California Association of Health Plans

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November 9, 2012

Peter Lee
Covered California
Executive Director
560 J Street, Suite 290
Sacramento, CA 95814

VIA ELECTRONIC MAIL
info@hbex.ca.gov

Re: Blueprint Overview, Federal Establishment Grant, and Revised Marketing Plan

Dear Mr. Lee:

The California Association of Health Plans ("CAHP") represents 39 public and private health care service plans that collectively provide coverage to over 21 million Californians. CAHP attended the webinar held on November 7th and appreciates the opportunity to provide feedback on the information that was presented. I have outlined several of our concerns below and look forward to continued discussions with the Exchange on these topics.

As we have consistently stated, health plans are very concerned about the impact Covered California's (CC) operational costs will have on the affordability of coverage through CC. While we acknowledge that building, running and promoting California's Exchange is no small undertaking, it is imperative to achieve a balance between effective operation of CC with fiscal prudence in order to ensure CC's health coverage is affordable to all. We share your goal for the ultimate long term success of the Exchange as a new health care marketplace for millions of Californians.

CAHP and our member plans would appreciate clarification on the additional revenue sources that were discussed during the webinar. Is CC proposing to charge a premium assessment fee on individual and small group products QHP's offer outside of the Exchange?, would you please provide the statutory authority allowing CC to charge such a fee, and which plans or products would be impacted by such a policy?

We would appreciate if the Exchange could provide specific details on how it intends for this additional revenue source to work. We would also request that the CC clarify if these policies would impact plans that do not contract with the Exchange and what authority the Exchange has to asses a fee on these plans.

As the Exchange has frequently acknowledged, all on-going operating costs must be paid for by assessments on participating QHPs. Ultimately, the cost of operating the Exchange affects the

affordability of the coverage for the Exchange consumer. The Service Center and CalHEERS operating costs are very high and CAHP and our member plans would appreciate a more detailed analysis of how the Exchange reached these sums. Additionally, the 4% of premium assessment on health plans also appears too high and we would like to recommend that the Exchange consider something closer to 2% or 2.5%.

It appears that the assessment in 2014 is to fund activities for the subsequent 3 years rather than basing assessments to support current year activities. The Exchange is already challenged to ensure that first-year enrollees represent a good mix of people, rather than only attracting high-cost enrollees, which would lead to adverse selection and high premiums. The first year is the most important to ensure the availability of a low-cost affordable product in order to attract a broad range of customers. It is not advisable to add extra costs for future years during this critical time.

CAHP and our member plans are also concerned about the recommended budgets for ongoing marketing and outreach. We suggest that all payments for marketing and outreach be performance-based to ensure the marketing translates into Exchange enrollments and allows for detailed analysis of the efficacy of different strategies. This would also help the Exchange determine the appropriate levels of spending in the future and potentially lower premiums and costs. We would look forward to an opportunity to work with you on specific ideas for how to make the best use of marketing and outreach budgets.

I want to thank you again for your time and for the consideration of these comments. Please contact me if you have any questions or would like to discuss the issues addressed in this letter. We look forward to continuing to work with you and your staff as California moves rapidly towards the implementation of a State-Based Exchange.

Sincerely,

Athena Chapman
Director of Regulatory Affairs

cc: Andrea Rosen, Interim Health Plan Management Director