insurance.

But the penalty is only \$295 and the average cost of a health plan is \$17,000.

So, it seems like a no-brainer for businesses to drop coverage.

But just the opposite happened.

More businesses have decided to give their employees health insurance in Massachusetts.

The point is: prediction is difficult.

Well, can’t we solve the market reform problem by passing a law to exempt the Northern Marianas, people ask me.

Fair question.

But, remember: many people like the market reforms.

They like not having an annual limit or a lifetime limit on their coverage.

They like it that insurance companies can’t charge women higher rates than men, or old people more than young people.

So before we rush into exempting the Marianas, we better be sure that everyone agrees to give up those benefits.

Second – and this is really the limiting factor – Congressional politics means there is almost no chance of fixing the Affordable Care Act now.

Even though people on both the right and the left want to tweak it.

Here’s a headline from the *New York Times* on Sunday: “Partisan Gridlock Thwarts Effort to Alter Health Law.”

“Democrats are petrified of reopening a politically charged law,” says the *Times*.

“Republicans simply want to see the entire law go away and will not take part in adjusting it.

“As a result, a landmark law that almost everyone agrees has flaws is likely to take effect unchanged.”

This is not just speculation by the media.

A month ago, the Republican leadership had to retreat from a bill they brought to the House floor to amend the Affordable Care Act.

My neighbor across the hallway, Representative Joe Pitts, who is the Chairman of the Subcommittee on Health, a Republican leader on health issues, authored the bill.

It took money out of the Prevention and Public Health Fund in the ACA and transferred it to a high risk health insurance pool for people with preexisting conditions.

The Democrats didn't like it because they want the money to go to prevention.

But what killed Mr. Pitts' bill – and embarrassed Speaker Boehner and the Republican leadership – was Republican opposition.

The conservative wing of the Republican Caucus refused to vote for the Republican bill.

Why?

Because any amendment to the Affordable Care Act is an admission that the law is here to stay.

And most Republicans are not willing to admit that.

Despite the Supreme Court's ruling.

“The only solution is to repeal it, root and branch,” says Mitch McConnell, the Republican leader in the Senate.

As long as that is the Republican attitude, we won't be able make any technical corrections to the law.

Honestly, the Republicans would rather gain political points from the problems with the Affordable Care Act than fix the problems so we all have better health care.

So for now, we are going to have to take the bad with the good.

The insurance requirements – for businesses and individuals – do not apply here in the Marianas.

The market reforms do. And that may mean trouble for the insurance industry and everyone who buys insurance.

But we have millions in new federal money – for the Kagman Community Health Center, prevention programs, rate regulation, and to help Seniors pay for drugs.

Most importantly, we have \$109 million in new Medicaid money, and, arguably, it's keeping the hospital open.

All because of the Affordable Care Act.

There may be some problems ahead.

But there is also a lot to be very, very grateful for.

You also asked me to talk to you about the immigration legislation working its way through Congress.

There are provisions specific to the Northern Marianas in the bill.

And those provisions will affect businesses and human resource managers here.

So let me explain them in brief.

I know that a lot of the pain of federal immigration has fallen on your shoulders.

You had to deal with regulations drafted on the fly.

You had to work with federal bureaucrats, instead of familiar local faces.

There has been uncertainty about whether your workers would get their CW status – and, now, whether they will be renewed in time.

You had to pay fees — and more fees.

Not to mention the impending end of the transition period on December 31st next year.

If that is not extended, you won't have any CW workers. What will you do then?

My hope – and I am cautiously optimistic today – is that Section 2109 of the comprehensive immigration reform bill in the U.S. Senate will take a lot of these worries and expenses off your shoulders.

The goal of Section 2109 is to create a more stable, reliable, permanent labor force here in the Marianas.

It acknowledges that no matter how hard we try we are not going to replace 12,000 foreign workers with 12,000 U.S. workers.

We just don't have the bodies – no matter how much training we provide.

So Section 2109 says that if you are a foreign worker – and you have been here since 2003 – and you haven't broken the law – and you have been contributing to our economy, then we want you to stay.

We want you to keep working here.



We want you to be a part of our community, keep your money here, start a business, build a house, have a family, help us grow.

And if you want to, you can decide to stay.

After five years you can apply for a green card.

And sometime after that you can become an American, if you want to.

So far, our community has responded positively to this proposal.

Even two years ago, I think there would have been a fearful response.

But something has changed.

We have changed.

We are not so afraid.

And that should give us all reason to be hopeful about the future of our community.

When I first went to Congress, I introduced legislation that would keep families that had some U.S. citizens and some non-U.S. citizens together – similar to our Commonwealth immigration law.

I was attacked here at home for that proposal.

But the voters returned me to office.

So, when it became clear after the election that Congress might take up immigration reform, I pushed ahead.

This was another one of those once-in-a-generation moments in Congress.

This was the opportunity to end the confusion and the heartache in our community over immigration.

I had to go door-to-door, meeting with Senators and their staff.

But in the end I succeeded. Section 2109 was added to the Senate bill.

No one really knows what will happen now.

The bill goes to the Senate floor for a vote in June. Chances look good there.

But the House is another matter.

I can tell you that I have met with every one of the House Gang of Eight – from ultra-conservative to ultra-liberal.

They are putting together the House immigration bill.

I think our language has a good chance to be included, as it was in the Senate.

But whether any bill will make it to the President for his signature is for now a guessing game.

Still, for me, it has been worth the effort.

And it has been worth the political risk.

Because I think this is the right choice for our Commonwealth.

Maybe that was why I was so struck by President Obama's speech at the White House Correspondents Dinner a few weeks ago.

I wasn't there, but I watched on TV.

The President was very funny.

But he ended on a very serious note.

And I'll close with his words.

The President reminded the 3,000 people in that hotel ballroom of why they do what they do.

"Those of us in public office, those of us in the press, those with power, those with influence," the President said. "do the work that we do because we believe in service, and the idea that we can have a lasting, positive impact on the lives of the people around us."

Amen to that.

You know, I have known many of you for years and I am glad to be here with you today.

But there are lots of things I would rather do than stand in front of you and give a speech.

I am not interested in the honor or the celebrity or the attention.

It's like the President said:

I am here because of what I believe in.

I believe that improving health care for our community is important.

I believe that a just end to our decades of immigration troubles is important for our community.

And I believe it is important that all of you understand these changes and potential changes in the law, so you can be a positive influence, and work with me, and participate in this change.

Because I know that you, too, businessmen, businesswomen, all of us, want what is best for our families, our community, and for everyone who lives here.

It isn't always easy. But we do it.

We do it because we love these islands and we love our people.

Thank you for giving me so much of your time.

And God bless the Northern Mariana Islands.