



March 21, 2012

Peter Lee  
Executive Director  
California Health Benefit Exchange

Dear Mr. Lee:

Thank you for the opportunity to provide input and direction to the California Health Benefit Exchange and its vendor that will assist the Board in developing a qualified health plan and delivery system reform strategy. The Bay Area Council and its healthcare committee – comprised of many of the region's largest healthcare and non-healthcare businesses – are committed to transforming our healthcare system to bring down rising healthcare costs and improve the health of Californians. The creation of a successful Health Benefit Exchange is a critical step toward the development of such a high-value healthcare system for California.

We have been, to date, very pleased that affordability has been cited frequently as an overriding concern for your team as it moves forward in this process. The focus of our feedback, therefore, is going to be on concrete steps that will help make coverage affordable through the Exchange. We would be happy to follow up with you or your team in greater detail on any of these issues.

It is important to set the context by observing that many of the methods that have been used in the past to bring down total costs to businesses and individuals are – in many cases rightly – no longer available. Even the pre-existing condition exclusion was a mechanism to bring down health insurance costs for the consumer as were lifetime caps on coverage. Further, the set of benchmarks for the Essential Benefits Package are all substantially more generous than many individual market plans offered in California. And the plans sold through the California Health Benefit Exchange will all be subject to recent, pending, or potential mandates placed on all health plans in the state around additional covered benefits, network requirements, and language access issues. Finally, many of the initial enrollees that will or could represent a significant portion of the Exchange's core population – from the MRMIP and PCIP participants to the early retirees of large businesses – have a risk profile that could drive up prices significantly in the Exchange and in the market generally.

When the California Health Benefit Exchange considered four different options for its orientation, one was as a "change agent." This would involve the Exchange working to be a catalyst that moves the state toward lower costs and better health. Subsequent conversations sometimes suggest that these activities would be better put off to the future. However, our view is that if the Exchange does not take an active role in partnering with the highest-value, most innovative actors in our healthcare system to deliver lower costs and higher quality, its future will never come. At the same time, it is important to structure the activities in the exchange to unleash rather than subvert healthy insurance market competition.

**Be a Change Agent.** Coordinate with other major purchasers of healthcare, including large businesses and other government programs, to create consistent and meaningful financial incentives for healthcare providers to help make the healthcare delivery system more effective. Evidence overwhelmingly supports the proposition that the key to high-quality affordable care is a strong financial incentive for providers to deliver efficient care and keep people healthy and well. The key is paying for value, not volume, which puts the focus squarely on restored health and ongoing wellness, rather than simply on services delivered. It is critically important as well to have infrastructures of clinical integration and financial management that allow providers to respond to these incentives. The Exchange should give preference to plans that develop products that provide financially and clinically accountable care, consistent with the models of fully- and virtually-integrated care that have demonstrated track records of success in California.



**Promote Robust Competition among Health Plans.** The Exchange should offer its enrollees several high-value system choices to achieve affordability without driving up healthcare costs over the long-term. Meaningful competition for cost-conscious consumers is another key driver of affordability. Avoiding a very narrow set of plan participants will also remove the incentive for plans to present unsustainably low initial bids in order to get a larger share of the market.

**Encourage the Development of Integrated Networks.** All providers should be encouraged to develop partnerships that will offer a comprehensive range of services, with a focus on bringing services to safety net communities. Community clinics and other community-based providers connect with and serve diverse populations and have highly developed specialties. They will often be the “providers of choice” and they are vital parts of integrated delivery systems that are held accountable for maximizing health outcomes of large populations over time. However, to the extent that there is a broad list of “essential community providers” with which insurers must contract, this will handicap the development of strong integrated networks.

**Move with the Market.** Though the Exchange must engage in innovative purchasing strategies, it should develop policies that are broadly aligned with the outside market, and refrain from layering on regulations that will make it harder for the Exchange to act flexibly. It needs to be a player that moves together with other insurers and payers to make changes in the broader market, including improving consumer protections and creating a compensation structure for health insurance brokers.

**Build on Established Quality and Value Measures.** The Integrated Healthcare Association, a California-based comprised of leaders from physician groups, hospitals, and health plans, has been doing pioneering work in incentivizing quality care and reducing healthcare costs. It has fostered a collaborative “Pay-for-Performance” program, which is now being adapted to include measures of cost, value and efficiency as well as medical quality. The Exchange should build on these existing measures as it develops its metrics for quality and value.

**Define Qualified Dental Plans.** The Council would like to see the Exchange begin to carve out a definition for “Qualified Dental Plans,” as suggested in the National Association of Insurance Commissioners model exchange act. This term helps an exchange think through and develop the necessary processes to accommodate both full service health plans in the exchange and separate, stand-alone dental plans.

The California Health Benefit Exchange is well positioned for success, as California has proven itself to be a leader in creating integrated and high-performing delivery systems. The Exchange will prove to be an integral part of continuing the work of achieving short-term affordability and long-term sustainability in medical spending, and through encouraging the development of health systems that maximize wellness and efficiently deliver high-quality patient care. With engagement from a broad range of California stakeholders, the Exchange can be a vital tool for moving California toward an affordable, high-value healthcare system that will serve as a model for the rest of the country.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gregory Adams', written over a light blue horizontal line.

Gregory Adams  
Chair, Bay Area Council Healthcare Committee  
President, Northern California, Kaiser Foundation Health Plan/Hospitals

Cc: Board of Directors, California Health Benefit Exchange