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California moves full speed ahead with health care exchange
Sacramento Bee
November 17, 2012

Since the waning days of former Gov. Arnold Schwarzenegger's administration, California has pushed to become the earliest adopter of President Barack Obama's health care plan.

But it wasn't until Obama's re-election this month that state officials were fully confident their plans would take flight.

They first had to survive a U.S. Supreme Court decision in June and wait to find out whether a new Republican administration in Washington would reverse the federal Patient Protection and Affordable Care Act.

"The answer is clear," said Peter V. Lee, head of the state's new marketplace for subsidized health insurance. "A year from now, California will be expanding its coverage to millions of Californians."

California submitted its formal application to the federal government this week to run its own health care marketplace, newly dubbed Covered California. Such entities – called exchanges – are the linchpin of Obama's plan because they will deliver subsidized health care to the uninsured and influence the rest of the market starting in 2014.

California is seeking more than $700 million over two years from the federal government to run the state program.

Covered California will serve households earning up to four times the federal poverty level, equal to $92,200 for a family of four in 2012. The federal government will also expand Medicaid – Medi-Cal in California – to residents below 138 percent of the federal poverty guideline, including childless adults who did not have access before.

While Obama's win may have cleared the last political hurdle, it didn't make the state's logistical task easier.

"Clearly the things that could have interfered with the implementation have been resolved," said California Health and Human Services Secretary Diana S. Dooley, who chairs the board overseeing Covered California. "That's not to say, however, that it's smooth sailing. This is still a very, very heavy lift. The timeline is extraordinarily ambitious."

California has taken a hands-on approach to how it manages its health care exchange, said Micah Weinberg, a health care expert and senior policy adviser with the business group Bay Area Council.

In a short time frame, the state is building a new enrollment system that must communicate with existing county programs that currently provide health care to low-income residents.

Covered California also wants tight control over which health plans and insurers can sell subsidized coverage to residents. Weinberg said other states have taken a more relaxed approach in which any plan can participate if it meets minimum standards.

"That decision has certain virtues, but more hands-on means more time and more difficulty," Weinberg said.

Covered California expects to begin enrollment by Oct. 1, 2013, and will have six months to sign up its initial class of subscribers. It expects to have between 150,000 and 430,000 enrollees by Jan. 1, 2014. A year later, it anticipates between 490,000 and 1.4 million subscribers.

Between now and next October, Covered California and its contractor, Accenture, must build a statewide Web-based enrollment system. The health exchange must also negotiate with more than 30 health plans to design coverage and pricing in 19 separate regions of California.

One of the biggest challenges will be persuading the uninsured to sign up, particularly the healthy subscribers necessary to ensure that the program is financially viable. Lee said Covered California will devote much of its energy and resources to connecting with residents through paid advertising and community outreach.

The state health exchange previously hired Ogilvy Public Relations for $900,000 to work on an outreach plan. The Bee reported in July that ideas ranged from having First Lady Michelle Obama lead a California summit to asking television writers in Hollywood to draft story lines featuring subsidized health care options, the latter of which drew objections from GOP congressmen.

Despite the flak, Lee said Covered California isn't backing away from those ideas: "We want it talked about at the dinner table, in front of the TV, in barber shops."

Health insurers are concerned that the federal law limits their ability to charge significantly lower rates for young people than for older adults. Patrick Johnston of the California Association of Health Plans says older adults typically have health care costs five to seven times higher than young enrollees.

Johnston said health insurers are asking the Obama administration to allow greater discounts for young subscribers. Otherwise, he fears, healthy young adults will avoid signing up.

"What Congress did was take (pricing) out of math and science and move it into politics," Johnston said. "It's good for older people. But the effect will not only be on younger people, but the stability of the pool. It's a concern."

As recently as several weeks ago, Gov. Jerry Brown worried that Obama's overhaul might not survive the election. The governor vetoed bills that would have enshrined some of the most popular federal components in state law.

Obama's plan requires health insurers to cover people regardless of condition and prohibits higher premiums based on illness. That pencils out for insurers only if healthy people are mandated to buy coverage, as the federal plan requires under threat of financial penalty.

Brown feared that Obama-plan critic Mitt Romney might eliminate the mandate if elected president, leaving California insurers required under Senate Bill 961 and Assembly Bill 1461 to cover sick patients while healthy residents could avoid buying coverage.

While much of the health care action will take place at Covered California, the Legislature must still make several major decisions in a special legislative session in January.

Sen. Ed Hernandez, D-West Covina, chairman of the Senate Health Committee, said lawmakers must revisit the legislation that Brown vetoed to require insurers to cover all individuals regardless of medical condition and define how premiums are set.

He said the Legislature also has to consider how to extend Medi-Cal benefits to more people and whether to create an alternative basic health plan for low-income residents.

California presses on with health care exchange
Fresno Business Journal
November 14, 2012

President Obama's re-election Nov. 6 pushed aside the final obstacle in a year filled with uncertainty about federal health care reform in California and across the country.

Throughout the year, while "Obamacare" was the subject of political wrangling — first with a surprise 5-4 victory in the U.S. Supreme Court on June 28 and then with an equally astounding blowout of strong Republican challenger Mitt Romney on election day — the California Health Benefit Exchange continued its work of putting the new policy in place for its 2014 kick-off.

"This has removed some of the distraction," said Oscar Hidalgo, director of communications and public affairs at the exchange. "We're focusing on opening the exchange on time. We were moving along fairly aggressively before the election and we are moving ahead at that same pace."

The state exchange, now officially known as Covered California, will be the primary individual health insurance marketplace in California when the individual mandate of the Affordable Care Act takes effect in just over a year. The exchange will negotiate with health insurers for the best rates while assisting consumers and small businesses in selecting plans from five categories: Platinum, gold, silver, bronze and the "catastrophic plan," which is limited to adults under age 30. Each plan is based on its cost and the level of benefits provided.

"The exchange is going to be a great new marketplace," said Nicole Evans, vice president of communications at the California Association of Health Plans in Sacramento. "As many as 39 plans will compete to serve 21 million Californians."

Insurers must offer essential health benefits — a comprehensive set of services that would be covered in a typical health plan provided by an employer. Information about what is covered and what is not will be presented in a standardized format, with the options in groupings that will make the policies easier to compare. Many of those who are not covered through their employer will be eligible for a federal subsidy that will reduce the cost of buying coverage.

Bill Wehrle, Kaiser Permanente's vice president of exchanges, said that his company is committed to offering affordable health insurance plans to Californians through the new statewide health insurance exchange.

"We believe our integrated care model, with its ease of use, high quality rankings and low cost structure, will appeal to many of the newly-insured exchange users," Wehrle said. "In fact, the state legislature has chosen a Kaiser Permanente health plan as the benchmark for all plans to meet."

Wehrle said that premiums for the new exchange-based health insurance plans have not yet been determined, but Kaiser's goal is to make them as affordable as possible.

They expect their exchange-based plan premiums to cover the cost of serving exchange members and not lead to an increase in rates for other members.
Consumers will be able to interact with the exchange through the Internet, by telephone and by

submitting paper applications through the mail. The exchange will begin enrolling applicants next fall in order to have coverage available for each on Jan.1, 2014.

Gov. Jerry Brown is expected to schedule a special legislative session for Dec. 3 — the day the new legislature is sworn in — to discuss issues related to the forthcoming health care reform, including the expansion of Medi-Cal and new regulations for the insurance market. Federal health officials are expected to release a number of health reform guidelines soon, but are currently awaiting a deadline of Friday for states to declare whether or not they will form their own exchanges.

Several states, including Oklahoma, Kansas and Wisconsin, have refused thus far to create an exchange; if they continue down that road, the federal government will create exchanges for them.

