



# THE FACES OF THE NEW HEALTH LAW

One Year Later, Californians Are Taking Advantage of the New Options and Benefits of the Affordable Care Act

**In just one year, hundreds of thousands of Californians** have directly benefited from passage of the Affordable Care Act. In addition, millions of Californians now have more security and confidence in their coverage, stemming from the new consumer protections and increased insurance oversight in place. Millions more will get added help in affording and securing coverage as California continues its implementation of the federal law over the next several years. California is leading the nation in taking advantage of the new options and protections of the law, but there is much more for the state to do to maximize the benefits, as we move toward an improved health system.

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**One year ago, on March 23, 2010, President Barack Obama signed into law the Patient Protection and Affordable Care Act (ACA),** a historic comprehensive federal health care law. The passage of the ACA was the culmination of decades of movement toward health reform, as well as a grueling two-year political process. The law includes the biggest reforms of our era in three areas:

- 1) Providing new consumer protections to prevent the worst insurance industry abuses.
- 2) Ensuring affordability and security for those with coverage, and new and affordable options for those without coverage, including the biggest expansion of coverage since creating Medicare.
- 3) Helping to control health care costs, improve quality, and encourage prevention and wellness.

The law offers a mix of immediate relief put in place during the first year to assist Americans suffering from some of the worst problems with the health care system, along with a phased in implementation for the remaining provisions, with full impacts starting in 2014.

California, which had attempted many times to reform health care on the state level because of the many issues in our health system that needed to be addressed, was quick to take advantage of the new benefits and opportunities.

This included applying for federal grants that were newly available, passing landmark legislation to implement and improve upon federal law in the state, negotiating a Medicaid waiver with the federal government that takes advantage of new opportunities under the law, and putting in place new regulations and oversight of insurers.

**On the first anniversary of the Affordable Care Act,** although the measure may still be debated in some quarters, implementation is moving ahead and the reforms are having an effect. Despite legislative and judicial challenges, the law provides specific benefits to hundreds of thousands of Californians.

The faces of the real Californians that are benefiting from or anxiously awaiting various provisions of the law show the important impact the ACA is having, and the urgency of continuing progress.

In the past year, hundreds of thousands of Californians have received direct assistance, and millions more began to benefit from reform. Benefits that include additional consumer protections from the most abusive insurance company practices, and feeling more secure about their current coverage.

Those Californians who directly benefited include, but are not limited to:

- Over 100 employers and trusts that got specific financial assistance with early retiree coverage.
- Nearly 1,800 Californians who had been denied private coverage due to their health status, who now have coverage through the new Pre-Existing Condition Insurance Program (PCIP).
- Thousands of children with pre-existing conditions who now have new access to coverage.
- Thousands of Blue Shield policyholders who won't see a third rate hike in six

months and Anthem Blue Cross policyholders who will see reduced rate hikes, thanks to additional scrutiny that came in part due to the new law.

- Tens of thousands of young adults (out of nearly 200,000) who now get coverage through their parents' health insurance.
- Hundreds of thousands of workers employed by small businesses that are getting a tax credit so they can better afford to provide coverage for their employees.
- Hundreds of thousands of seniors who got a \$250 check to assist with prescription drug costs.

These benefits came about in part due to state action. Most notably, on September 30, 2010, then-Governor Arnold Schwarzenegger signed about a half-dozen bills passed by the California State Legislature (*see Appendix 1*), both bringing state law into compliance with the ACA and in some cases extending consumer protections and benefits beyond federal requirements. In addition to reflecting the unique needs of the state and the support for more robust reform, certain elements may serve as models for other states beginning the process of implementing the ACA.

In this first year of the ACA, Californians have experienced great strides in the health care realm including improved security of coverage, increased access to coverage regardless of health status, expanded coverage options, and better affordability of health care.

But more work is needed to ensure Californians can access the benefits already available through the ACA, and to be ready for full implementation in 2014. Some of this is the responsibility of Governor Jerry Brown and his Health and Human Services Secretary, Diana Dooley. Constitutional officers have an important role, especially new Insurance Commissioner Dave Jones. And the state Legislature is crucial, as over a dozen bills (*see Appendix 2*) have been introduced to continue to implement and improve the federal health law.

On the occasion of the first anniversary of the Affordable Care Act, this report details both the impact of specific provisions now, profiles Californians getting the benefit, and outlines next steps for state action.

**Emma Marchesi, of Huntington Beach, was denied coverage for her leukemia treatment because her insurance company claimed it was a pre-existing condition.**

When Emma's family moved to California, they went without insurance for two years because even though their income was too high for public programs, they could not afford private coverage. Leigh Anne, Emma's mother was able to get job-based coverage in February of 2010 that included her two children. Emma was diagnosed in March but because the family could not provide evidence of coverage for 63 days prior to diagnosis, the condition

was ruled a pre-existing condition and the insurer refused to pay for care related to Emma's leukemia. Leigh Anne is thrilled that new laws dictate that other families will not have to go through what they did, and that they now can buy coverage or change carriers for Emma despite her health history.



## GUARANTEED ISSUE FOR CHILDREN

- **An estimated 576,500<sup>1</sup> children in California have pre-existing conditions.**
- **ACA outlawed denying children with pre-existing conditions on September 23, 2010.**
- **California's AB 2244 (Feuer) makes certain insurers continue to offer child-only coverage; it also limits what children with pre-existing conditions can be charged, effective January 1, 2011.**

Despite its widespread use as a reason to deny coverage, there is no legal definition of a "pre-existing condition." Any of the 576,500 children in California with health conditions ranging from mild and episodic to chronic could have been denied coverage from insurers prior to the ACA.

