

State of California HEALTH AND HUMAN SERVICES AGENCY



DIANA S. DOOLEY
SECRETARY

September 23, 2011

Hon. Kathleen Sebelius, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Sebelius:

On behalf of the State of California, we submit these comments about the Proposed Rules for Establishment of Exchanges and Qualified Health Plans and Reinsurance, Risk Corridors, and Risk Adjustment. California appreciates the opportunity to comment on these regulations.

California faces unique challenges as it establishes its Exchange, including the dominance of managed care; the diversity of its population; and the size of the individual market outside of the Exchange, which is estimated to include several million individuals. California also is uniquely situated in the national landscape as it has already determined through state legislation that it will selectively contract for coverage with QHPs.

California welcomes the flexibility that several of the proposed rules accord to states in developing successful Exchanges. Although we are pleased with the proposed rules by and large, we offer some suggestions for ways in which the rules might be improved. It was difficult to draft a complete response to the proposed regulations because many crucial proposed regulations have not been issued and the market rules have not been defined clearly. We look forward to collaborating on these important issues as more proposed regulations are developed.

Our comments are aimed at refining the rules consistent with the following guiding principles:

1. Promote consistency with the California Patient Protection and Affordable Care Act, which established the California Health Benefit Exchange;
2. Maximize state flexibility in the administration and operation of the Exchange;
3. Maximize affordability of coverage;

Aging

Alcohol and
Drug Programs

Child Support
Services

Community Services
and Development

Developmental
Services

Emergency Medical
Services Authority

Health Care Services

Managed Risk
Medical Insurance Board

Mental Health

Public Health

Rehabilitation

Social Services

Statewide Health
Planning and
Development

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4. Minimize the possibility of adverse selection;
5. Promote efficient and simplified Exchange operations;
6. Maximize Exchange enrollment and retention; and
7. Maximize the Exchange's ability to be operational and successful starting in January 2014.

Thank you for taking our comments into consideration as we work together to meet the short statutory deadlines to construct viable Exchanges.

Sincerely,

Diana Dooley, Chair, California Health Benefit Exchange and Secretary,
California Health and Human Services Agency

Brent Barnhart, Director, California Department of Managed Health Care

Janette Casillas, Executive Director, Managed Risk Medical Insurance Board

Dave Jones, Insurance Commissioner, California Department of Insurance