California is one state that had begun laying the groundwork for a state health exchange long before the Supreme Court made its decision. John Zelezny, senior vice president for communications at Community Medical Centers, said in a June interview that the future of health care in California would have been different even if the ACA had been struck down or repealed.

“The main thrust of the law, which is to force more aggressive and efficient management of patient care, is also being pushed by the state and by economic realities,” Zelezny said.

Not everyone is thrilled by the health care requirements. The National Federation of Independent Businesses was the plaintiff in the lawsuit decided by the Supreme Court in June, and John Kabateck, executive director of National Federation of Independent Businesses/California, said that small business owners have identified the rising cost of health care as their No. 1 concern.

“It’s a very bitter pill to swallow right now, but we are realists, and this is the law for the time being,” Kabateck said. “A full repeal will not occur for some time, so in the meantime we will try to soften the blow.”

NFIB’s focus in “softening the blow” is what Kabateck and many others who are involved with small businesses call the health insurance tax. The ACA assesses a tax on all health insurance companies based on their net premiums written, and many economists feel that new taxes on health insurance companies inevitably mean new costs passed along to customers.

Large employers can self-insure, rather than pay premiums and file claims through a typical insurance provider, and are therefore not affected by the tax. Most small business owners do not have a large enough pool of employees to do this and must instead purchase health insurance in the fully insured market, where the costs the insurer has accrued are passed on to the customer in what is called “cost shifting.”

Rep. Charles Boustany of Louisiana has introduced H.R. 1370, a bill that would repeal the health law's tax on insurance plans.

“While we do believe in reform, this is the wrong prescription,” Kabateck said. “We respect the law of the land and the will of the people, but we want to soften the blow by repealing the health insurance tax.”

Hidalgo said that Obama's re-election provides a measure of job security for those employed by the state exchange, which is in the process of acquiring the necessary funding from the federal government.

"We got a very strong response on that, and we have seen a variety of interest from plans big and small," Hidalgo said. "The marketplace opens in October 2013."

California Intends to Run New Health Marketplace On Its Own
Capital Public Radio
November 14, 2012

States have until the end of this week to tell the federal government if they will operate their own health insurance exchanges.

States also have the option to receive help, or have the federal government manage their marketplaces.

The California Health Benefit Exchange board has signaled its intent to go it alone by approving a detailed operations plan and grant proposal.

LEE: "California wants to control our destiny in terms of expanding coverage to millions of Californians."

Peter Lee is Executive Director of the exchange - now known as Covered California.

He said he's sure the state will be successful in running the health insurance marketplace.

LEE: "We have Californians from San Diego, to Redding, from Oakland to Fresno saying that this has to work. And we have such a groundswell of interest and commitment."

Covered California is asking for more than 700 million dollars to set up the online marketplace over the next two years.

They propose a health plan tax to sustain it when federal funds run out starting in 2015.

It's Official: California Submits Blueprint for New Health Benefit Exchange
California Progress Report
November 15, 2012

With last week's election result ensuring the continued implementation of the historic Affordable Care Act, the board of the newly-named "Covered California" Health Benefit Exchange met Wednesday to finalize its start-up operations and roll-out over the next two years.

Covered California will be the new marketplace under the Affordable Care Act to help California families and small businesses shop for health insurance and get subsidies to make such coverage affordable. The expansion of coverage through Medi-Cal and Covered California to millions of Californians starts January 1, 2014, with an "open enrollment" period to sign people up in the third-quarter of 2013.

The Board approved a grant application Wednesday that would request funding from the federal government to take the remaining steps to establish the Exchange. The previous 2 federal grants were for planning the Exchange, but this new establishment grant will fund the operations of Covered California for 2013 and through its first year of full operation in 2014. After this, Covered California will be self-sustaining through assessments on participating health plans of around 2-4%.

The application includes the basic blueprint of the Exchange's operations, including everything from information technology, to a service center, to marketing and outreach efforts. Covered California will be requesting around $300 million per year through the end of 2014, with the total request at $706 million. Executive Director Peter Lee explained that this funding is the right amount to address the magnitude and diversity of California, and to incrementally invest in the building of a sustainable organization, not just operational funds for the three specific years. The staff plans to work toward creating a 3 month operating reserve by the end of 2014.

The Covered California Board also heard updates on a number of implementation issues:

- **CalHEERS Update** - California Health Eligibility, Enrollment and Retention System staff reported that they have completed 83% of the 720 requirements they have laid out toward building the IT system. They will be releasing draft system requirements Friday, and stakeholders will be able to comment on these until November 30.
- **Service Center Update** - Staff have begun searching for the physical spaces that will house service center sites, one in the Sacramento area, and one in Southern or Central California. The location of a third site is yet to be determined (counties have been invited to bid for this contract to be awarded by January 31). Staff has also begun to recruit up to 850 positions for customer service.
- **Evaluation Plan** - Staff has developed a logic model and are looking at data sources to work toward a comprehensive evaluation plan to ensure that Covered California operates as an evidence-based organization.
- **Naming and Branding** - Covered California has solidified a name, a logo, and a color scheme but staff are still focus-group testing a tagline. This will be especially important when translation is necessary to reach limited English proficient customers.

- **Advisory Groups** - Staff has extended deadline for nominations to the three stakeholder groups that will convene in January.
- **QHPs** - Additionally the Board approved a notice of proposed rule making that will be released today, in conjunction with the final solicitation for Qualified Health Plans (the plans that will be sold in the Exchange) that was released Tuesday.

Finally, the Board also approved enhanced funding for contract organizations to provide Consumer Assistance and Ombudsman services. There will be no new solicitations, but these funds will bolster capacity for organizations that already provide these services in partnership with the state Department of Managed Health Care and the Department of Insurance.

Calif. health board OKs plan for insurance exchange
San Jose Mercury news
November 14, 2012

SACRAMENTO, Calif.—The board overseeing California's efforts to establish an insurance marketplace for providing affordable health care approved its operational blueprint Wednesday, an essential step toward meeting a key deadline under the federal health care reform law.

The governor's office is expected to forward the plan to the Obama administration on Friday, the deadline for states to notify the federal government about whether they plan to establish health care exchanges. The deadline for states to submit an operational plan, as California is doing, has been extended to mid-December.

"We don't need more time," said Peter Lee, the board's executive director. "We've been working feverishly over the past year, we're excited about going forward, and that blueprint is a big deal."

The action by the California Health Benefit Exchange board, which changed its name last month to Covered California, kicks off a sprint toward the Jan. 1, 2014, deadline for states to have health insurance exchanges up and running.

In 2010, California became the first state to authorize a health insurance exchange after passage of the federal Affordable Care Act. It is expected to offer affordable care to some 3 million uninsured Californians, although Lee said a realistic coverage figure by 2017 is closer to 2.3 million.

Another 1.2 million to 1.6 million Californians are expected to be covered under expanded Medicaid provisions.

Small-business owners who find it difficult to provide health coverage to their employees also are a prime target of the coming marketplace.

"This is a big moment for California going forward," Lee said, shortly before the board unanimously approved the blueprint and an application for more than $700 million in federal grant money. One of the five members of the exchange board, Dr. Robert Ross, was absent.

Some states may opt out, meaning the federal government will step in and operate their insurance marketplace, while others will create an exchange in conjunction with the federal government.

Until open enrollment begins next October, Covered California will hire staff, set up the exchange, begin educating the public about how it will work and select health plans to participate from the 33 that have indicated they intend to submit bids.

Diana Dooley, the board's chairwoman, said the state has made great progress so far in creating a health care marketplace, but said the upcoming year will be fast-paced.

