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Health Reform 3 Month Status Report: Californians Begin to See the Benefits; Much More to Do to Fulfill Its Promise

On March 23, 2010, President Barack Obama signed the Patient Protection and Affordable Care Act (PPACA), a historic comprehensive federal health care reform law. Through the next ten years, the law will put in place policies to provide new consumer protections and new oversight and rules for insurers; make coverage affordable for individuals, families, and small businesses; and encourage efforts to tame the costs of health care, with benefits for both our economy and our federal deficit.

The PPACA is unique in that some of its provisions are going into effect this year, even as other elements start to phase in over the next several months and years. Californians are already beginning to feel the effects of reform, including getting additional consumer protections from the most abusive insurance company practices; feeling more secure about their current coverage; and receiving help to afford coverage.

Already Having an Impact

Here are benefits from the new health law that Californians are already experiencing.

Making Prescription Drugs More Affordable for Seniors

Seniors who currently fall into the coverage gap or “donut hole” in the Medicare Part D prescription drug coverage program have started receiving rebate checks in the amount of \$250. California will benefit more than any other state as California seniors who fall into the donut hole spend \$381,636 out-of-pocket for prescription drugs. Already, 80,000 checks have been mailed to date, and more will go out as more seniors reach the coverage gap. Approximately 382,000 California seniors will receive checks.

New Coverage Options for Young Adults

Some young adults are now newly getting coverage under their parent’s plans. Previously, over 30% of young adults do not have health insurance¹, while 47% report being uninsured at some point last year. Young adults up to age 26 will be able to remain covered under their parents’ health plans, officially starting after September 2010. Wellpoint/Anthem Blue Cross, UnitedHealth, and other insurers have started to implement this piece of reform early. As important, some California employers such as Apple and many school districts, have also agreed to extend their family benefits to young adults up to age 26 earlier than September.

Security for Californians on Medi-Cal and Healthy Families

Over 8 million Californians have more security that they will keep the coverage they have under Medi-Cal or Healthy Families, due to “maintenance of effort” requirements in the new federal law. These prohibit California from cutting eligibility and enrollment in these programs (although cuts are still proposed within these programs.) The law also provides the opportunity for more federal funds for California, as is being negotiated in a new Medi-Cal waiver between the state and federal governments.



Helping Small Businesses Cover Their Employees

Small businesses now have an incentive to cover (or continue to cover) their workers. While many small business owners say that they would like to provide insurance to their workers, the cost can be prohibitive. Californians are less likely than Americans in other states to be offered employer based coverage². A 2009 survey of California small business owners, 55% reported that they did not provide coverage for their workers, 97% of them said that they could not afford to³. Effective immediately upon passage of the health reform law, small businesses were able to take advantage of tax credits up to 35% of premiums.

The Ending of Unjustified Rescissions

On April 28th, the association of health insurers wrote to Congress indicating they would move by May 2010 to stop the practice of rescissions, where coverage is retroactively denied even after the patient had been paying premiums for months. Rescissions had already decreased in California due to increased media and regulatory oversight, but the federal law sets an even higher standard for any insurer to revoke coverage based on problems in the patient's initial health questionnaire. While the federal provision goes into effect in September, insurers indicate they are abiding by the new law now.

Rate Hikes Start to Get More Scrutiny

Leading up to passage, the health reform debate spotlighted the proposed rate increases of up to 39% by Anthem Blue Cross of California. That led to the California Department of Insurance conducting a more vigorous, independent review of the company's filing, which revealing various errors that led the Anthem Blue Cross to withdraw those rate hikes. This benefit may be duplicated soon: Insurance Commissioner Poizner is conducting independent review of rate hikes of other major California insurers. And the federal government has announced grants to states (\$1 million to start) to help states conduct further reviews of insurance rates.

There are other benefits already online as well, such as tax credits for small biotech firms for biomedical research for therapeutic discoveries for cancer and other diseases.

Coming Attractions

The next benchmark date for implementation of federal health care reform is September 23, 2010. At that time a whole host additional provisions will go into effect. But even before that, Californians will start to feel additional benefits, from new options and protections to new funding for key services and programs.

New Information to Assist Consumers Choosing Coverage

On July 1st, the U.S. Department of Health and Human Services is slated to unveil a new and evolving website that will help consumers figure out their current (and future) choices in the health insurance marketplace. Later this year, the Department will release funds targeted to help consumers navigate the health care system, and provide ombudsman services. Over the next several years, California will set up a new Health Insurance Exchange will provide a more consumer-friendly market for health coverage.