The law now ensures that for the first time in American history, every child is eligible for some form of coverage, and helps protect their families from medical debt and bankruptcy.

In California AB 2244 (Feuer), passed in 2010, imple-

mented the federal law, and improved upon it by limiting insurers' ability to charge sick children more than twice the premiums for other children (there was no limit previously under existing law). Families can buy policies with this price protection for children with pre-existing conditions either in their birthday month or when the child's circumstance changes. In 2014 and beyond, insurers will be required to charge children (and adults) the same regardless of health status. Additionally, the law bars insurers that don't sell "child-only" policies as of January 2011 from selling new products in the individual market for five years—which convinced insurers to resume selling child-only policies.

### NEXT STEPS

California needs to publicize the opportunity of these "open enrollment" periods to get all families to enroll their children—regardless of health status. After 2014, continued education and enrollment efforts will be important to make sure families are aware that their children can no longer be denied or charged more for being sick.



**Paul Paez, of Los Angeles, was diagnosed with Multiple Sclerosis making him one of the estimated 396,000 Californians who have been denied health insurance due to a pre-existing condition.**

*Because insurance companies will not sell Paul insurance at any price, he is relying on a healthy diet to keep his MS and other health issues under control. Medications that would help slow the deterioration of his health can cost up to \$4,000 per month, and that is simply not in the family's budget. Paul will apply for the PCIP High Risk Pool pro-*

*gram as soon as he is eligible in a few months—a barrier to the PCIP has been that the program requires applicants be uninsured for six months.*

## NEW HELP FOR ADULTS WITH PRE-EXISTING CONDITIONS

- **An estimated 6.5 million Californians under 65 have pre-existing conditions, and approximately 396,000 have been denied insurance coverage at any price as a result.<sup>2</sup>**
- **The ACA allocates \$761 million in federal funds to help cover Californians with pre-existing conditions before 2014.**
- **Around 1,800 Californians already get coverage through this new PCIP program.**

Starting in 2014, the ACA prohibits insurers from denying coverage or charging differently based on a patient's health status. In the meantime, until 2014, a federally funded high risk pool, the Pre-Existing Condition Insurance Plan (PCIP), was created to provide much needed relief to these "uninsurable" individuals. Though California already had a state-run high risk insurance program—the Major Risk Medical Insurance Program (MRMIP)—which continues to operate, MRMIP has had waiting list despite never

advertising, being expensive, and offering a benefit capped at only \$75,000 a year. PCIP was authorized by a bipartisan vote in the California Legislature and began its operations in October of 2010, and has quadrupled the state's capacity.

As of March 2011, PCIP enrollment topped 1,800 Californians and continues to grow.

### NEXT STEPS

California will need to adapt its individual market laws to the Affordable Care Act by January 1, 2014, so insurers cannot deny individuals with pre-existing conditions, nor charge different rates to cover these individuals.

PCIP is beginning to undertake more aggressive outreach and enrollment efforts, so more Californians will benefit and the state can draw down as much of the \$761 million (and potentially more) of federal funds available for California.

# EXPANDING COVERAGE & CARE OPTIONS: Securing and Expanding Medi-Cal

- **Medi-Cal is the nation's largest Medicaid program, serving over 7 million Californians, yet is last in the nation in per-patient spending.<sup>3</sup>**
- **Medi-Cal brings in \$27 billion in federal funds to California's health care system.**
- **A new Medicaid waiver, taking advantage of the new federal law opportunities, is preventing \$500 million/year in additional budget cuts.**
- **Up to 500,000 low-income adults may be able to get county-based coverage starting in 2011.<sup>4</sup>**

Medi-Cal, California's Medicaid program, provides health coverage to over 7 million low-income children, parents, seniors, people with disabilities, and people living with AIDS. The Affordable Care Act includes "maintenance of effort" requirement to protect enrollment, even during a current budget crisis that has forced other health cuts. A new "Medicaid waiver" approved last year, using opportunities under the ACA, actually provides \$500 million in state budget fiscal relief that helps prevent further Medi-Cal cuts.

This new Medicaid waiver with the federal government builds upon the ACA to also bring in new dollars to California for our safety-net, and to build a

"bridge to health reform" with county-based expansions of coverage starting this year.

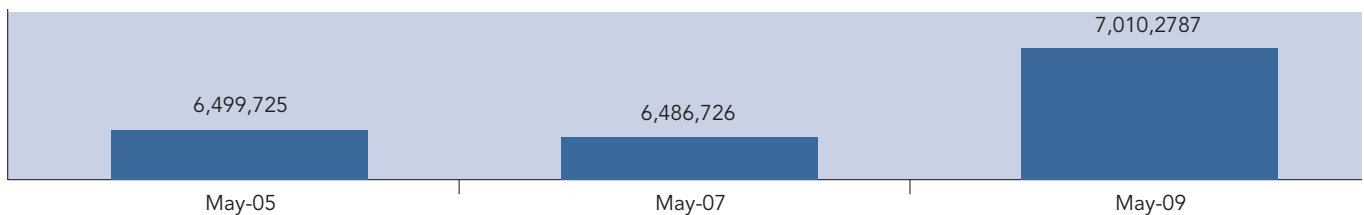
The ACA also strengthens Medicaid by funding innovations like health homes, community health teams, and by increasing funding to community clinics that provide Medicaid services, and in 2013 by increasing provider reimbursement.