Board members noted that California has more uninsured residents—roughly 7 million—than the entire population of some states. One of the exchange's key challenges between now and the time open

enrollment begins is to explain to Californians how they will be affected by the reforms and how this new part of state government will work.

California's ethnic diversity also will be a challenge in getting out the message. The exchange's marketing effort will provide outreach material in 13 languages.

"It's still a very heavy lift," said Dooley, who also is the secretary of the state Health and Human Services Agency.

She and Lee expressed relief that President Barack Obama had been re-elected, because Republicans had vowed to repeal the health care overhaul if they had won the White House. "At least some of the uncertainty that we faced is now behind us," she said.

Covered California's chief mission is to expand coverage by providing low-cost but affordable health care using federal tax subsidies and credits. The marketplace it is establishing will allow consumers to compare plans and prices online.

Under the federal law, consumers will be required to have insurance or pay a penalty, the so-called individual mandate. By 2016, that penalty will be $695 a year per family member, or $347 for dependents under age 18.

In addition to initiating the exchange, California has taken some key steps under the federal health care law. They include banning insurers from refusing coverage for children with pre-existing illnesses and allowing young people to remain on their parents' plans through age 26.

Also Wednesday, the board approved a plan for Covered California to be financially self-sufficient by January 2015, partly through assessments on insurers. It is seeking a federal grant of about $706 million to cover its expenses over the next two years.

Mercury News editorial: California is well positioned to take full advantage of health care reforms
San Jose Mercury News
November 16, 2012

No state in America is better positioned to take full advantage of President Barack Obama's health care reforms than California.

While Republican-led states continue to resist implementation -- and to pass up federal money -- California already has received more than $200 million to set up a health exchange marketplace, now officially called California Covered. If all goes as planned, it will eventually insure more than 20 million residents, including 7 million who are now uninsured.

The state is well positioned to receive more than $100 billion from the federal government over the next decade, money California desperately needs to care for its poorest residents. Obama's re-election and the assurances that health care reform will move forward are the best news for Californians' health in decades.

If California stands to gain more than any other state from this, it also faces a challenge exponentially greater than most other states in getting its program up and running.

The exchange, by law, must start enrolling Californians by Oct. 1, 2013, in time for coverage to begin Jan. 1, 2014. That means myriad regulations and coverage options must be debated and implemented, a new health care computer system put in place and thousands of health care workers hired and trained for the millions of Californians who will be exploring their new insurance options. No state government agency has ever pulled off anything this big, this fast.

The federal government and California both have a lot riding on the success of the endeavor. Obama would love to have a model for how states can benefit from federal reforms, and this would be a big one. Gov. Jerry Brown's legacy will, in part, be judged on whether his heavy investment in the exchange delivers. California simply cannot fail to meet this challenge.

Brown is calling a special session of the Legislature in December to focus on how to deal with the implementation task. Any law that's passed in a special session can take effect in 90 days. The initial focus should be on how to expand Medi-Cal, the state's Medicaid program, to capture as many federal dollars as possible, and on establishing the benefits that will be offered by the exchange program.

The governor and legislators must walk a health care insurance tightrope. Offer a benefits package that covers everything, including the kitchen sink (which is looking a little piqued, don't you think?), and the costs will sink the program. Offer an unattractive benefits package, and it won't attract the millions of Californians needed to finance a robust program. A clear, simple set of defined benefits and eligibility rules is what California Covered needs to get off to a fast start.

Obama's re-election gives California an opportunity to solve many of its health care challenges. With the head start it has gotten, the state should become a model for the nation to follow.

California works to get word out on heath insurance exchange
Los Angeles Times
November 19, 2012

Nearly every day, worried Californians call a Pacoima hotline asking what lies ahead in healthcare reform: Do I have to get private insurance? Will I lose my Medi-Cal? How much will it cost? When does it start?

"There's mass confusion already," said Katie Murphy, managing attorney at Neighborhood Legal Services of Los Angeles County, which runs the call line.

With the presidential election over and the nation's healthcare overhaul moving forward, California officials have less than a year to clear up widespread uncertainty about future medical coverage options.

"We are in our countdown period," said Peter Lee, executive director of Covered California, the state's new health insurance marketplace that opens in October 2013.

Under the federal law, the state-run exchange aims to fundamentally reshape the health insurance market by negotiating with insurers for the best rates and assisting consumers in choosing a plan. The exchange must also help millions of Californians figure out whether they qualify for an expansion of Medicaid, the government insurance for the poor, or federally subsidized private coverage.

Federal officials have a lot riding on the California effort. How the state's insurance exchange fares will be an important test of President Obama's healthcare law at a time when many Republican-led states are resisting implementation. California leaders also hope they can harness the purchasing power of the exchange to improve patient care and make healthcare more affordable.

All of that, however, depends on getting enough people — healthy and unhealthy, uninsured and insured — to enroll. If that doesn't happen, the state could lose billions in federal dollars and insurance premiums could soar. The task is daunting, given the size and diversity of California's population, said Paul Fearer, an exchange board member. "It's critical to get it right," he said.

But the exchange faces a fundamental communication dilemma, said Samuel Chu, board president of OneLA, an organization of churches, synagogues and nonprofit organizations. "They are trying to pitch a program that is not ready to enroll people."

Watching focus groups of consumers recently in San Diego and Sacramento underscored some of the challenges, Lee said. Only about 20% of those people had even heard of the exchange.

The state expects to enroll about 2 million additional residents in Medi-Cal, the state's version of Medicaid, and sign up another 2 million for subsidized private insurance.

Medi-Cal would be offered to people earning less than 138% of the federal poverty level. For example, a family of four making less than $31,810 would be eligible. Separately, federal insurance subsidies will be available to privately insured families earning up to about $93,000. Enrollment will begin in October 2013.

One of those who may be eligible for the help is Denise Robinson, 62, a former teacher and breast cancer survivor who has diabetes and severe back pain. Robinson, of Panorama City, lost her Kaiser Permanente coverage two years ago when she left teaching after 17 years because of an injury. Now, she can't afford to buy a policy on her own, she said.

She thinks the insurance exchange might help, but she isn't sure how. "I don't really understand it," she said. "I need this program."

Ann Miller, a small-business owner in Diamond Bar who provides insurance to her 15 employees, said she needs the program too. She hopes the exchange can offer some relief from rising premiums. She said her rates from Anthem Blue Cross jumped 21% earlier this year, and she and her husband pay $2,900 a month just for their family coverage. "These rate increases are outrageous," Miller said.

Like individuals, small businesses will be able to shop for coverage via the exchange, but whether they'll be able to get a better deal remains unclear. Some experts warn that average premiums in the exchange could rise because the health reform law requires improved benefits. But consumers could pay less in out-of-pocket medical costs because of the new requirements.

Historically, statewide public insurance programs have started slow. But under the Obama administration's reform plan state officials don't have the luxury of much time.

California officials plan to spend nearly $90 million next year on marketing and raising public awareness about the exchange. The proposed campaign calls for conventional advertising and grass-roots efforts at churches, schools and cultural events.

About half of California's 7 million uninsured are Latinos, according to the exchange. To reach those who are eligible for coverage, the state may sponsor professional and recreational soccer leagues and court bloggers popular with Latino mothers. Officials also may hit up Hollywood to get TV shows such as "Modern Family" or "Grey's Anatomy" to weave the health insurance expansion into their scripts.

Exchange Officials Seek To Clear Up Uncertainty about Coverage Options
California Healthline
November 14, 2012

California health benefit exchange officials are seeking to remove uncertainty about coverage options through marketing and outreach efforts, the *Los Angeles Times* reports (Gorman/Terhune, *Los Angeles Times*, 11/14).

