



August 16, 2011

The Honorable Ed Hernandez, O.D.
Chair, Senate Health Committee
ATTN: Scott Bain, Senate Health Committee
State Capitol, Room 2191
Sacramento, CA 95814

SB 703 – Oppose Unless Amended

Dear Chairman Hernandez:

The Bay Area Council recently reaffirmed its commitment to the successful implementation of the Affordable Care Act. We do not believe that there is adequate information at this point to know whether the creation of a Basic Health Plan is consistent with that goal. Therefore, we must oppose the passage of SB 703 unless it is amended to become a two-year bill.

California businesses strongly agree with you that as we transform our healthcare system, affordability must be a top of mind concern. Affordability for one group of people, however, should not be subsidized by others in ways that are inefficient and opaque. As a leader in the healthcare sector, you know that there is a significant cost shift to the privately insured that is the result of the underpayment of the Medi-Cal program. Though the Basic Health Plan may have the resources to pay providers somewhat better rates than Medi-Cal, these rates will almost certainly be lower than those paid by the Qualified Health Plans in the California Health Benefit Exchange.

We will not know until the current Congressional budget deliberations are concluded what level of resources will be available for the Basic Health Plan. Its funding does not have the same degree of protection that premium tax credits for the Exchange do. The resolution of this process, as well as forthcoming federal regulations, will help clarify whether this is an appealing option for our state.

Finally, we are concerned about the impact that the creation of a Basic Health Plan may have on the affordability of the plans offered to working and middle class families through the Exchange. Preliminary analyses acknowledge that the Basic Health Plan poses unknown risks for the bargaining power of the Exchange and for its risk profile. In our vision for the successful implementation of healthcare reform, affordable plans would be available for all consumers to purchase through this new marketplace. We look forward to working constructively with you toward that goal.

Sincerely,

A handwritten signature in black ink that reads 'Jim Wunderman'.

Jim Wunderman
President & CEO