Guaranteed Issue for Children with Pre-Existing Health Conditions

Insurers announced compliance with the federal prohibition on insurers denying children with pre-existing conditions access to their parents' insurance, or denying treatment associated with the preexisting conditions. An estimated 576,500 children in California have pre-existing conditions⁴. This provision (which is required to go into effect by September 23, 2010) will help ensure coverage for vulnerable children and protect their families from medical debt and bankruptcy due to medical bills.

New Options for Adults with Pre-existing Health Conditions

An estimated 6.5 million Californians under the age of 65 have preexisting health conditions⁵, and up to 396,000 have been denied coverage from insurance companies at any cost⁶. Up to \$761 million in federal dollars will be available to California to cover adults with preexisting conditions through 2014 when guaranteed issue regulations and the health insurance exchange goes into effect. This would be a quadrupling of the capacity of our current high-risk pool, limited to 7,100 people and \$40 million of funding. California's Managed Risk Medical Insurance Board (MRMIB) is working on creating a federally funded high-risk insurance option for those who have been denied coverage due to preexisting conditions.

Help to Businesses for Covering Early Retirees

Slated to start as early as this week, a new reinsurance program will provide financial assistance to employers and union-based plans around the country, to assist in the costs of covering early retirees ages 55-65, retroactive to the start of the program. 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.

Resources for Clinics, Workforce Development, Prevention Efforts, and More

The U.S. Department of Health and Human Services has announced grant programs worth millions of dollars in investment, including in support for community clinics; \$250 million in efforts to increase clinicians and other primary care providers; and \$250 million in strategies to encourage health and health prevention, including funding public health infrastructure, research and tracking, and public health training. This is all on top of investments made in the economic recovery act of last year. As the process moves forward, California communities and institutions will be the recipient of hundreds of millions of dollars of these funds in the next few months.

Federal Incentives for States to Review Insurance Company Rates

Insurance rate increases in California received national attention during last year's health reform debate. On June 7, 2010 the Department of Health and Human Services announced a grant program that would provide grants in the amount of \$1 million to innovate, improve and enhance their efforts to review insurance company rate increases. In the first round of funding, states have access to \$1 million in start up costs to create mechanisms for reviewing insurance company rate increases. A second round of grant funding will be available starting fiscal year 2011.



Insurance Regulations that Protect Consumers

Insurance practices that put profits before people have left millions of Californians unable to receive necessary health care, or with medical debts that have led to personal bankruptcy and home foreclosure. Five important regulations impacting existing insurance plans (including those who may benefit from certain “grandfather clauses”) that go into effect on September 23, 2010 are:

1. Insurers will be prohibited from imposing a lifetime limit on coverage.
2. Insurers will be prohibited from cancelling or rescinding coverage when beneficiaries get sick or when mistakes on applications are discovered (rescissions).
3. Insurers providing dependent coverage must extend coverage to children up to the age of 26.
4. Insurers are prohibited from denying coverage to children under the age of 19 with preexisting conditions (applies to the large employer market)
5. Insurers will adhere to a cap on annual limits on coverage as a first step toward the prohibition of annual limits in 2014 (applies to the large employer market)

Additional protections that go into effect for *new* insurance plans are:

1. All recommended preventive services must be provided with no cost sharing.
2. Additional protections such as the right to choose Primary Care Providers, Pediatricians, access to Ob/Gyn services without referrals, and access to emergency services out of network.

Implementing and Improving Health Reform in California

The work to fulfill the promise of the health reform law in California has just really begun, with legislation and regulations to both implement and improve upon the federal law. Here in California, the legislature has already begun work on a series of bills that would implement and improve upon the federal health care reform law at home.

*** Creating a Consumer-Friendly & Transparent Individual Insurance Market.**

Both legislative leaders have bills to implement health reform, including ones to set up a new health insurance exchange in California, and Governor Schwarzenegger has indicated he is interested in signing such a bill. **AB 1602 (Perez)** and **SB 900 (Alquist/Steinberg)** would establish a new health insurance exchange, and health advocates want to ensure that it is transparent, consumer-friendly, and allows the exchange to negotiate for the best price and value for the families in it.