The federal health reform law requires states to launch online insurance marketplaces by 2014. California's exchange -- recently named Covered California -- primarily will serve individuals and small businesses.

Supporters hope that the exchange will function similar to websites like Amazon.com and Expedia.com so that users will be able to choose between various health plans through an easily navigable online store.

About 4.4 million Californians are expected to use the exchange by the end of 2016.

Officials plan to open registration for the exchange in October 2013.

Observers say that if the exchange cannot attract enough customers to balance insurers' risk pools, insurance premiums could increase and enrollment could decline (*California Healthline*, 9/18).

Officials plan to spend nearly $90 million next year to market the exchange (*Los Angeles Times*, 11/14).

Details of Television Outreach

The exchange's public relations plan states, "A number of popular television programs and personalities such as 'Grey's Anatomy,' 'Modern Family,' 'The Biggest Loser,' 'Dr. Oz' and others will be approached and pitched to incorporate story lines or mentions of health care reform that would reinforce campaign messages."

The plan also states that officials could explore the creation of a new reality television show about families living without health coverage.

Ogilvy Public Relations Worldwide has received a $900,000 contract from exchange officials to coordinate communications and outreach efforts (*California Healthline*, 9/18).

In addition to using conventional marketing strategies, officials are planning to increase grass-roots efforts at churches, cultural events and schools to promote the exchange.

Officials say that Hispanic residents make up about half of the uninsured population in California. In response, the state is considering sponsoring professional and recreational soccer leagues, as well as working with bloggers popular with Hispanic women, to market the exchange (*Los Angeles Times*, 11/14).

Report Urges Exchanges to Help Consumers Make Right Choices
California Healthline
December 6, 2012

Setting up a health benefit exchange is so complex that the simpler aspects sometimes can get lost, said Ted von Glahn, a senior director at Pacific Business Group on Health.

"One of the fundamental objectives of the exchange, and the Affordable Care Act generally, is to get people to sign up," von Glahn said. "You can really turn off a lot of people, in terms of the online experience, from coming into the exchange and choosing a plan."

Von Glahn helped create a new PBGH report that looked at one basic and vital component of the enrollment process at health benefit exchanges: the moment when online participants choose a health plan.

There are only a few yardsticks that can effectively measure enrollment success, he said, but online enrollment success is one of them. "So you wouldn't want one of the metrics to be that people log off," von Glahn said. "You have to keep your eye on the ball to make that step as easy as possible, so you don't lose people who are eligible."

PBGH, a not-for-profit business coalition based in San Francisco, released the third and final installment of the report this week. It is based on a series of 2,100 interviews conducted in 2012 with low-income participants chosen to mirror the demographic makeup of expected enrollees in state exchanges in 2014.

**Language, Cultural Differences Play Key Role**

Many of the people eligible for the exchanges are not proficient in English, come from other cultures, have limited education or have never had health care insurance, von Glahn said. Signing those people up, especially online, takes a little extra care, he said.

"So they've already gone through a series of screens to determine eligibility, and they've already been asked for a lot of information," he said.

"There's some level of fatigue at that point, and that's the other aspect that has people nervous," von Glahn said. "Really, we're zeroing in on just one step in the process, but that's a big one."

The exchange board has spent a lot of time and effort planning for that step and many other enrollment steps along the way, said Andrea Rosen, interim health plan management director for Covered California.

"The priority for us is enrollment," Rosen said. "To have multiple pathways to quick enrollment is really important. And at the same time, we want people to be happy with their choices."

That means the exchange incorporates as much information as people want in the enrollment process, she said -- and doesn't bombard people with numbers and choices, if they don't want them.

"No one is going to pretend that benefit design is for the faint of heart," Rosen said. "It's not. You still have a lot of categories, and there are a lot of moving parts in a medical plan." For instance, she said, there are four different categories of mental health coverage to choose from and six categories of home health services. It's hard for anyone to figure out all the coverage options, Rosen said, let alone someone who has linguistic, cultural or educational issues.

"Given that benefit designs are complex to begin with, that's why we're doing focus groups and [conducting] testing on usability," Rosen said. "We're spending $43 million on outreach and coordination with community-based groups. We will have assisters to help, and agents who also are certified. We have a lot of different ways, whether that's quick and simple, or more complicated, to help people through the process."

The exchange board adopted standardized plan designs, which should make comparing and choosing plans much simpler, Rosen said. "Our goal for consumer simplicity is to have most of the plans available in these standardized designs," Rosen said.

Comparing coinsurance and deductibles and flat fees for different procedures and visits can be a nightmare for consumers, she said. "So, for instance, in this silver plan there's a 30% coinsurance for labs, but maternity is a flat fee, while this other one charges $50 for a scan," Rosen said. "How are you going to compare any of that? It truly is a big deal to have standardized cost sharing."

**Diversity Makes Task Tougher**

The biggest issue in trying to simplify, explain and direct people to the plan that makes the most sense for them is the language issue, according to Chad Silva, policy director for the Latino Coalition for a Healthy California. And part of that linguistic challenge also is cultural, he said.

"California is very challenged in that way because we're so diverse," Silva said. "And it's cultural, as well." For instance, he said, LCHC has worked with a group of Oaxacans in the Fresno area. "They come from a very rural area in Mexico, where views on health care are very different," Silva said. "They don't trust Western medicine that much, and they haven't had access to it, so imagine trying to sign them up online [for the exchange]. You're bringing somebody in who has a challenge seeing a physician in the first place -- and now you're talking about picking a plan? So that's a huge barrier."

Silva said enrolling this population, and making sure each enrollee buys into the proper plan, is going to take a lot of work -- even without the many challenges inherent in the population.

"We just did open enrollment [at work], and it took me hours to choose a plan," Silva said. "So yes, that is an important spot. Getting them enrolled in the right plan is going to be really important."

The exchange's assisters will be a big help, Silva said, as long as they're linguistically and culturally literate. He said he also appreciates the exchange's commitment to connect with community-based organizations. But there's one avenue that still needs to be explored, he said -- encouraging insurers to provide paid assistants for potential enrollees.

"There is such a commercial stake among the plans," Silva said, "and I think they should invest some money into reaching that population. The plans have a great personal stake in it, they want to enroll as many people as possible. They should pay to do that."

**Helping People Make the Right Choices**

According to von Glahn, when literacy is an issue and there's little support to make decisions, the choices people make on their own health insurance are often wrong. "You might as well flip a coin," he said. "Whether they made the right choice or not, it's a coin flip."

It's important to design a system that doesn't scare off or wear out participants, von Glahn said. Directing people a little or "nudging" them toward a health plan is a good idea, as von Glahn put it.

"This whole notion of choice architecture, which is a fancy word for providing assistance while people are considering health plan options, it's pretty critical," von Glahn said.

"You want to nudge, but don't shove," he said. "Because we do know there are half a dozen things that matter to people. So you want to nudge them to consider certain aspects, but you don't want to curtail their opinions or needs, you still want to give people choices of what they want to choose."

Most people want a quick experience when choosing health plans, von Glahn said. "The vast majority of people, they don't want to go through the details," he said. "Of course, there are other aspects to the choice, but you have to respect that people want that quick choice."

For instance, he said, people care about the doctor they're seeing, or the hospital they visit, and that provides the framework for the choice of health plans. "Let them choose how they want to choose," he said. "Give them options, a little nudge, but also make sure they're aware of the other choices, too."

The PBGH report, designed to help exchanges across the country, not just Covered California, urges exchanges not to hurry through key parts of the enrollment process, despite a short time frame.

"The set-up of the exchange by October of 2013 is a really big job. The starting gun was fired a long time ago," von Glahn said.

