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California health insurance exchange moving ahead

Andrew S. Ross, Chronicle Columnist
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When the Patient Protection and Affordable Care Act, a.k.a. Obamacare, was signed into law, two years ago almost to the day, California quickly got the ball rolling.

It was the first state to set up the reform bill's core feature, a health benefits exchange - a marketplace for consumers and small businesses to pick and choose among various insurance plans - that is scheduled to open in 2014. The exchange has already received $40 million in federal seed money and is expecting additional funds this summer. No details, but the amount is "bigger than a breadbox," said the exchange's Executive Director **Peter Lee**.

That assumes the U.S. Supreme Court doesn't throw the law out, in part or whole - a distinct possibility that doesn't faze Lee. "California passed a law to have an exchange, and it's moving ahead on all cylinders. The commitment will be there no matter what," said Lee, a former Department of Health and Human Services official in the Obama administration.

Lee said an IT company to build and manage the exchange's infrastructure will be named next month. The San Francisco office of **PricewaterhouseCoopers** has been hired to evaluate insurance plans that want to participate on the exchange. Last month, **Ogilvy & Mather** was awarded a $900,000 contract to handle initial marketing and public relations, a figure that could grow substantially once (if) the exchange is unveiled in 2014.

"We're putting in place the building blocks for people to enroll," said Lee.

In the meantime, exchange officials have held "very positive" meetings with health care and insurance providers, including **Kaiser Permanente**, **Blue Cross** and **Blue Shield**, along with providers that serve specific geographical areas in the state. If all goes as planned, California's health exchange will be financially self-sufficient - i.e., neither government-run nor -dependent - by 2015.

Despite Lee's optimism, that's a big if. If the individual mandate, let alone the whole law, is thrown out, as some Supreme Court observers speculate, it will be a major setback. The mandate - forcing everyone to buy health insurance - is inextricably tied to the billions of federal dollars to subsidize those who cannot afford the premiums and co-pays across the country. In California, 2.5 million residents are estimated to be eligible for subsidies, beginning in 2014.

"Subsidies only go through the exchanges. If the court strikes enough of the law down, the money goes away and the exchanges are dead," said **Robert Laszewski**, president of **Health Policy and Strategy Associates**, a health policy consulting firm in Washington.

The subsidies "provide important gas in the tank," acknowledged Lee. "A reduction there would significantly reduce the octane." Lee and others point to the 2010 law establishing California's health exchange as reason to believe the state would step in to try to fill the hole.

How to do that is another matter. California's Health and Human Services Secretary, **Diana Dooley**, recently suggested the state would look to institute its own individual mandate, like the one in Massachusetts. "If we ask the insurance plans to take everybody and insure everybody with no screens or pre-existing conditions, then we have to have everybody buying some level of health insurance to meet their responsibility to the system," she told the Sacramento Bee.

At least two Republican legislators have already said they would oppose such a measure, and the Brown administration would probably have a tough time selling it.

Nevertheless, said Laszewski, "I'm glad California is going forward. It would be bad planning to assume law will be thrown out." Added Lee: "We have 5 million Californians without health insurance. To not move ahead would be a disservice."

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