November 21, 2012

SENT VIA EMAIL
California Health Benefit Exchange (CHBE)
560 J Street, Suite 290
Sacramento, CA 95814
info@hbex.ca.gov

RE: Further Discussion of User Fee Assessments on QHPs and Stand-Alone Dental and Vision Plans

Dear CHBE Staff:

At the November 8 Covered California board meeting, the suggestion was made to consider using a PMPM methodology for assessing user fees rather than basing such fees on premium income. Delta Dental opposes this, and we strongly urge the board to adopt a premium-based assessment.

Premium-based user fees, by definition, would be proportionate to the income realized by each issuer from the insurance products it sells in the Exchanges. Premium-based user fees therefore would be an objectively fair approach for raising the revenues needed to sustain Covered California.

By contrast, PMPM-based user fees would disproportionately raise the administrative costs of standalone dental and vision plans as compared with QHPs, *unless* the PMPM calculation were adjusted to acknowledge the dramatically higher premium amounts charged for QHPs as compared with standalone dental and vision plans. Such higher administrative costs would either have to be unfairly absorbed by standalone dental and vision plan issuers or, more realistically, passed along to purchasers in higher, less competitive pricing.

While the problem of disproportionately higher administrative costs for standalone dental and vision plans could theoretically be addressed by adjusting PMPM-based user fees for those plans, this seems to us to require unnecessary complexity. For example, the most obvious adjustment would be to set the PMPM assessment for standalone dental and vision plans at a fraction of the PMPM fee for QHPs that reflects the vast difference in premiums charged. However, it would be important to make sure the comparison is made with QHPs *with pediatric dental*, and to also set a different PMPM rate for QHPs *without pediatric dental*, as illustrated in this chart:

QHP w/ dental	QHP w/o dental	Dental-Only Plan
$100,000 written premium	$90,000 written premium	$10,000 written premium
1,000 members	1,000 members	1,000 members
PMPM set at $5	PMPM = 90% of QHP w/dental	PMPM = 10% of QHP w/dental
PMPM = $5.00	PMPM = $4.50	PMPM = $.50

Besides being complex, setting the PMPM fees through such comparisons is necessarily arbitrary and reflective of relative premium rates at a specific point in time, which will inevitably make achieving fairness a challenge. Only basing the assessment on premium income reliably matches an issuer's current economic benefit in the Exchange with the cost of the functionality and services provided to that issuer by Covered California.

For the record, Delta Dental also continues to oppose assessments on health plans offered outside of the Exchanges, as these health plans do not benefit from any of the administrative functions provided by Covered California. Such an approach would raise the pricing of those products outside the Exchanges without any return benefit for the consumer.

As always, we welcome any opportunity to meet or speak with you and/or any appropriate staff to discuss these matters. If you have any questions, please do not hesitate to call me at (415) 972-8418.

Sincerely,

Jeff Album

Jeff Album
Vice-President, Public and Government Affairs

Delta Dental of California

Headquarters:
100 First Street
San Francisco, CA 94105
Telephone: 415-972-8300

Southern California
Sales:

17871 Park Plaza Drive
Suite 200
Cerritos, CA 90703
Telephone: 562-403-4040

Commercial Programs
Claims Processing
Customer Service:

P.O. Box 997330
Sacramento, CA 95899-7330

Offices in:

Cerritos, Fresno,
Rancho Cordova,
San Diego and
San Francisco