"So there will be a natural tendency to prioritize the work between now and the fall," he said. The enrollment step is one area "you don't want to give short shrift."

Exchange Official: Multistate Plans Not Same as Public Option
California Healthline
November 26, 2012

How and when federally overseen multistate plans develop in California's health insurance exchange is still anybody's guess, but no matter what shape they take and when they arrive, they won't serve as a surrogate public option, according to a California exchange official.

"This is not a public option," said Andrea Rosen, interim health plan management director for Covered California. "These are private carriers contracting with the federal government. In a true public option, the government would be the insurer. That's not the case here," Rosen said.

The Affordable Care Act calls for the federal government to offer two multistate health insurance plans through state exchanges. To be eligible, insurers must be licensed in all 50 states. At least one of the insurers must be not-for-profit, according to the ACA.

The U.S. Office of Personnel Management, which oversees health coverage for federal employees, will contract with private insurers that will offer coverage to all individuals and small businesses, not just those employed by or contracting with the federal government.

The ACA timetable requires multistate plans to be available in at least 30 states in 2013, with annual increases until 2017, when multistate plans should be available in every state.

The Obama administration predicted as many as 750,000 people could be covered by a multistate plan in the first year.

Where California falls in that timetable has yet to be determined.

**Multistate Plans Aimed at Spurring Competition**

In an earlier form, the health reform law called for the federal government to serve as an insurer -- similar to its function in Medicaid and Medicare -- for any and all consumers, operating alongside private plans. The government would negotiate costs for consumers and reimbursement for health care providers. The idea of a public option died in Congress.

Some pundits consider federal oversight of multistate plans as a "de facto" public option, substituting for the controversial plan included in early drafts of the ACA.

Rosen disagreed.

"It would be better to forget comparisons to long-dead public options," Rosen said. "This really isn't that and trying to fit it into that description doesn't serve a purpose."

Supporters say multistate plans will encourage competition -- one of the main arguments for including the original public option and eventually multistate plans in the ACA.

"Multistate plans will stimulate competition in states dominated by one or two carriers," Rosen said. "This is not the case in California where we already have real competition. MSPs will be much more beneficial in the 'monopoly' states where consumers suffer due to lack of health insurer competition," Rosen said.

**Details To Be Determined**

Many details concerning multistate plans have yet to be determined, including:

- Which states will offer them next year, and which will in subsequent years;
- Which private insurance companies will participate; and
- How or whether multistate plans comply or deviate from state regulations -- including essential benefit packages, state fees and taxes and consumer protections.

Federal oversight of multistate plans raises the possibility that federal rules and regulations may trump state regulations in some situations. In section 1334 of the ACA, 13 specific requirements are listed for multistate plans.

In a letter to the Office of Personnel Management, the National Association of Insurance Commissioners wrote, "It is absolutely essential that multistate plans compete on a level playing field with other qualified health plans, which are subject to state insurance law."

Rosen, who noted "there's a lot of devil in those details," would not predict how the issue might play out in California.

"I won't go so far as to say they won't have special treatment. We don't know that. Is OPM going to adopt its own requirements for their providers? We don't know yet."

One of the devilish details is a provision in the ACA requiring at least one multistate to not cover abortion services.

"That's going to be a problem," Rosen said.

The Obama administration has said rules for multistate plans will be issued soon.

The Government Employees Health Association is a likely candidate to operate one of the plans, according to insurance experts. The not-for-profit organization currently providing coverage for more than 900,000 federal employees, dependents and retirees, recently acquired a company with licenses in all 50 states.

Multistate plans may steer clear of California at the beginning, according to some experts.

"They'll get here," Rosen said, "but we don't know when. Some people speculate -- and I think correctly -- that unless you already have a very robust presence in California, you may not choose California as a place to start. This is a very large, complex market."

Head to Head: How can state make its health exchange work?
Sacramento Bee
November 15, 2012

**THE ISSUE**: President Barack Obama's re-election clears the way for California to implement health insurance exchanges under the Affordable Care Act. Although California was the first state to pass legislation implementing the regulated insurance markets, challenges remain. Gov. Jerry Brown this summer said he intends to call a special legislative session on health care reform in December.

How can state make its health exchange work?

**BEN BOYCHUK: Slow down! Look out!**

Uh, oh.

With the court challenge to Obamacare and the presidential election out of the way, the Voice of Orange County reports, "California lawmakers say the uncertainty is over and nothing can stop them from bringing health coverage to millions of uninsured Californians under President Obama's signature health care law."

Nothing, eh? That brings to mind the 1974 cult car-chase classic, "Dirty Mary, Crazy Larry." In the film's final moments, our titular anti-heroes have managed to outwit the hapless cops.

"Ain't nothin' gonna stop us!" Larry laughs – seconds before he plows their stolen '69 Dodge Charger into a speeding freight train.

If California is the Charger, the freight train is the cost of implementation and management – at least $327 million in startup costs so far. And that's not counting annual operating costs.

The exchanges are supposed to provide the "market" mechanism that introduces "competition," keeps costs in check and funnels nearly 3 million mostly low-income Californians into an insurance plan by 2019.

It's hard to discuss "competition" when the market in question relies on heavy federal subsidies, derived from $500 billion in new taxes. The only way the economics of the exchanges can work is if enough people participate.

Trouble is, even with the subsidies,the state Department of Insurance estimates that premiums for similar coverage could increase as much as 25 percent in West Los Angeles and 22 percent in Sacramento.

Fearful that price spikes will depress participation, the state insurance commissioner's office wants to cap premium increases at 8 percent. Price controls, more often than not, lead to rationing.

California hasn't yet developed the computer system – supposed to be online by next October – that is the exchange's linchpin. Have you ever heard of a state computer system delivered on time or at cost? Neither have I.

Given those challenges, California might have been better off ceding responsibility to the feds. More than 30 states have taken few or no steps toward establishing an exchange. Why not? "A state exchange," says Ben Domenech of the Heartland Institute, "is likely to be extremely costly" both fiscally and politically.

Gov. Jerry Brown and legislators seem intent on charging ahead. Maybe the best California can do at this point is take the hit, so that other states might avoid the flaming debris.

**PIA LOPEZ: Improve on Massachusetts model**

California is way ahead of most states in setting up a marketplace where people under 65 will be able to buy health insurance starting in January 2014, if their employer doesn't provide coverage.

Ben, California and other states don't have to start from scratch. They can learn from the highly successful Massachusetts experience. Then-Gov. Mitt Romney signed an individual mandate and health exchange into law in 2006 and today less than 2 percent of Massachusetts residents are uninsured – the lowest rate in the country.

Of course, California's exchange will be 10 times larger – aiming to enroll 1.4 million Californians by January 2015 and 2.3 million by January 2017. By comparison, Massachusetts has 227,400 people in its exchange.

The good news is insurance plans are clamoring to be part of the California exchange. More than 30 want to participate, giving Californians a lot of choices. As in Massachusetts, Californians will be able to choose from carefully vetted plans – putting consumers in control of insurance decisions.

Ben doesn't like subsidies, but he seems to have forgotten the costs we all pay when people are uninsured.

Ben also worries about premium rates. But what can be worse than increases of 153 percent since 2003? Since premium rates will be the same inside and outside the exchange, the key to success is getting a full range of people covered – to keep costs down for everybody.

Ben is right that a single national exchange has advantages, creating a larger pool to spread costs. Republicans in Congress rejected that in 2010. I find it incredible that Ben wants to go that route now. Better to see how state exchanges work first, to lay the groundwork for Ben's national exchange.

California is on the right track.

