



California Labor Federation

AFL-CIO

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July 21, 2011

The Honorable Diana Dooley
Chair, California Health Benefits Exchange
The Honorable Kim Belshé
The Honorable Paul Fearer
The Honorable Susan Kennedy
The Honorable Robert Ross, M.D.

Re: AB52 (Feuer): Rate Regulation

Dear Members of the California Health Benefits Exchange Board,

The California Labor Federation strongly urges you not to adopt the staff recommendation to seek to exempt the Exchange from rate regulation. We strongly support AB52 (Feuer) to regulate health insurance rates in California.

For years now, our members have been paying more and getting less in health benefits—higher premiums, higher copays, higher deductibles with more limited benefits, narrower networks, drug formularies with three and four tiers.

In California schools textbooks are not updated, classrooms go uncleaned and teachers, librarians and classified employees are laid off to cover the cost of health benefits for the remaining staff and management.

In 2003, more than 60,000 grocery workers in Southern California went on strike for months over health benefits. Today they are back at the table and the only remaining issue is health benefits.

In labor dispute after labor dispute, contract fight after contract fight, the exploding cost of health benefits is an issue. Our members have agreed to higher costs and lower benefits yet the escalation of health care costs has not slowed. There must be another way. AB 52 gives regulators a tool to reign in health coverage costs and make sure our members are not bearing the cost of excessive increases.

After 2014, virtually every Californian will be required to buy health insurance or pay a penalty. Larger employers will also be required to provide health benefits or pay a penalty. When insurance is required, rates should be fair.

We oppose excluding the Exchange from AB52. We question whether it is even possible to exclude the Exchange from the impacts of rate regulation. If the regulators deny or modify rates for products that are sold outside the Exchange, that will affect the Exchange's negotiations. The Exchange will be an integral part of the private health



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insurance market, covering millions of Californians. A simple exemption of the Exchange does not make it an island separated from the larger ocean of the private market.

The Exchange's role in the private market makes it different than Medi-Cal or Healthy Families that cover low income families, seniors and the disabled.

We very much respect the issues raised by the Exchange staff about process and timing with respect to the interaction of the Exchange negotiations with rate regulation. We have been engaged with others in trying to sort through workable solutions on these questions and would welcome the informed thinking of the Exchange staff. The solution is not to exempt the Exchange but to solve the problems of process and timing identified by Exchange staff.

Our members will rely on the Exchange when they are between jobs, lose their coverage, are part-time or cannot afford employer coverage. Just as the labor movement cares profoundly about unemployment insurance and workers compensation, the labor movement cares deeply about the success of the Exchange.

For these reasons, we ask that the Exchange Board reject the staff recommendation and direct staff to work with Assemblymember Feuer and other interested parties to resolve the practical problems identified by Exchange staff.

Sincerely.

Sara Flocks
Public Policy Coordinator
California Labor Federation