## NEXT STEPS

California must conform Medi-Cal in order to implement expansion in 2014 to all (excluding undocumented residents) up to 133% of the poverty level—including adults without children at home. The federal government will fund 100% of the coverage of newly-eligible enrollees for the first three years. The state also needs to reform its eligibility and enrollment procedures to streamline and simplify how Californians get coverage, so that it will be ready on day one to enroll as many Californians as possible. Several bills in legislature advance these goals, including AB 43 (Monning), SB 677 (Hernandez), AB 1296 (Bonilla), AB 714 (Atkins), and AB 792 (Bonilla).

Under the state's Medicaid waiver, counties can begin providing Medicaid-like coverage this year to "medically indigent adults" up to 200% of the Federal Poverty Level through Low Income Health Programs (LIHP). All California counties are now working on plans to implement LIHP, which uses existing county health dollars combined with new federal matching funds to provide coverage to low-income adults earlier than 2014.

**Medi-Cal Has Responded to the Recession and the Rising Need of Californians**



The recession has increased the need for safety-net programs, and with experts projecting a slow recovery, many Californians will continue to turn to Medi-Cal for basic health care<sup>5</sup>.



**Open Door Community Health Centers (ODCHC) of Humboldt County is one of 18 community clinics in California that received \$91 million from the ACA.**

ODCHC has received \$9.85 million to construct a new health center in Eureka, to meet the demand for services in the area. The new health center will at least double the number of patients who can be served in Eureka while reducing the difficulty, waste, and pollution of patient travel to more distant clinics. The new clinic will incorporate primary medical and behavioral health care, increasing capacity to more than 12,000 patients and 50,000 visits annually. Groundbreaking is planned for July 2011.

*Other clinics across the state will be receiving forthcoming funding to expand operations.*

## **EXPANDING COVERAGE & CARE OPTIONS: Community Clinics**

- **There are over 7 million uninsured Californians who rely on safety-net institutions.<sup>6</sup>**
- **More than 700 Community Clinics in California serve over 2.8 million people a year.<sup>7</sup>**

Safety-net providers in community clinics and public hospitals are a crucial part of California's overall health care system. They have seen increasing demand during the recession while also facing significant cuts to funding as a result of the state budget crisis.

Faced with these significant financial challenges, these key California health providers are better able to survive and in some cases, continue to make progress, due to new funding and opportunities available in the first year of ACA.

Public Hospitals, under the new Medicaid waiver, got new funding opportunities to improve capacity and

otherwise be ready for health reform in 2014. They also will be central providers in the Low-Income Health Programs hosted at the county level counties.

Community clinics, who serve a large number of Californians both insured and uninsured, will receive over \$1.4 billion dollars for capitol improvement projects that will increase or improve their capacity to serve existing and new patients.

### **NEXT STEPS**

Implementation of the Medicaid waiver will continue, including efforts to monitor how public hospitals are meeting their goals to improve quality and capacity.

Starting in 2011, \$9.5 billion in new, dedicated funding will allow health centers to expand their services to treat an additional 20 million patients, as well as to expand their medical, oral, and behavioral health services. Funding for community clinics needs to be protected in Congress from proposals to make severe cuts in the House of Representatives.

**Ashleigh Layne, of Los Angeles, is one of estimated 196,000 young adults that became eligible for coverage through her parents' insurance.**

When Ashleigh got married in 2009, she became ineligible for dependent coverage under her parents' health plan. Her husband is a substitute teacher and she has started her own business. The young couple is working hard to make ends meet but the cost of individual health insurance was prohibitive. Thanks to the ACA, she is now able to get coverage through her parents and the couple is now using the money they are saving to purchase insurance for her husband. Ashleigh is now 25 and is very thankful that she can remain covered for one more year as she starts her career and business. In 2014, she'll be able to get subsidies to better afford coverage in the new Exchange.



## EXPANDING COVERAGE OPTIONS: Covering Young Adults

- **About 43% of young adults went without health insurance at some point last year.<sup>8</sup>**
- **Only 53% of young adults are offered insurance through employers.<sup>9</sup>**
- **Two out of three young adults have reported putting off care because they couldn't afford it.<sup>10</sup>**
- **One-third of all uninsured Americans are young adults.<sup>11</sup>**
- **An estimated 196,000 young adults are newly eligible to stay on their parents coverage, due to the ACA.<sup>12</sup>**

Starting September 23, 2010, the ACA allowed parents to keep their children on their health insurance plans up to age 26. This could assist up to 4 million young adults nationwide and 196,000 in California.

In 2010, California passed SB 1088 (Price) which conforms state law to federal law with regard to this new option for children up to age 26. CALPERS alone reports that 27,000 young adults are getting such coverage among its membership.

### NEXT STEPS

Starting in 2011, young adults who meet certain income requirements will also be eligible for the Low-Income Health Programs (LIHPs), county-based Medicaid expansion programs.

In 2014, young adults, who typically earn less given they are early in their careers, will be among the nearly four million Californians who will be able to access income-based subsidies for purchasing quality, affordable coverage through the Health Benefits Exchange. As young people are disproportionately uninsured, it is important that the Exchange is responsive to their needs.