What Will the ACA Look Like in California? Getting to the Nitty Gritty Now
KQED—The California Report
December 5, 2012

More than 200 people filled a Sacramento hotel meeting room yesterday to celebrate the 25th anniversary of Health Access, the consumer health advocacy group. But it wasn't all party — the event featured a four-hour symposium with speakers including Diana Dooley, secretary of the state Health and Human Services agency; key legislators who chair health committees; and long time health advocates.

And everyone was focused on one thing: implementation of the Affordable Care Act.

After joking that "I quake in my boots" over the amount of work that needs to be done between now and January 1, 2014, Secretary Dooley sounded a distinctly cautionary note of what to expect as the rollout of Obamacare progresses in California. "It's going to take years to make this work," she told the crowd. "There are going to be fits and starts, speed bumps that we'll have to get over."

She talked about her concerns around affordability and capacity. Then she reminded the crowd of the wait for more information from the feds. For example, the Affordable Care Act promises to fund 100 percent of those newly eligible for Medicaid. But in an acknowledgement to the "fiscal cliff" discussions in Washington, she said it's unclear if some of that money may be pulled back.

"We're not going to extend benchmark coverage beyond what is sustainable," Dooley said, "because we cannot take it back. … I don't want to be on the hook for promising things we can't deliver." She added that she wants to build on a stable foundation and maintain California's position as the "lead car" among states implementing the ACA, but added, "I want to be honest with our partners about where the challenges are."

With that, she had to leave, and three legislators took the podium with a decidedly different view of how the ACA should progress. Assemblymember Holly Mitchell argued that she felt it was a time to be "bold … You heard from the representative of the administration who has a much narrower view than I see," she said. "We have another branch of government … clearly we have work to do to create policy and create legislation that can get a signature out of the governor."

Ed Hernandez, chair of the Senate Health Committee, pointed specifically to bills he plans to introduce during the special legislative session expected to begin in early January. The Medicaid expansion bill is among them, he explained, saying the state should "draw down every federal dollar we can." Assemblymember Richard Pan, who chairs the Assembly Health Committee, echoed a desire to get "as close as we can to universal coverage."

Just before taking the podium for the last panel of the day, Ellen Wu, Executive Director of the California Pan-Ethnic Health Network, expressed a level of frustration with Dooley's remarks, especially Dooley's concerns about the cost of Medicaid expansion — and an apparent suggestion that California might not implement the expansion as fully as advocates would like. "We helped with Prop 30," she said, referring to health advocates' work on behalf of the passage of the governor's education proposition. Communities of color "are 60 percent of California … and now we're going to turn down federal dollars? It doesn't make sense." She said people of color feel they're "getting the short end of the stick, always getting left behind."

In that last panel of the day, Health Access Executive Director Anthony Wright pointed to the “10 short months we have until October, 2013” when the new exchange will begin selling insurance. “The final obstacle is the clock. That should not curtail our ambition.”

Healthcare law will have new California Legislature scrambling
Los Angeles Times
December 2, 2012

SACRAMENTO — When state lawmakers are sworn in Monday for the new legislative session, they will have little time to enjoy the pomp and circumstance.

Facing a federal deadline, the Legislature must move quickly to pass measures to implement President Obama's healthcare law and revamp the state's insurance market. New legislation will help extend coverage to millions of uninsured Californians and solidify the state's reputation as a key laboratory for the federal law.

Legislative leaders have said they also want to overhaul environmental regulations, curb soaring tuition at public colleges, and tweak the state's tax structure and ballot-initiative system.

But healthcare remains one of the largest and most immediate challenges.

The federal Affordable Care Act takes effect in January 2014, when most Americans face the requirement to buy health insurance or pay a penalty. State lawmakers must pass a series of rules to clear the way for enrollment in a new state-run insurance market next fall, including a requirement for insurers to cover consumers who have preexisting medical conditions and limits on how much they can charge based on age.

Gov. Jerry Brown is expected to call a special session of the Legislature next month — concurrent with the regular session — so healthcare bills that he signs can take effect within 90 days rather than the next year.

"It's a very, very big undertaking to make the promise of the Affordable Care Act a reality," said state Health and Human Services Secretary Diana Dooley. "We are working as hard and as fast as we can in a very complex area with a lot of conflicting information."

As an early adopter of the Affordable Care Act, California has already laid much of the groundwork.

It was the first state to establish an insurance exchange after Congress passed the legislation in 2010. More than 30 other states have since sought federal help in enacting their own. Millions of Californians will be able to purchase coverage, with federal subsidies earmarked for families earning about $92,000 or less annually.

One of the most significant proposals will be an expansion of Medi-Cal, the state's health insurance program for the poor. About 2 million low-income Californians would be newly eligible under the expansion, with the federal government subsidizing costs for the first three years. The state would then shoulder a portion of the bill.

According to a Kaiser Family Foundation study, the expansion could cost the state $6.3 billion over a decade, meaning a 1.7% increase in the amount California spends on Medi-Cal.

California got a head start on the effort by signing up more than 550,000 low-income people in a temporary program. They are expected to automatically move into Medi-Cal in 2014.

Lawmakers will also consider legislation that would create a health plan for people who cannot afford insurance on the open market but make too much money to qualify for Medi-Cal. The option, known as the Basic Health Plan, would provide coverage for individuals with incomes between 133% and 200% of the federal poverty level, or between $15,000 and $21,800 a year.

State Sen. Ed Hernandez (D-West Covina), chairman of the Senate Health Committee and author of the proposal, said the plan was needed to help California's working poor. "I don't think they should be choosing between putting food on the table and buying health insurance," he said.

Insurers urged lawmakers to resist requirements that could make policies offered through the exchange unaffordable.

"We think the Affordable Care Act does much to get millions of people coverage, but new insurance taxes, costly benefit requirements and age pricing restrictions all have the potential of driving up costs," said Nicole Evans, a spokeswoman for the California Assn. of Health Plans.

Healthcare advocates said it was critical for the Legislature to promote policies that would ensure a mix of healthy and sick policyholders to keep premiums affordable.

"It should be a goal of the state to have millions of people enrolled on Day 1," said Anthony Wright, executive director of the consumer group Health Access California, "to bring in those federal dollars and make healthcare cheaper for everybody."

Health care reform: It lives!
Sacramento Bee
November 18, 2012

If this year's election was a referendum on President Barack Obama's first term, then it was also a test of the voters' support for his biggest legislative achievement: federal health care reform. And while polls continue to show widespread public skepticism about the Affordable Care Act, Obama's re-election means the law is probably here to stay.

That prospect should cheer Californians, who support the federal health care reform in greater numbers than voters in most other states. Not coincidentally, California has also done more to implement the law than other states, where officials were holding back to see if the reforms would survive challenges in the courts and the political process.

The law is expected to expand coverage to more than 4 million Californians who are going without insurance today. Half of those people will get coverage through Medi-Cal, the federal-state insurance program for the poor. The other half will buy it, with subsidies, through the new online insurance exchange to be known as California Covered.

The law also has implications for people who already have insurance.

To date, hundreds of thousands of Californians have taken advantage of a provision requiring insurance companies to allow families to keep adult children on their plans until they are 26.

Others have benefited from rules phasing out annual and lifetime limits on the benefits an insured person can receive through their plan. Families with children who have pre-existing conditions have found that companies must accept their applications regardless of their child's health status.

And adults with health problems have found refuge in a state-run high-risk pool that is a transition to 2014, when health plans will have to accept all comers, not just children.

While it will be nearly a decade after its passage before all the elements of the Affordable Care Act are in place, Jan. 1, 2014, will be the key date in its implementation. That's when the law's least popular provision – a requirement that nearly everyone find coverage or else pay a fine – takes effect, along with the biggest changes in how insurance companies operate and the new taxes designed to raise the money needed to finance the cost of providing coverage to people who cannot afford it.

