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July 20, 2011

The Honorable Diana Dooley, Chair
California Health Benefit Exchange

The Honorable Kim Belshe
California Health Benefit Exchange

The Honorable Paul Fearer
California Health Benefit Exchange

The Honorable Susan Kennedy
California Health Benefit Exchange

The Honorable Robert Ross
California Health Benefit Exchange

Pat Powers, Acting Executive Director
California Health Benefit Exchange

Dear Members of the California Health Benefit Exchange,

Consumers Union, nonprofit publisher of *Consumer Reports*, writes regarding the recommendations posted from the Exchange Board staff regarding legislation under consideration during this legislative session. Of particular importance to Consumers Union is AB 52 (Feuer), as well as AB 1296 (Bonilla), AB 714 (Atkins) and AB 792 (Bonilla).

AB 52:

Health insurance premium increases are soaring above wages, inflation and medical costs. Today, the Department of Managed Health Care (DMHC) and California Dept. of Insurance (CDI) may find a rate increase excessive and deem it “unreasonable,” but neither has the power to disapprove or reduce such increases.

AB 52 is a common sense solution that will grant “prior approval” authority to state regulators—a power that 35 other states have for segments of the health insurance market. It provides a tool which, used effectively, will hold health plans and insurers accountable and save consumers money by reducing unjustifiable rate increases.

While AB 52 should not hamper the Exchange’s ability to negotiate premium rates, we think thoughtful amendments to the bill can address the timing and process concerns raised by the Exchange staff, while still holding true to the intention of AB 52. An outright exemption for the Exchange from AB 52’s contemplated rate review would make it challenging for the Exchange to adhere to federal law requiring that products offered both inside and outside the Exchange must have the same premium rate.

In the midst of a very difficult economy-- as consumers, businesses, and the state struggle to pay for health insurance coverage-- they should have the assurance that rates are fair. Consumers Union, therefore, strongly urges you to support AB 52 and work with the author, Consumers Union and others to put forth amendments that would address the staff's timing and process concerns.

Additional Legislation (AB 1296, AB 714, AB 792): Consumers Union stands ready to work with the Exchange Board and the administration to help California establish and implement a successful program that will be ready for consumers on January 1, 2014. To that end, we believe that it is never too early to develop strong policy and invest in outreach and education so that consumers can ably understand the Exchange and enroll and access coverage the day the Exchange opens.

We urge the Board to engage in discussions around key legislative efforts to begin planning for January, 1, 2014. The staff position that support of AB 1296, AB 714, and AB 792 would be "premature" does not fully take into account the myriad important pieces that will have to be put in place to meet the 2014 deadline. It is essential that these bills move forward to ensure that the state has ample time to implement a new system of enrollment and eligibility (AB 1296) and ease the administrative burden for consumers and the state in securing health insurance coverage in California and to ensure that the state maximizes receipt of federal funds therefore (AB 714 and AB 792).

We are anxious to continue to work with the Exchange Board and staff to help California establish and implement a successful program that will be ready for consumers on January 1, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Julie Silas".

Julie Silas
Senior Health Policy Analyst