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AB 52 (Feuer): Rate Regulation

Protecting Consumers from Unreasonable Rates

Today there are over 8 million Californians with no health coverage. Those who are insured are having more and more difficulty staying insured due to the rapidly rising cost of premiums. A number of major California insurers have hit policy holders, particularly in the individual market, with double digit rate increases multiple times over just the past couple years. These rate increases went far beyond the rate of inflation or the rise in medical costs.

Over the last decade, health care premiums rose 114% for families according to the Kaiser Family Foundation's Employer Health Benefits Survey. The same report concluded that states with robust and transparent rate review and approval processes have greater power to protect consumers from large rate increases. AB 52 would bring California in line with 35 other states that require some form of prior health insurance rate approval by state regulators.

A state law that went into effect this year, SB 1163, gave both the Department of Managed Health Care (DMHC) and the California Department of Insurance (DOI) the ability to better scrutinize rate increases. Insurance rate hikes now must go through public rate review, including public justification of actuarial soundness. And while the added scrutiny of the review process has influenced a few insurers to withdraw some proposed rate increases, other rate increases have moved forward, with regulators relatively powerless to stop them.

AB 52 (Feuer) requires that health plans and insurers obtain approval from state regulators before changing Californians' health insurance rates. Under this bill, the Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI) would gain new authority to approve, deny, or modify excessive rate changes. Plans and insurers would have to submit for scrutiny justification for their rate increases, and the regulatory agencies would be allowed to hold public hearings to give the public the opportunity to comment on proposed rate changes. It also prohibits insurers from proposing rate changes on each product more than once per year.

AB 52 (Feuer) is an important consumer protection measure that would ensure that insurance companies are not able to take advantage of consumers with unfair pricing that excludes Californians from the insurance market and making health coverage financially out of reach for families and individuals.

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