HEALTH ACCESS

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AB 52 (Feuer): Debunking the Myths

The Truth About Rate Regulation in California

Myth: Rate regulation has been implemented in states such as New York and has not worked there. New York's insurance rates are significantly higher than California's currently are.

- ✓ In fact, higher rates in New York are not due to implementation of rate regulation; they are attributable to historically higher costs of insurance in New York, in comparison to California. Since implementation of rate regulation in New York, the rates of insurance premium increases have slowed.
- ✓ AB 52 aims to justify the rate of change in premiums, not the base numbers of insurance costs. Those are vastly different due to differing state economies and conditions, and cannot be compared effectively.

Myth: Rate regulation will adversely affect provider rates, and the cost of disallowing insurance companies to raise premiums will be transferred to medical care providers.

- ✓ The meticulous process of rate review provides for rate increases to be rejected only when they are unnecessary and not due to increases in health care costs.
- ✓ There are 15 numerical criteria that the Departments of Insurance and Managed Health Care must use to determine whether a rate increase is necessary or not. Rising healthcare costs will be accounted for, while unnecessary health insurance company profits (such as the 31% increase in profits in the first five months of 2010 experienced by the five largest for-profit insurance companies[1]) will be avoided.
- ✓ A study by the Center for Studying Health System Change shows that healthcare providers hold the advantage in negotiating insurance company reimbursements to providers, meaning AB 52 is even less likely to negatively affect provider rates[2].

Myth: In light of AB 1602, passed last year, and the upcoming implementation of the Health Exchange, there is no need for AB 52.

- ✓ AB 52 is necessary in the interim before the Exchange Board is implemented to protect consumers from unnecessary rate increases and to prevent insurers from preemptively inflating rates prior to implementation of reform in 2014.
- ✓ Not everyone will be in the Exchange system, and rate regulation is necessary to protect those consumers who are not.
- ✓ There is no guarantee the Exchange on its own will be efficient in negotiating rates. Rate regulation will make this process more effective. States such as Massachusetts successfully have both systems in place already, with rate regulation bolstering the ability of the Exchange to negotiate fair pricing for consumers.

Myth: AB 52 does not address the underlying causes of increases in healthcare costs.

- ✓ There are many factors causing increases in healthcare costs, and no piece of legislation can single-handedly address all of these. This does not mean we should remain completely inactive in attempting to curb costs and improve access to healthcare.
- ✓ AB 52 is one large step in addressing healthcare issues in California, and will ensure that consumers are paying fair prices for insurance. It will forestall unjust burdens on hardworking taxpayers and business owners.
- ✓ AB 52 is not an unreasonable, radical idea. Rather, it is one that is the norm in the rest of the nation and will simply hold insurance companies accountable to California consumers.

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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] Health Care for America NOW report, May 2010: http://hcfan.3cdn.net/d605c2281191ac1f04_kam6bn3ga.pdf
[2] Center for Studying Health System Change report, November 2010: http://www.hschange.org/CONTENT/1162/#ib1