August 6, 2012

California Health Benefits Exchange Board
2535 Capitol Oaks Drive, Suite 120
Sacramento, CA 95833

SUBJECT: Comments Regarding Affordability and Cost for the California Health Benefits Exchange; Both Individual and SHOP

Dear members,

The California Chamber of Commerce and the undersigned organizations appreciate the opportunity to provide comments regarding the implementation of all phases of the individual and the SHOP exchanges regarding cost and affordability. Combined, our members represent thousands of small employers and sole proprietors across most industry sectors throughout California.

While we are looking forward to a robust marketplace in both the individual and the SHOP exchanges, we are concerned that the first class customer experience envisioned may not lead to the expansion of access that is also envisioned because coverage will be unaffordable. Although the federal government is providing planning and start up grants, the Exchange will be responsible for the maintenance and operation going forward. The operating expenses of the Exchange will be paid for primarily with fees on health coverage premiums. These fees are passed onto policyholders in the form of higher premiums.

Subsidies in the individual exchange for low-income individuals will not contribute to cost containment for the operation of the exchange and the delivery of care, Many of those eligible for subsidies will still be responsible for a significant portion of the premium and out-of-pocket costs. If people cannot afford their share of cost, they will not take up coverage and the success of the exchanges will be in jeopardy, as well as the goal of increasing access. Costs must be kept in check so as not to drive up premiums to the extent that it impacts affordability of coverage.

Under the new rules, rates will rise especially for the young and healthy because we are expanding benefits and limiting rating bands. These elements alone will lead to higher premiums for this group, and if they are above 400 percent FPL, the penalty may appear more attractive than pricey coverage. Even those eligible for subsidies will weigh the costs – the more expensive the out of pocket cost is the more people that may choose to take their chances and not enter the risk pool.

In working to control costs and meet objectives, we urge consideration of the following:

- **Service Centers**. Labor costs must be kept in check and services must be cost effective.
- **Exchange Infrastructure**. Information Technology should meet minimum federal requirements and not load up on costly, unnecessary features.
- **Customer Service**. The customer should have a user friendly experience limited to accessing affordable health care coverage.
- **SHOP Exchange**. Focus on controlling operating costs and not making unreasonable demands on issuers that ratchet up premiums.

Attempting to be everything to everybody will make products in the exchange more costly and could cause the exchange to fail. As we load up on benefits, infrastructure and customer services, we must be

careful that we aren't ratcheting up the cost. We urge you to keep in mind and evaluate all decisions in the context of cost and maintaining affordability in order to expand access, including the framework for the service centers, the SHOP and the Qualified Health Plans. If coverage is unaffordable, the exchanges will fail.

If you have questions or would like to further discuss our position, please contact Marti Fisher, California chamber of Commerce, at (916) 444-6670.

Sincerely,

California Chamber of Commerce
American Association of Preferred Provider Networks
California Chapter of American Fence Association
California Farm Bureau Federation
California Fence Contractors' Association
California Hotel & Lodging Association
California Landscape Contractors Association
California Restaurant Association
Coalition of Small and Disabled Veteran Businesses
Engineering Contractors' Association
Flasher Barricade Association
Fresno Chamber of Commerce
Greater Bakersfield Chamber of Commerce
Marin Builders Association
National Federation of Independent Business
San Fernando Valley Chamber of Commerce

cc: Peter Lee, Executive Director, California Health Benefits Exchange