*** Setting Minimum Standards.** Federal health reform sets some basic standards for coverage, so that consumers have the security of knowing their coverage will be there for them when they need it. **SB 890 (Alquist/Steinberg)** goes beyond the minimums and standardizes and simplifies the individual insurance market, so that consumers can understand their coverage choices, make apples-to-apples comparisons, and have the security that coverage does not have hidden loopholes, or lifetime and/or annual caps on coverage. Other bills put in place federal coverage standards early, allowing are market



to better transition to reform. **AB 786 (Jones)** also sets a minimum standard that requires coverage of doctor and hospital care and an overall limit on out-of-pocket costs, eliminating deceptive “junk” insurance. **AB 1825 (De La Torre)** requires most health plans to cover maternity services. **AB 1600 (Beall)** requires most health plans to provide coverage for the diagnoses and treatment of a mental illness.

*** Children’s Coverage:** Several bills focus on different aspects of children’s coverage. While federal law prohibits children with pre-existing conditions to be denied coverage by insurers, **AB 2244 (Feuer)** also limits premium increases based on health status, phasing in modified community rating for children under age 19 in the individual market. **SB 1088 (Price)** would align state law with the federal law in requiring group health, dental, and vision plans to allow dependent children to continue on their parents’ coverage through age 26. **AB 2477 (Jones)** would, as required to get federal fund, prevent the state from adopting mid-year status reports in Medi-Cal that serve a barriers to continuous eligibility for children 19 years of age and younger.

*** Providing Access for Those with Pre-Existing Conditions:** Two bills, **SB 227 (Alquist)** and **AB 1887 (Villines)** would authorize California’s MRMIB to apply and get the \$761 million in federal funding for the purpose of the state establishing a new “high-risk” pool for Californians who are denied for pre-existing conditions. Also, **AB 2490 (De La Torre)** would implement the federal law regarding rescissions, including establishing a third party review of any insurer’s attempt to retroactively deny coverage on grounds of intentional fraud.

*** Regulating Insurance Company Rates:** Federal law encourages greater rate review, and **AB 2578 (Jones)** would require approval by the Department of Managed Health Care or the Department of Insurance of an increase in the amount of premium, co-payment, coinsurance, deductible or other charges under a health plan. **SB 1163 (Leno)** would allow the state to apply for funds to institute rate review in California.

*** Other Consumer Protections:**

* **SB 56 (Alquist)** to facilitate public health insurance options by authorizing county-organized health plans to form joint ventures.

* **SB 316 (Alquist)** to institute a stronger medical loss ratio like in federal law, to ensure premium dollars go to patient care rather than administration and profit.

* **AB 2042 (Feuer)** to prohibit insurers and HMOs from increasing premiums, cost sharing or benefits more often than once a year.

* **AB 2110 (De La Torre)** to extend the grace period for paying premiums, so late payers don’t find themselves uninsured and uninsurable.

* **AB 2787 (Monning)** would draw down federal funds to establish the Office of the California Health Ombudsman to educate consumers on their rights and responsibilities with respect to health coverage, assist consumers with enrollment in health care coverage, and resolve problems getting premium tax credits.



Conclusion

While the biggest changes from the federal health reform law don't kick in until January 2014, Californians are already beginning to feel the first benefits of the new law, and many more improvements to the state's health system will come online in the next weeks and months.

California has much to do to take advantage of the opportunities and challenges of the new health reform law, both in the transition and then to fully take advantage of the 2014 implementation--from the new rules preventing insurers from denying patients due to pre-existing conditions, to the dramatic expansion of coverage to over four million Californians through fully-federally funded expansions of Medi-Cal, and the new availability of affordability subsidies for low- and moderate-income families.

Health Access will produce future reports to update on the progress, to both inform Californians about what they may be entitled to, and to alert policymakers to additional actions needed to implement and improve health reform, all toward the goal of an improved and more affordable health system.



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.

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¹ www.healthreform.gov "Young Americans and Health Insurance Reform: Giving Young Americans the Stability and Security They Need"

² Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2007 and 2008 Current Population Survey (CPS: Annual Social and Economic Supplements), available at statehealthfacts.org.

³ Small Business Majority, "California Survey: Small Businesses Need Health Care Reform" (2009).

⁴ Families USA, "Health Reform: A Closer Look. Help for Californians with Preexisting Conditions" (May, 2010)

⁵ Families USA, "Health Reform: A Closer Look. Help for Californians with Preexisting Conditions" (May, 2010)

⁶ Managed Risk Medical Insurance Board, California Major Risk Medical Insurance Program 2006 Fact Book, (March 2006)