

SB 908 (Hernandez): Let the Market Work!

Give Consumers Notice of Unreasonable or Unjustified Rates

Each year, millions of California consumers and small business owners shop for health insurance plans and some unknowingly choose plans with rates that are “unreasonable” or “unjustified.” The individual consumers are then stuck with the unfair rate for an entire year, until they can shop again for another plan.

Sponsored by Health Access, [SB 908](#) (Hernandez) would require individuals and small business owners to be notified if the premium for a plan they choose is “unreasonable” or “unjustified” and be given the opportunity to find a plan with a reasonable rate.

Transparency is Needed

Since 2011, California regulators, the Department of Managed Health Care and the Department of Insurance, have been required to review the rates for individual and small business health insurance plans and determine if the proposed rates are unreasonable or unjustified.

Regulators and their actuaries review the projected cost increase and can request plans to modify or reduce rate increases if either regulator finds the rate increase unreasonable or unjustified. Health plans can decide whether to comply with the request or move forward with an unreasonable rate.

But no one tells the individual consumer or the small business owner, those who buy coverage, if the rate increase is found unreasonable or unjustified by the regulators. Consumers and small business owners can unwittingly choose a plan with an unreasonable rate and be stuck with that plan because they didn't know.

The Affordable Care Act (ACA) was intended to make it easier for individuals and small businesses to shop for and purchase health insurance. The ACA requires most individuals, including employees of small businesses, to have health insurance. Consumers, and small business owners, deserve to know if they are buying a health plan with an unreasonable rate and be able to choose a new plan.

Let the Market Work: Tell Consumers About Unreasonable Rates and Let Them Shop for a Better Plan

SB 908 would take two simple steps to let the market work:

1. Notify individual consumers and small business owners if regulators have found a rate to be unreasonable or unjustified.
2. Give consumers and small business owners this notice enough ahead an open enrollment period to shop for a plan with rates that are reasonable and justified.

The Bottom Line

Consumers deserve to know if their health insurance plan is charging unreasonable or unjustified rates and should have the option to switch plans if they want. This bill provides basic transparency for consumers. If insurers decide to offer plans with rates that have been deemed unreasonable or unjust by state regulators, they should have to disclose this information to consumers.