**Wendy Sprague, of Berkeley, is one of the millions of Californians facing unchecked rate hikes from big insurance.**

*Wendy is self-employed and has been buying her own coverage for the past 15 years. Recently, Anthem Blue Cross increased her monthly premium by 34%. They have just notified her that they will increase her rates again by another 24.3% in May 2011. In the long term, Wendy worries that she may never be able to retire, and in the short term, she is uncertain whether she will be able to afford further rate increases.*

## **MAKING HEALTH CARE MORE AFFORDABLE: Scrutinizing Insurance Rates**

- **Profits for the 10 largest insurance companies increased 250% between 2000 and 2009, ten times faster than inflation.**
- **Last year, the 5 largest insurance companies – WellPoint, UnitedHealth, Cigna, Aetna, and Humana – took in a combined \$12.2 billion in profits.**
- **In 2008, CEOs of the same 5 insurers each received more than \$24 million in compensation for 2008.<sup>13</sup>**
- **After a higher level of scrutiny stemming from the law, both Anthem Blue Cross and Blue Shield withdrew or reduced proposed rates hikes.**

The Affordable Care Act requires that insurance companies justify premium rate increases, and provide transparency into their rate calculations. California was allocated \$1 million dollars to ramp up rate review efforts. In addition, Medical Loss Ratio (MLR) requirements that went into effect on September 23, 2010, require new plans to report how they spend premium dollars. If they spend too much on administrative costs and profits, they may have to refund money back to their customers.

Last year, Governor Schwarzenegger signed SB 1163 (Leno) into law requiring insurers to make rate

increases public with 60-days notification, and to provide more information to the Department of Managed Health Care and the Department of Insurance for review.

In 2010, additional review prompted by the health reform debate actually led two insurers, Anthem Blue Cross and Aetna, to withdraw their rate hikes. (Anthem resubmitted at a lower level.) In 2011, the new scrutiny (and aggressive oversight by newly-elected Insurance Commissioner Dave Jones) helped convince Anthem Blue Cross and Blue Shield to withdraw or reduce proposed rate hikes.

### **NEXT STEPS**

Both the Department of Insurance and Department of Managed Health Care will be implementing new rate review procedures, casting new scrutiny on insurance company rate filings.

The next important step is legislation that explicitly allows regulators to deny unjustified and unreasonable rate hikes. AB 52 (Feuer), legislation that would provide authority to approve or deny rates, helping prevent crippling increases that insurers continue to propose, is pending in the Legislature.

Another bill is AB 51 (Alquist), that would conform state law to the new rules on “medical loss ratios,” so at least 80-85% of our premium dollars go to patient care, rather than administration and profit.

**Lillian Edwards, of Oakland, is one of the 4.6 million California seniors who depend on Medicare for health coverage.**

*Lillian is 90 years young, and living on a fixed income. She reports that when she received her Medicare “Donut Hole” rebate check, the first thing she did was “thank God” because after retiring from the Campbell’s Soup Company where she worked for over 37 years, she lives on a tight budget where “every dollar counts.”*

*Lillian tries to take care of her health, and makes sure to see her doctor each year for her annual check-up. This year, Lillian looks forward to having no co-pays for her annual wellness visit, and all of the preventive care that keeps her an active part of her community and her family, which includes her thirteen grandchildren and seventeen great great grandchildren.*



## **MAKING HEALTH CARE MORE AFFORDABLE: Strengthening Medicare**

- **4.6 million Californians are currently enrolled in Medicare, and enrollment is project to grow as the baby boomer generation grows older.**
- **269,623 seniors and people with disabilities in California fell into the Medicare “Donut Hole” last year, a gap in coverage that required them to pay thousands of dollars out of pocket for prescriptions.<sup>14</sup>**

Since the creation of Medicare in 1965, seniors across the country have come to depend on it as a source of health care after retirement.

Medicare Part D, which covers prescription drugs, has operated with a large gap in coverage—a “donut hole” after around \$2,000 of coverage—leaving beneficiaries on the hook for thousands of dollars out of pocket in order to keep receiving life-sustaining drugs. One of the benefits of ACA that went into effect in 2010 is beginning to close the donut hole. Last year, 269,623 beneficiaries in California received rebate checks in the amount of \$250.

Starting in 2011, the coverage gap will further be closed by offering a 50% discount on prescriptions. Furthermore, additional measures will completely phase out the gap in prescription coverage over the next several years.

Also taking effect in 2011 are provisions that would seek to improve prevention and wellness. Preventive services such as colorectal cancer screenings, mammograms, and annual wellness visits are now available to seniors enrolled in Medicare without any co-payments, co-insurance, or deductibles. This will mean savings to 4.5 million seniors in California.

### **NEXT STEPS**

Over the next 20 years the Affordable Care Act will slow Medicare spending by reducing waste, fraud, and abuse. These fraud prevention measures and

other savings are expected to extend the financial solvency of the Medicare program by 12 years.

These measures are also expected to lower out-of-pocket costs to beneficiaries. In 2018 beneficiaries can expect to save, on average, almost \$200 per year in premiums and over \$200 per year in co-insurance compared to what they would have paid without the Affordable Care Act. At the state level, one bill in consideration, AB 151(Monning), would ensure guaranteed issue for seniors switching from Medicare Advantage plans to Medi-gap coverage, regardless of health status.