The Legislature has already adopted a law spelling out the minimum benefits that plans participating in the health exchange will have to cover. And the exchange board has hired an information technology firm to build the system and the online interface where Californians who are eligible for the federal subsidies will be able to shop for coverage among competing plans.

Unlike some other states, where the exchange will simply act as a broker bringing insurance companies and sellers together, California's exchange will be an active participant, negotiating on behalf of millions of potential customers. It will then present a choice of plans – labeled bronze, silver, gold and platinum – for consumers to choose from.

Once this system goes live, it is supposed to automatically calculate the subsidies for which a person or family qualifies. That's probably a good thing, because the rules are a bit complicated.

The subsidies, provided in the form of tax credits, will come in two parts, covering premiums and out-of-pocket expenses.

Families with incomes to 133 percent of the federal poverty level, or $30,000 for a family of four, will pay no more than 2 percent of their income for their policy. Families with incomes up to 400 percent of poverty, or about $92,000 for a family of four, will pay no more than 9.5 percent of their income for insurance. Families earning more than that will not be eligible for subsidies.

A second set of subsidies will cap the amount that consumers will have to pay out of pocket for deductibles and copayments.

According to a calculator developed by the Kaiser Family Foundation, a family of four in California earning $60,000 a year will pay about $5,000 for their coverage using the subsidies, compared with nearly $15,000 for the same coverage without the federal tax credits. Their out-of-pocket costs (not including the premiums) will be capped at $6,250.

The other major expansion of coverage will be in the Medi-Cal program.

Currently, most childless people are not eligible for Medi-Cal. But they will be after 2014, and those with incomes up to 133 percent of the poverty level will be enrolled in the program. That's expected to add another 2 million people to the Medi-Cal caseload, which already covers about 8 million Californians, or more than one in every five residents. Most of the cost of covering those newly eligible for Medi-Cal will be borne by the federal government.

Of course, adding millions of uninsured people to the rolls will not come cheaply. The law includes several new federal taxes to help pay for the expansion of public programs and for the new subsidies for private insurance.

The biggest of these taxes are a new 0.9 percent tax on wage income above $200,000 for single people and $250,000 for couples, and a 3.8 percent tax on investment income for those same people, beyond the current capital gains tax.

Other new levies include a 10 percent tax on tanning booth services, a 2.3 percent tax on the makers of medical devices, and, in 2018, a 40 percent tax on businesses providing the most expensive health plans (valued at more than $10,200 per year for individual coverage).

And of course, individuals who fail to obtain insurance and employers who choose not to provide it will also face new costs – whether you call them taxes, fees or fines.

By 2016, these charges for individuals and families will rise to about $700 per person or $2,100 per family, or 2.5 percent of income, whichever is larger. Companies with more than 50 workers will pay $2,000 per full-time employee in excess of 30 employees if they don't provide insurance and at least one of their workers gets subsidized coverage through the exchange.

The newly insured will also create new burdens for the health care system.

California already has a shortage of primary care doctors, and adding 4 million people to the ranks of the insured will likely make that problem worse. That could lead to longer wait times for appointments but could also revolutionize health care by forcing changes in the way services are provided, with nurses, nurse practitioners and physicians' assistants playing a greater role.

Finally there is the question of whether the Democrats in the Legislature – who will soon wield two-thirds majorities in both the Assembly and Senate – will want to add benefits to the new program that the federal government won't be paying for.

Those Democrats for years have argued for a single-payer system like the one in Canada, but they could never get past Republican opposition to the new taxes needed to finance such a plan. Now that they will have the supermajority required to adopt new taxes, Democrats could fashion such a plan if they wanted to.

That's unlikely, but the Legislature could add some benefits to the minimum package adopted this year and pass taxes or fees to augment the federal subsidies that will be available. Or lawmakers could collect more revenue and use it to reduce the cost of coverage for middle-income Californians.

So far there are no signs that such changes are on the horizon. But even without them, Californians are about to experience the biggest change in the health care system since the 1960s, when the federal government created Medicare and Medicaid.

In the long run, the Affordable Care Act, by expanding access to coverage and turning the private insurance industry into the equivalent of highly regulated utilities, might even do more to change health care than those two landmark laws.

Health Overhaul Could Mean Crowds, Some Leaders Say
San Diego Union Tribune
November 26, 2012

With health reform now a certainty, some local health care leaders are bracing for a surge in waiting-room complaints as thousands of newly insured patients start showing up for medical care.

The Affordable Care Act mandates increased health coverage for the uninsured. In California, that means expanding the state's Medi-Cal program and offering subsidized insurance plans on a newly created state-run exchange.

On the first day of 2014, more than 300,000 uninsured San Diego County residents are expected to qualify for coverage. Many health care experts say there simply will not be enough doctors to go around.

Dr. Ted Mazer, communications director of the San Diego County Medical Society, said there is already a local primary care shortage.

"We know that, for the Medi-Cal population, and for the newly insured, those folks are being dealt a false promise," Mazer said. "They're saying, 'Here is your insurance, go find a doctor,' but we know that even as things are today, current beneficiaries can't find a doctor."

Mazer added that cuts to physician reimbursement are likely to cut the already-anemic number of primary care doctors and specialists willing to accept Medi-Cal insurance, just as the wave of newly insured patients hits. He predicted that many of those who cannot find a doctor will end up going to the emergency room for care, just as many are already doing today.

"You're going to complicate the care for the patients who currently have some access because you're going to flood the market with more people with a Medi-Cal card and you're not doing anything to improve the infrastructure," Mazer said.

The doctor shortage has been documented by many publications, most recently the Annals of Family Medicine which published a study Nov. 20 that found an additional 52,000 primary care doctors will be needed nationwide by 2025 to cope with the surge in demand.

But not everyone sees difficulty on the horizon. Gary Rotto, director of health policy for the Council of Community Clinics, which represents 16 neighborhood health centers in the region, said he believes that the wave of new patients will arrive gradually, making it more manageable.

"There will be an initial crunch, but we believe that we can work people into the system and provide the care that they need at our clinics," Rotto said.

Whether it is devastating or not, the wave is coming.

According to the California Health Benefit Exchange, 2.6 million Californians will be eligible to purchase subsidized health insurance on the first day of 2014, and an additional 2.4 million will be newly eligible for full coverage through Medi-Cal.

The UCLA Center for Health Policy Research, based on a 2009 statewide health survey, estimates that 18.7 percent of San Diego County residents — about 515,000 people — are uninsured.

Statewide, the study estimates that nearly 43 percent of uninsured Californians will qualify for Medi-Cal in 2014. That could mean 43 percent of local uninsured, or about 220,000 people, will join the Medi-Cal rolls as a result of health care reform. An additional 123,000 could be eligible to purchase care on the new insurance exchange at subsidized rates.

That's roughly 340,000 more people with insurance starting in 2014. With that number looming, local health leaders say they're concerned about early signs that insurance companies are getting even tighter with reimbursement payments.

Insurance companies participating in the exchange will have to offer four tiers of benefits to consumers, dubbed bronze, silver, gold and platinum. Customers will be able to compare plans from different companies side-by-side to determine which fits their needs best.

Chris Van Gorder, chief executive of Scripps Health, said his organization was recently offered a 50 percent reduction in reimbursement rate from an insurance company preparing a plan for the new exchange.

"Out of concern that they're not going to be competitive on the insurance exchange, they're looking to cut their reimbursements," Van Gorder said.

Mazer, the medical society director, agreed. He said many local doctors have received letters offering much lower rates than they're currently getting.

