



Fulfilling the Promise of Health Reform: Keeping Insurers Accountable

Background

- Health insurance premiums are skyrocketing, with Anthem Blue Cross of California announcing rate increases of up to 39% and others. Especially in the individual insurance market, insurers can raise rates without approval or justification. Insurers can raise rates multiple times a year.
- California's health insurance market is deemed "highly concentrated," with two insurers claiming more than 50% of every insurance market in the state.
- Californians who buy coverage as individuals have little market power, and are at the mercy of the big insurance companies. Buying insurance on the individual market is the least efficient, most expensive way to get coverage. A significant percentage of premium dollars goes to administration and profit, rather than patient care.
- Over 8 million Californians are uninsured,¹ finding health coverage unaffordable or simply unavailable, due to pre-existing conditions.
- People who lose coverage can find themselves uninsured and uninsurable.

Federal Health Reform

The historic federal health reform legislation signed by President Obama in late March 2010 creates new opportunities for Californians to obtain quality, affordable health coverage.² With respect to insurer accountability, federal health reform:

- Creates a fair and transparent marketplace, called the Health Insurance Exchange, where insurers can offer plans to consumers and small businesses that meet certain minimum benefits;
- Ends discrimination based on pre-existing conditions and requires guarantee issue and renewability, which means that insurers must offer coverage to all applicants;
- Limits the variation in premium rating allowed to age (3:1), geographic area, family composition, and tobacco use (1.5:1);
- Prohibits annual or lifetime limits on coverage and limits the amount a family spends on out-of-pocket medical costs to no more than \$5,950 for an individual or \$11,900 per family;
- Creates federal standards for review of unreasonable rate increases;



Fulfilling the Promise in California

In order to fulfill the promise of health reform in California, the state will be required to make certain changes to its programs in order to comply with federal law. In order to achieve this, there are bills in the state Legislature that would:

- **Regulate how insurers set premium rates**: New authority for state oversight of insurers' rate setting practices include:
 - **AB 2578** (Jones), which would require insurers to obtain approval for rate hikes;
 - **AB 2042** (Feuer), which would prohibit insurers from increasing rates more than once a year;
 - **SB 1163** (Leno), which would require insurers to provide in writing the reasons behind a denial or rate increase; and
 - **SB 316** (Alquist), which would require plans to disclose the percentage of premiums used to pay for health services (also known as the "medical loss ratio"), and set a new minimum.
- **Facilitate public health insurance options to compete with insurers**: Insurers could face increased competition under **SB 56** (Alquist), which would authorize county-organized health plans and other health benefits programs to form joint ventures and share networks. These could allow these current local public health plans to have broader geographic reach and be a viable commercial option.
- **Protect consumers from other potential abuses**: To further protect consumers from abusive and discriminatory practices, **AB 2110** (De La Torre) would extend the grace period in which premiums are paid up to 50 days, so patients who miss a payment don't become uninsured and uninsurable.



This factsheet was prepared by Health Access, a statewide coalition of consumer, labor, ethnic, senior, faith, and other organizations that has been dedicated to achieving quality, affordable health care for all Californians for over 20 years. Please visit our website and read our daily blog at www.health-access.org

¹ S. A. Lavarreda, *et al.*, "Number of Uninsured Jumped to More Than Eight Million from 2007 to 2009," UCLA Center for Health Policy Research (March 2010).

² The Patient Protection and Affordable Care Act (P.L. 111-148 signed into law on March 23, 2010) and the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152 signed into law on March 30, 2010).