**Jan Steckel, of Oakland, is among the 269,623 seniors and people with disabilities who fall into the Medicare donut hole.**

*Jan is 47 years old and is a former pediatrician. She has a degenerated disk in her back and has been on Medicare since 2007. Her back problem limits her mobility and causes her a lot of pain. She currently takes 12 medications and falls into the Medicare Part D “donut hole” every year. Each year she spends \$4,500-\$9,000 out-of-pocket. She is thankful for the ACA because she received the \$250 rebate for her prescription costs last year, and expects to get discounts on name brand drugs this year as the gap in coverage is phased out.*

**John Valentino, of Fresno, owns one of the 503,000 small businesses in California that can benefit from ACA.**

*As a small business owner for more than 25 years, John knows success is dependent upon strong, productive relationships with his employees, clients, and suppliers. Though it's rare in the landscaping industry, Truxell and Valentino has provided health insurance to their 30 employees and their families because, John says, "it's the right thing to do and it makes good business sense. When my workers are healthy, my workforce is more stable and productive." John is proud that over the last 25 years, Truxell and Valentino has become one of Fresno's top landscaping firms, and he believes their top-quality workforce is their competitive advantage. Now, he's looking forward to the new federal tax credit for up to 35% of their health insurance premium costs.*



## MAKING HEALTH CARE MORE AFFORDABLE: Help for Small Businesses

- **California has 610,000 small businesses of less than 100 workers.**
- **California small businesses employ over 5.3 million people.**
- **California also has 2.8 million self-employed.<sup>15</sup>**

Small business owners that want to provide health benefits to their workers have traditionally struggled to be able to afford coverage. Without the purchasing power of large employers, small business owners have been powerless to negotiate good rates and comprehensive benefits.

Starting in March of 2010, small business owners with fewer than 25 full-time employees that contributed at least 50% of the total premium became

eligible for tax credits of up to 35% of the employer contribution. The full credit is available for businesses with fewer than 10 employees averaging less than \$25,000 annual wages, and phases out at \$50,000. Nonprofits qualify for tax credits of up to 25% of the employer contribution.

### NEXT STEPS

Beginning in 2014, eligible small businesses purchasing coverage via an exchange will receive tax credits of up to 50% of the employer contribution if the employer provides at least 50% of the premium cost.

A bill in the California Legislature this year, AB 1083 (Monning), would put in place the reforms of the small group market for 2014, so small businesses don't face price hikes when a few of their workers get sick.

# MAKING HEALTH CARE MORE AFFORDABLE: Additional Options

## Help with Coverage for Early Retirees

Over 100 California employers, union trusts, and others have received funding through \$5 billion that ACA allocated toward a new reinsurance program to provide financial assistance to employers and union-based plans around the country, assisting in the costs of covering early retirees ages 55-65, including the 430,000 Californians who retired before they were eligible for Medicare. Reinsurance has been successfully used by a number of states to lower premiums for small businesses. Savings for the plans will be required to be used to lower costs for the enrollees.

## Free Preventive Services through Private Health Plans

Up to 31 million Americans are estimated to benefit from the requirement that new private health plans offer preventive services with no cost share for consumers. Many screenings, immunizations, and other preventive services are now available to consumers with no co-payments, co-insurance, or deductibles. Last year, the California legislature passed, and Governor Schwarzenegger signed, AB 2345 (De La Torre) which puts the federal protections into California law.

## INSTILLING CONFIDENCE IN COVERAGE

### Ending Unjustified Rescissions

On September 23, 2010, federal law set an ongoing and clear standard for any insurer to revoke coverage based on problems in the patient's initial health questionnaire. This was to stop the practice of rescissions, where coverage is retroactively denied after the patient had been paying premiums for months. In California, rescissions had already decreased due to increased media and regulatory oversight, but legislative action was still pending. In 2010, the California legislature passed and Governor Schwarzenegger signed AB 2470 (De La Torre) to implement the new federal standards for rescission. California improves upon federal law with requirements that insurers continue coverage pending determination of rescission.

### Ending Annual and Lifetime Caps on Coverage

On September 23, 2010, the ACA required that plans begin phasing out annual limits and bans all lifetime limits to ensure that consumers no longer have to fear running out of insurance. Over 2.2 million Californians report having medical debt, and 75% of them were insured at the time that they incurred the debt. This is in part because many plans had a cap on the amount they would pay toward benefits in a year or over the course of a lifetime. Once an individual reached that limit, they were responsible for the balance of medical costs in a year or for the rest of their life.

# MUCH ACCOMPLISHED, MUCH MORE TO DO

California has taken the lead among states in implementing federal health reform. Some state legislation passed last year simply conforms state law to new federal standards, but other efforts have taken advantage of the opportunities to improve upon the federal requirements.

These activities require significant work at California's regulatory agencies, including the Department of Insurance, the Department of Managed Health Care, the Managed Risk Medical Insurance Board, the Department of Health Care Services, and many others.

This especially includes the establishment of the new Health Benefits Exchange, the purchasing pool by which up to four million Californians will get subsidies to afford care. The Exchange has a significant agenda to complete in order to be ready by 2014 to hire staff and start to build information technology systems; to provide for easy enrollment in coverage and eligibility in getting federal subsidies; to organize the marketplace so consumers can make good decisions in an otherwise complex and confusing market; and to set up processes so it can negotiate for the best value for individuals and small businesses. Four of the five appointments to the Exchange board have been made, and a first meeting is expected in the next month.

California's efforts to implement the federal law early and aggressively serve multiple purposes. First, to ensure that Californians get the benefits and protections they are entitled to as soon as possible. Second, these efforts allow for a smoother transition from the current insurance market, giving California time to adjust to new rules for insurers and new expectations for consumers. Finally, by starting early, California can be sure to be ready on day one in 2014 to take full advantage of new eligibility rules, federal funds, and new protections.

In 2011, the California Legislature has an agenda of over a dozen bills to implement and improve upon federal law in order to meet the unique health care needs of our diverse state.

