Principal Financial Group

Government Relations

November 9, 2012

VIA EMAIL

Mr. Peter V. Lee, Executive Director
Ms. Andrea Rosen, Director of Plan Management
California Health Benefit Exchange
560 J Street, 2nd Floor
Sacramento, CA 95833

RE: Exchange Plan Assessments

Dear Mr. Lee and Ms. Rosen:

We appreciate the opportunity to provide input on the issue of Exchange Plan Assessments as briefly set forth in *Building Covered California: Blueprint Overview and Establishment Grant Comment Draft*, (referred to herein as "Draft") dated November 7, 2012. Principal Financial Group is interested in participating in "Covered California" as a stand-alone dental plan (QDP), and more specifically, in the SHOP market. Below, are some specific policy positions and ideas for your continuing analysis and rulemaking concerning how stand-alone dental plans should be structured within "Covered California".

Assessments for Non-Exchange Plans

The Draft addresses the issue of Plan Assessments on slide *37* relative to the individual exchange, as well as on slide *43*, relative to the SHOP exchange. As proposed, we understand QHP plans who participate in the non-Exchange market, will be assessed at "50%" of the in-Exchange rate, as well as an assessment for supplemental benefits, including vision and dental, with no specific percentage defined at this time. It is our position that plans that choose not to participate in the Exchange, are then not subject to an assessment. Clearly, plan participation in-Exchange provides for certain benefits not available to nor realized by plans participating outside of the Exchange. Therefore, it seems appropriate that only those plans actually participating in the Exchange (Individual or SHOP) be assessed fees.

Assessments for In-Exchange Plans

It is important to note that the dental insurance industry is very different than the medical insurance industry. Simply put, dental does not have the same profit margins as medical. Medical maintains a much larger profit margin base. After taxes, Principal's dental profits are less than 3%. As a result, assessments of this nature result in increased premiums on the consumer. Applying a blanket assessment equally across all plan participants, without consideration for industry or profit margin, is a very inequitable and non-consumer friendly position. We propose the Exchange has the flexibility to provide varying fee schedules to its Exchange plan participants. In fact, Principal has observed other states' Exchanges propose a form of a sliding fee scale to determine plan assessments for participation in the Exchange. A potential sliding fee scale could 1) be tiered based on the plan category (i.e. medical-only, medical with embedded dental, stand-alone dental, vision, etc.), and 2) fluctuate based on percentage of overall premium.

We trust the Exchange staff will take these comments into consideration in choosing to respond on the issue of Exchange plan assessments. Thank you again for the opportunity to provide you with our perspective on these important issues.

Sincerely,

Catherine M. Drexler
Counsel – Government Relations
515-247-9158
drexler.catherine@principal.com