"They're offering 60 to 90 percent of (what) Medicare (pays)," Mazer said.

He said doctors are already spooked by always threatened Medicare rates and are not likely to be in the mood to take less than Medicare pays for a newly insured group of patients.

"The uncertainty of what Medicare is going to look like is driving doctors now to say, 'OK, I'm simply not going to do it,' " Mazer said.

Mike Murphy, CEO of Sharp Healthcare, agreed, adding that only time will provide clarity on whether or not the exchange will work as designed. "There is a whole lot of uncertainty around health care reform, and that uncertainty is going to have to play itself out over the next year or two," Murphy said.

Hospitals and hospital networks seem to be waiting for more information about how the new exchange will work before deciding whether they need to change their operations.

Paul Viviano, CEO at UC San Diego Health System, said his team is trying to decide whether it will be necessary and feasible to expand primary care offerings in the community.

"It's a question right now for us whether it would lead to a path of increasing primary care infrastructure, but it's a little too early for us to say definitively," Viviano said.

But the community clinics seem to be less worried about reimbursement levels.

Rotto, the council of community clinics director, said local clinics have already begun embracing a new model of primary care delivery that uses doctors to supervise large teams of health care workers to care for patients.

He said the new model can be more cost effective in many cases, especially with the management of chronic disease like diabetes, where much of the care can be delivered by people who aren't doctors.

"It's more than just the physicians. Physicians are key, but it's also about the rest of the team," Rotto said.

He said the clinics see the coming wave of newly insured as a wave they can ride, even if it might be choppy at first.

"We're excited. These are going to be people we are going to work with in helping them better manage their care," Rotto said.

Pay a penalty? Small business owners face health care dilemma
San Jose Mercury News
November 30, 2012

NEW YORK -- Rose Wang looks at her staff of 70 employees and wonders if she'll have to lay off some of them to comply with the health care law.

The owner of Binary Group Inc., an information technology firm based in Alexandria, Va., is one of many small business owners who will be required to provide health insurance for her staffers under a provision of the law that goes into effect on Jan. 1, 2014. Wang already provides insurance, but she has struggled with premiums that have soared as much as 60 percent annually, so she requires employees to contribute to their coverage. She's worried because she doesn't know how much she'll have to pay under the Affordable Care Act.

Wang's worry is a gut-wrenching dilemma that many small business owners are concerned that they may face. Now that President Barack Obama has won re-election, the health care overhaul, which presidential candidate Mitt Romney promised to dismantle, is marching forward. Companies must decide before the start of 2014 what they'll do to comply with the law. Right now, no one knows how much the insurance will cost, and owners aren't sure if they'd be better off not buying it and paying a government a penalty of $2,000 per worker. Some owners are even threatening to defy the law. The big challenge for most small businesses is that they just don't have enough information to make concrete plans.

If Wang can't afford the insurance, she says that some of her staffers may have to go.

"I would have to say, 'look, guys, you're family to me in many respects, but this family also depends on having the kind of cash flow available to keep the lights on and keep employing most of you,'" Wang says. "It would have to come down to that."

Not providing insurance and paying the penalty is another alternative. "That's what we're going to decide by 2014, if the math is so obvious it's cheaper for us to do the $2,000 per head," she says.

The health care law generally requires that companies with 50 or more full-time workers provide health insurance for their staffers. If they don't provide any insurance, they'll have to pay the $2,000 penalty for each worker on their payroll. If they buy insurance, but it doesn't meet the government's tests for affordable coverage, they'll have to pay $3,000 for each worker whose coverage isn't deemed affordable. If that seems confusing, that's just the beginning. There's a labyrinth of other details that include plans that can be "grandfathered" in and a maze of other fine points that small business owners are trying to decipher.

In some industries, owners are considering cutting employees' hours to under 30 a week, which would take those workers out of the jurisdiction of the law. Restaurant owners are looking at that option after Darden Restaurants Inc. said in October it was going to try changing the mix of full-time and part-time workers at its restaurants including Red Lobster and Olive Garden. When full-timers leave, Darden will considering replacing them with part-timers, spokesman Rich Jeffers says.

Hurricane Grill & Wings, a restaurant franchise with five company-owned restaurants, is also thinking of lowering the number of hours that its servers and other hourly employees work. That would exempt them from having to be covered under the law. President Martin O'Dowd says the company would have to monitor the quality of its service and food to be sure there's no impact on customers if workers are unhappy with their shorter work-week. But he's not anticipating any problems.

Hurricane CEO John Metz recently said the company was considering adding a 5 percent surcharge to customers' bills starting in 2014 to cover the costs of health care for full-time workers. But since the plan was reported in the news media -- and generated negative comments on some websites -- O'Dowd now says that it was "hypothetical."

"That is not in our plans," he says.

Even though some key details of the health care overhaul haven't been worked out -- like how much insurance offered thought the exchanges will cost -- there is already a lot of information to sort through. Figuring out the details is keeping human resources consultants and benefits brokers busy.

"It is like a sleeping giant work up," says Pamela Ross, owner of New York-based Atlantic Human Resources Advisors. "They are very much paying attention because so many regulations kick in for 2014."

There are so many unknowns about the law that Campus Cooks is hiring an employee to determine what the company's options are and how much they'll cost. The provider of dining services for fraternity and sorority houses in the Midwest, Florida and Texas, has 125 employees.

"I don't know what's in the law," says Bill Reeder, president of the Glenview, Ill.-based company. "I'm really hiring someone whose job, in part, for the next six months is to figure out this thing."

Reeder says he can't afford to offer insurance now and that's something he regrets. And he says he might have to pay the penalty if turns out to be cheaper than providing coverage.

He says he knows this much: "I'm not approaching this by cutting hours or raising prices."

Whether Reeder pays the penalty or buys coverage, Campus Cooks will have to come up with money to cover the expense. "We have to look at our business and see how to run it more efficiently, We have to renegotiate our food costs, cut office expenses, streamline our technology," Reeder says.

Some small business owners, who already provide insurance, are looking at the law and weighing paying penalties against continuing to provide insurance that is more expensive. One risk though is that dropping coverage may send a message to employees that the owner doesn't care about them. That could lead some workers to quit.

"They're looking at that and saying, 'well, if I stop providing benefits for my people, am I going to lose good people to my competitors who may not be taking the same approach?" Ross says.

Ken Wisnefski considered paying the penalty, but says he has decided against it. His company, online marketing firm, WebiMax, based in Mount Laurel, N.J., has nearly 100 employees, and already provides health insurance.

"Not offering health care is not necessarily the best way of attracting talent," he says.

Companies that won't be bound by the new law, but that do provide insurance will be looking to see if they can save money through the exchanges.

Matt Helbig provides insurance to the 10 fulltime employees at Big River Running Co., his chain of three running and walking shoe stores in the St. Louis area. He's waiting to see the cost of insurance on the exchanges before deciding what to do.

"If it were cheaper, we'd probably drop insurance through us, and we'd probably give them a raise to cover what we had been covering."

Some small business owners are thinking about paying the penalty because they genuinely believe they won't be able to afford to buy insurance, says Allen Nassif, president of Northern Benefits, an insurance brokerage serving small businesses in New England.

Nassif also says he has clients who have more than 40 employees and who are holding back from hiring because, when they reach the 50-employee threshold, they'll have to start paying for insurance.

But some owners are not worrying about the cost.

"We think it's important to provide our employees with health care," says Chap Gage, president of Susan Gage Caterers in the Washington, D.C., area.

The company already provides insurance for its 110 employees, and Gage doesn't see the law as affecting the business.

"We'll react and comply with everything we need to do," he says.