One major theme of pending legislation is to ensure

that Californians get the coverage they need. This includes aligning California law to the Medicaid expansion by 2014, both in terms of new populations eligible and new eligibility rules. As important, California needs to overhaul and streamline its eligibility and enrollment systems, so that obtaining coverage is quick, easy, and seamless for California consumers—whether they are eligible for Medi-Cal or Healthy Families, subsidies in the new Exchange, or private coverage. We need “no wrong door” systems where people get the help they need, and that help facilitate a “culture of coverage,” so when people lose coverage they seamlessly find a new source of insurance. We need improved consumer assistance programs so that people with questions or issues about their coverage get the advice and direction they need, both from central, official sources and trusted community sources. California can use the time between now and 2014 to make sure we maximize federal funds by pre-enrolling over a million Californians to get coverage on day one.

Many bills seek to implement new consumer protections and otherwise place needed oversight on the insurance industry. Most notably, is a proposal to institute rate regulation, so state regulators have the authority to deny unjustified and unreasonable rates. Another bill would ensure value for our premium dollars, implementing federal standards ensuring that premiums largely go to patient care, not administration and profit. Several measures would phase in benefits that will be required in 2014 including maternity coverage and mental health parity; another would better standardize benefits, so people are better able to make apples-to-apples comparisons, and don't mistakenly buy substandard products. Legislation is also pending to adopt the new federal rules for the small group market, so small businesses don't see rate hikes because a few of their workers happened to need care.

By this time next year in 2012, even more Californians will see additional benefits from the Affordable Care Act, most notably low-income adults getting county-based coverage. In addition, California's Exchange will be operating and putting the pieces together to be ready to enroll in late 2013.

Finally, in order for these improvements in our health system to be real, there needs to be a concerted effort to educate Californians about their new rights, benefits, options, and consumer protections. Californians can't take advantage of what they don't know about.

If California takes the right actions now, then by 2014, millions of Californians will both be newly insured, and millions more will get new assistance to

afford the coverage they have. More importantly, nearly all Californians will have greater peace of mind—the security that comes with the fact that your coverage will be there for you when you need it. For a process that's one year old, the actions by California have not been baby steps. They have been big and important strides toward that better health system, but they need to be matched in the years to come.

*This report was prepared by Linda Leu and Anthony Wright of Health Access, a statewide coalition of consumer, community, ethnic, senior, labor, faith, and other organizations that has been dedicated to achieving quality, affordable health care for all Californians for over 20 years. To follow up, contact [lleu@health-access.org](mailto:lleu@health-access.org).*

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*More materials, including the most up-to-date version of this report are available there. Health Access is also on Twitter ([www.twitter.com/healthaccess](http://www.twitter.com/healthaccess)), and Facebook ([www.facebook.com/healthaccess](http://www.facebook.com/healthaccess)).*

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# APPENDIX 1

## 2010 HEALTH CONSUMER BILLS

### Creating a Consumer-Friendly & Transparent Individual Insurance Market & Exchange

<b>AB 1602</b> Perez	<b>CREATING A NEW EXCHANGE:</b> Would specify the operations of the California Health Benefit Exchange which would be an independent state agency tasked in negotiating for the best prices and values for consumers and providing information regarding health benefit products. <i>Improving on federal reform:</i> The Exchange is an Active purchaser, protects against adverse selection.	<b>Signed</b>
<b>SB 900</b> Alquist/ Steinberg	<b>RUNNING A NEW EXCHANGE:</b> Would establish governance of the Exchange by a 5 member board appointed by the Governor Schwarzenegger and Legislature. The board will serve the individuals and small businesses seeking health care coverage through the Exchange. <i>Improving on federal reform:</i> Creates independent state agency with conflict of interest protections.	<b>Signed</b>

### Setting Minimum Benefit Standards

<b>SB 890</b> Alquist/ Steinberg	<b>TRANSITIONING TO A MORE TRANSPARENT &amp; STANDARDIZED MARKET:</b> Standardizes and simplifies the individual insurance market, so that consumers can understand their coverage choices, make comparisons based on actuarial value, and have the security that coverage does not have lifetime and/or annual caps. Also conforms to federal law on medical loss ratios, ensuring that 80-85% of premium dollars go to patient care, rather than administration and profit. <i>Improving on federal reform:</i> Standardizes individual health insurance early, additional disclosure.	<b>Vetoed</b>
<b>AB 1825</b> De La Torre	<b>ENSURING MATERNITY CARE:</b> Would phase-in a requirement that all health plans cover maternity services. <i>Improving on federal reform:</i> Early implementation of coverage of maternity care.	<b>Vetoed</b>
<b>AB 1600</b> Beall	<b>REQUIRING MENTAL HEALTH PARITY:</b> Would require most health plans to provide coverage for the diagnoses and treatment of a mental illness. <i>Improving on federal reform:</i> Early implementation of coverage of mental health services.	<b>Vetoed</b>

### Reviewing Insurance Company Rates

<b>SB 1163</b> Leno	<b>PROVIDING TRANSPARENCY ON RATES:</b> Would require 60 days public notice of rate hikes and requires health plans to provide to the public information about their rate methodology. <i>Improving on federal reform:</i> Requires review of all rate hikes in individual and small group market, rather than just "unreasonable" increases. Also, collects additional information on underlying cost increases.	<b>Signed</b>
<b>AB 2042</b> Feuer	<b>PROHIBITING MID-YEAR RATE HIKES:</b> Insurers and HMOs cannot change or increase premiums, cost sharing or benefits more often than once a year. <i>Improving on federal reform:</i> Federal law silent.	<b>Vetoed</b>

