

August 10, 2011

The Honorable Ed Hernandez  
California State Senate  
State Capitol, Room 4085  
Sacramento, CA 95814

**RE: SB 703 - OPPOSE**

Dear Senator Hernandez:

On behalf of the Kaiser Permanente Medical Care Program, I regret to inform you of our **opposition to SB 703**, which establishes a basic health plan (BHP) in California. Pursuant to on-going conversations with you and your staff, our concerns include impacts on the robustness of the California Health Benefits Exchange, less-than-adequate rates paid to providers and further fragmentation of health coverage for low-income consumers.

***SB 703 creates risks for the California Health Benefits Exchange marketplace.***

At the most recent board meeting of the California Health Benefits Exchange, the Board voted to oppose SB 703 unless the legislation is set aside for 2011. The Board expressed significant and distinct concerns with the impacts the BHP may have on the Exchange. We share many of these concerns.

Kaiser Permanente is working assiduously to ensure successful implementation of the Affordable Care Act at both national and state levels. Success of the California Health Benefits Exchange will rely on a large pool of consumers in a competitive marketplace with high quality, affordable health coverage offered by numerous plans. According to estimates, SB 703 and the BHP will remove between one-third and one-half of consumers, perhaps up to one million individuals, from the Exchange and partition them in a separate program.

***SB 703 likely burdens provider networks with low rates.***

According to initial analysis of the BHP, the core financing of the program will only be cost-beneficial to the state and low-income consumers if rates paid to providers are significantly lower than rates likely to be paid in the Exchange. Less-than-adequate rates paid in the BHP may create access problems and further exacerbate cost shifts to commercial purchasers.

***Establishing an additional program further fragments access to care.***

A core feature of the Patient Protection and Affordability Act is to provide consumers with streamlined and simplified access to health coverage. SB 703, by establishing a new low-income health program separate from the Exchange and from the Medi-Cal Program, further fragments access to care. If the BHP is established, consumers will move between two and three programs as income changes in the fairly narrow band between 138% and 200% of FPL.

SB 703 creates risks for the Exchange. In addition, the BHP will likely further fragment access to care for low-income consumers, exacerbate network adequacy concerns and increase cost shifts to commercial purchasers. For these reasons, we must oppose SB 703.

Sincerely,

A handwritten signature in blue ink that reads "Teresa Stark". The signature is fluid and cursive, with the first name "Teresa" and last name "Stark" clearly distinguishable.

Teresa Stark  
Director, State Government Relations

cc: Assembly Appropriations Committee Members  
Julie Souliere, Assembly Republican Consultant  
Lark Park, Governor's Office  
Marjorie Swartz, Assembly Health Committee Consultant