

## **California begins steps to enact health care reforms**

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The debate over national health care reform has moved to the California Legislature, which this week will begin taking the initial steps to implement the complex series of overhauls prescribed by the federal government.

More than 20 bills have been introduced and as many as a dozen might be voted on this week as lawmakers face a deadline to pass bills out of their house of origin.

Because of California's sheer size, its implementation of the new law could serve as a model for other states. The state has 8.2 million uninsured residents, nearly equivalent to the population of New Jersey. The number has ballooned in recent years as Californians lost jobs and health insurance due to the recession.

The bills seek to enact reforms signed into law by President Barack Obama in March. Among other changes, they would prohibit health insurers from denying coverage because of preexisting conditions and create an exchange through which individuals could buy insurance.

A separate bill would take state reforms further than federal requirements by making insurance companies obtain state approval before raising their fees.

The bills are considered works in progress that will change over the course of the legislative session, as the state learns more from the federal government about specific requirements in the law.

Republican lawmakers say the flurry of legislative activity is premature because upcoming elections could shift the balance of power in Congress and result in a repeal of the federal reforms. They also say the exchange, a marketplace through which individuals and small-business owners can buy health insurance at affordable rates, could lead to higher insurance rates because fees will be imposed on insurers to recoup its operational costs.

Despite resistance from members of his own party, Gov. Arnold Schwarzenegger has made health care reform a priority. He introduced his own plan in 2007, but it failed, in part because of concerns about runaway costs to the state in future years.

The Republican governor threw his support behind the national reform plan in April, and his office has been meeting with lawmakers to work through the details.

One of the first steps is to establish an exchange. The idea is to create a consumer-friendly website that could be used to compare and buy health insurance plans, similar to the packages offered by employers.

It also would serve as a place to screen whether an individual is eligible for Medi-Cal, the state's health insurance program for the poor, or other state services.

The state would use federal money to run the exchange. It would create a new entity to operate it or work with a nonprofit organization, said Jennifer Kent, Schwarzenegger's deputy legislative secretary.

Under the federal law, states can decide whether their exchanges will act as tough negotiators to get the best rates for customers or play a less intrusive role in the market.

Kent said Schwarzenegger wants to have the exchange created before he leaves office in January, although it would not be fully operational until 2014.

"He really has always grasped the issue, in terms of if you don't reform this system, because it's so badly broken it only succeeds to be a drag on the economy," Kent said.

Legislative leaders have introduced two bills to create the exchange.

Under SB900, the exchange would have a website and online calculator that would allow consumers to compare plans and cost, said Sen. Elaine Alquist, D-Santa Clara, who introduced the bill and is chairwoman of the Senate Health Committee.

"The goal is to get Californians enrolled in a health plan in 30 minutes or less, rather than in hours or days," Alquist said in an e-mailed response.

Under Alquist's proposal, the exchange would negotiate and enter into contracts with health plans. It would be run by a board whose members are appointed by the governor and Legislature.

AB1602, a similar proposal introduced by Assembly Speaker John Perez, D-Los Angeles, also is expected to be voted on next week. That bill would create an exchange, eliminate annual and lifetime limits on health care coverage, and raise the age for children to stay on their parents' insurance to 26, among other provisions.

The state is closely following the example of Massachusetts, which set up its own exchange in 2006. Lawmakers and the governor's staff have met with Jon Kingsdale, the executive director of Massachusetts Connector, that state's health insurance exchange, who will consult with California as it develops its own version.

"He runs the largest exchange in the country, but from a scale factor, we are so going to dwarf that," Kent said.

Still, there is plenty to be learned from Massachusetts, especially when it comes to insurance companies jacking up premiums, said Assemblyman Dave Jones, D-Sacramento.

"Massachusetts thought prices would go down," he said. "But what happened was, when people were legally required to buy insurance, insurers took advantage of that and raised their prices."

That's one reason Jones introduced AB2578, which would require insurance companies to obtain approval from the state Department of Insurance or the Department of Managed Health Care before raising their prices on premiums and copays. He calls it the missing piece of national health care reform.

Anthem Blue Cross proposed raising health insurance premiums by 39 percent before rescinding the increase, and Blue Shield announced an increase of up to 75 percent on small group policy holders.

"I think the public and policy makers have finally had it with these yearly double-digit health insurance and health premium increases," Jones said.

Other bills seek to ban insurers from denying health insurance or specific treatments to patients with pre-existing conditions.

Children would be protected from this practice under a bill by Assemblyman Mike Feuer, D-Los Angeles. AB 2244 would prohibit health insurers from excluding or limiting coverage to anyone under the age of 19 because of a pre-existing condition. It also would get tough on insurers by declaring that if a company does not sell policies to families with children, it would forfeit its right to sell insurance to large employers.

"We have an opportunity here in California ... to be a catalyst for the strongest protections for kids in the nation," Feuer said.