## Regulating Underwriting and Providing Access for Those with Pre-Existing Conditions

<b>AB 2244</b> Feuer	<b>ACCESS AND AFFORDABILITY FOR CHILDREN WITH PRE-EXISTING CONDITIONS:</b> Requires guaranteed issue, eliminates all pre-existing condition exclusions, and limits premium increases based on health status, phasing in modified community rating for children under age 19 in the individual market. <i>Improving on federal reform:</i> Rating rules of 2 to 1 in open enrollment.	<b>Signed</b>
<b>AB 2470</b> De La Torre	<b>REGULATING RESCISSIONS AND MEDICAL UNDERWRITING:</b> Set standards for rescission, the insurance industry's practice of terminating coverage as if the coverage had never been issued. <i>Improving on federal reform:</i> Continues coverage pending determination of rescission. Provisions regulating notice.	<b>Signed</b>
<b>AB 2540</b> De La Torre	<b>POSTCLAIMS UNDERWRITING:</b> Enacts a fine for rescinding, canceling, or limiting of a policy or certificate due to the insurer's failure to complete medical underwriting before issuing the policy or certificate or after a claim has been filed. <i>Improving on federal reform:</i> Fines for insurers who violate rescission.	<b>Vetoed</b>

## Other Consumer Protections and Health Reform Implementation

<b>SB 1088</b> Price	<b>ALLOWING YOUNG ADULTS TO STAY ON THEIR PARENTS' COVERAGE:</b> Would require group health, dental, and vision plans to allow dependent children to continue on their parents' coverage through age 26. <i>Improving on federal reform:</i> Requires notice and disclosures.	<b>Signed</b>
<b>AB 2345</b> De La Torre	<b>COVERING PREVENTIVE SERVICES:</b> Requires insurers to eliminate cost-sharing for some preventive services such as pap smears, mammograms, other cancer screenings, and immunizations. <i>Conforms to federal reform.</i>	<b>Signed</b>
<b>SB 56</b> Alquist	<b>FACILITATING PUBLIC HEALTH INSURANCE OPTIONS:</b> Would authorize county-organized health plans and other county-based local initiatives to form joint ventures in order to create integrated networks of public health plans that pool risk and share networks, subject to the requirements of the Knox-Keene Act. <i>Improving on federal reform:</i> Builds on federal reform.	<b>Vetoed</b>
<b>AB 542</b> Feuer	<b>NO PAY FOR NEVER EVENTS:</b> Creates a process for ending Medi-Cal payments for never events (events that should never happen, such as surgery on the wrong body part), and requires insurers to stop paying for never events. <i>Improving on federal reform:</i> Requires stakeholder process for developing the standards.	<b>Vetoed</b>

## Federal Medicaid Waiver

<b>AB 342</b> Perez <b>SB 208</b> Steinberg	<b>MEDI-CAL WAIVER:</b> The state's 1115 Medicaid Waiver would draw down up to \$2 billion in federal funding to assist our safety net providers to expand coverage to new medically indigent populations. The waiver would also move seniors and people with disabilities to Medi-Cal managed care. The waiver is intended as a bridge between the existing Medi-Cal program and the full access expansion that will happen in 2014 as a result of federal reform. <i>Improving on federal reform:</i> Moving toward Medicaid coverage of adults without children at home before 2014.	<b>Signed</b>
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## APPENDIX 2

# 2011 BILLS IN THE CALIFORNIA LEGISLATURE RELATED TO IMPLEMENTING AND IMPROVING UPON THE AFFORDABLE CARE ACT

### ► Ensuring Californians Get the Coverage They Need

Medi-Cal Expansion Implementation		
<b>AB 43</b> Monning	<b>MEDI-CAL ELIGIBILITY:</b> Requires the applicable departments transition Medi-Cal to reflect the expanded eligibility requirements of the ACA effective January 1, 2014. Eligibility will include persons who are under 65 years of age, not pregnant, not entitled to, or enrolled for, benefits under Medicare Part A, or enrolled in Medicare Part B, and whose income does not exceed 133% of the poverty line.	<b>Support</b>
<b>SB 677</b> Hernandez	<b>MEDI-CAL RULES:</b> Requires the applicable departments transition Medi-Cal to reflect the Affordable Care Act effort effective January 1, 2014, including: Changes income standard to MAGI. Eliminates asset test. Makes other conforming changes.	<b>Support</b>
Easy Enrollment		
<b>AB 1296</b> Bonilla	<b>STREAMLINING ELIGIBILITY AND ENROLLMENT:</b> Requires the California Health and Human Services Agency to establish a standardized single application form and related renewal procedures for Medi-Cal, the Healthy Families Program, the Exchange, and county programs.	<b>Support</b>
<b>AB 714</b> Atkins	<b>PRE-ENROLLMENT:</b> Requires DHCS, MRMIB, Family PACT and other programs as well as some hospitals to provide information about The California Health Benefits Exchange for the purpose of pre-enrolling them to be ready to obtain subsidized coverage in January 2014.	<b>Sponsor/ Support</b>
<b>AB 792</b> Bonilla	<b>AUTOMATIC ENROLLMENT:</b> Ensures that Californians can easily sign up for coverage during key life changes. Requires California consumers are provided information about the Exchange upon filing for divorce, separation, unemployment, adoption, or other life circumstances. After 2014, certain insurers and plans must also provide information about those dropping off coverage to the Exchange.	<b>Sponsor/ Support</b>
New Coverage Options		
<b>SB 222</b> Alquist	<b>COUNTY-RUN HEALTH INSURANCE OPTIONS:</b> Allows for counties, county special commissions, or county health authorities that govern, own, or operate a local initiative health plan or county-organized health system, as specified, or the County Medical Services Program governing board, to form joint ventures for the joint or coordinated offering of health plans to individuals and groups.	<b>Support</b>
<b>SB 703</b> Hernandez	<b>BASIC HEALTH PLAN:</b> This bill would require the Managed Risk Medical Insurance Board to establish a basic health plan, for Californians between 133-200% of the poverty level, pursuant to the federal Patient Protection and Affordable Care Act.	<b>Exploring</b>
<b>AB 1066</b> Perez	<b>MEDI-CAL WAIVER FOLLOW-UP &amp; LOW INCOME HEALTH PROGRAMS:</b> Implements the expansion of Medi-Cal as authorized by the Affordable Care Act and by the 1115 Medicaid Waiver.	<b>Support</b>

## Easy Navigation and Assistance

<b>AB 922</b> Monning	<b>PROVIDING CONSUMER ASSISTANCE:</b> Creates an Office of Health Consumer Assistance (replacing the Office of Patient Advocate), responsible for providing outreach and education about health care coverage to consumers. Also authorizes the office to contract with community organizations to provide consumer assistance.	<b>Co-Sponsor/ Support</b>
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## Consumer Protections and Insurer Oversight

### Access and Affordability for Californians with Pre-Existing Conditions

<b>AB 151</b> Monning	<b>SENIORS: GUARANTEED ISSUE FOR MEDI-GAP:</b> Assure that those who previously covered by Medicare Advantage plans have guaranteed issue for Medi-Gap coverage.	<b>Support</b>
<b>AB 1083</b> Monning	<b>SMALL BUSINESS: REFORMING THE SMALL GROUP MARKET:</b> Conform and phase-in new insurance market rules for small businesses, particularly so that small employers don't get additional premium spikes based on the health of their workforce.	<b>Co-Sponsor/ Support</b>

### Value for Premium Dollar

<b>SB 51</b> Alquist	<b>MEDICAL LOSS RATIO:</b> Ensures that premium dollars go to patient care rather than administration and profit. Codifies in state law the federal requirement that requires a health insurers spend a specified percentage of premium dollars on providing health care, and to provide refunds to patients if those percentages are not met.	<b>Support</b>
<b>AB 52</b> Feuer	<b>RATE REGULATION:</b> Provides authority to the Department of Managed Health Care and the Department of Insurance to approve or deny increases in health care insurance premiums, copayments, or deductibles.	<b>Support</b>

### Standards for Coverage

<b>AB 1334</b> Feuer	<b>STANDARDIZING BENEFITS:</b> Requires plans and insurers to, commencing July 1, 2012, categorize all products offered in the individual market into five tiers according to actuarial value, as specified, and would require plans and insurers to disclose this value and other information.	<b>Support</b>
<b>SB 155</b> Evans	<b>MATERNITY COVERAGE:</b> Phases in a maternity care benefit mandate by requiring new health insurance policies submitted after January 1, 2012, to provide coverage for maternity services. In accordance with the Patient Protection and Affordable Care Act, maternity care will be required by federal law starting in 2014.	<b>Support</b>
<b>AB 185</b> Hernandez	<b>MATERNITY COVERAGE:</b> Phases in a maternity care benefit mandate by requiring new health insurance policies submitted after January 1, 2012, to provide coverage for maternity services. In accordance with the Patient Protection and Affordable Care Act, maternity care will be required by federal law starting in 2014.	<b>Support</b>
<b>AB 154</b> Beall	<b>MENTAL HEALTH PARITY:</b> Expand the existing mental health parity coverage requirement for certain health care service plan contracts and health insurance policies issued, amended, or renewed on or after January 1, 2012, to include the diagnosis and treatment of a mental illness of a person of any age.	<b>Support</b>

## ▶ Other Key Bills

### Conforming Tax Law

<b>AB 36</b> Perea	<b>DEPENDENT COVERAGE:</b> Modifies the tax code to exclude employer contributions toward dependent coverage (dependents up to age 26) from parents' taxable income.	<b>Support</b>
<b>AB 242</b> Perea	<b>TAX CONFORMITY:</b> Provides additional modified conformity to specified provisions of the federal Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 relating to simple cafeteria plans for small businesses, health care benefits of indian tribe members, free choice vouchers, therapeutic discovery project grants, student loan repayment programs, and deduction for self-employment taxes.	<b>Support</b>

### Prevention and Wellness

<b>AB 441</b> Monning	<b>ACTIVE TRANSPORTATION, HEALTHY COMMUNITIES:</b> Requires that transportation planning include health criteria in order to foster healthier communities.	<b>Support</b>
<b>AB 727</b> Mitchell	<b>HEALTHY AND SUSTAINABLE FOOD:</b> Creates nutrition standards to govern the foods purchased for all state departments, agencies, and state-run institutions in accordance with the federal dietary guidelines. Also creates guidelines for sustainable purchasing practices and procedures that encourage purchasing from local vendors, farms, and manufacturers when feasible.	<b>Support</b>

### Steps Backward

<b>SB 122</b> Price	<b>ROLLING BACK DEPENDENT COVERAGE:</b> Exempts retiree health plans from requirements under the Affordable Care Act and SB 1088 that mandate insurers to cover dependents up to age 26.	<b>Oppose</b>
<b>AB 854</b> Garrick	<b>HEALTH SAVINGS ACCOUNTS:</b> Allow, in accordance with federal tax code, deductions in connection with Health Savings Accounts.	<b>Oppose</b>