

California moves forward with health care exchange

By Kevin Yamamura, Sacramento Bee

Since the waning days of former Gov. Arnold Schwarzenegger's administration, California has pushed to become the earliest adopter of President Obama's health care plan.

But it wasn't until Obama's re-election this month that state officials were fully confident their plans would take flight.

They first had to survive a U.S. Supreme Court decision in June and wait to find out whether a new Republican administration in Washington would reverse the federal Patient Protection and Affordable Care Act.

"The answer is clear," said Peter V. Lee, head of the state's new marketplace for subsidized health insurance. "A year from now, California will be expanding its coverage to millions of Californians."

California submitted its formal application to the federal government this week to run its own health care marketplace, newly dubbed Covered California. Such entities – called exchanges – are the linchpin of Obama's plan because they will deliver subsidized health care to the uninsured and influence the rest of the market starting in 2014.

California is seeking more than \$700 million over two years from the federal government to run the state program.

Covered California will serve households earning up to four times the federal poverty level, equal to \$92,200 for a family of four in 2012. The federal government will also expand Medicaid – Medi-Cal in California – to residents below 138 percent of the federal poverty guideline, including childless

adults who did not have access before.

While Obama's win may have cleared the last political hurdle, it didn't make the state's logistical task easier.

"Clearly the things that could have interfered with the implementation have been resolved," said California Health and Human Services Secretary Diana S. Dooley, who chairs the board overseeing Covered California. "That's not to say, however, that it's smooth sailing. This is still a very, very heavy lift. The timeline is extraordinarily ambitious."

California has taken a hands-on approach to how it manages its health care exchange, said Micah Weinberg, a health care expert and senior policy adviser with the business group Bay Area Council.

In a short time frame, the state is building a new enrollment system that must communicate with existing county programs that currently provide health care to low-income residents.

Covered California also wants tight control over which health plans and insurers can sell subsidized coverage to residents. Weinberg said other states have taken a more relaxed approach in which any plan can participate if it meets minimum standards.

"That decision has certain virtues, but more hands-on means more time and more difficulty," Weinberg said.

Covered California expects to begin enrollment by Oct. 1, 2013, and will have six months to sign up its initial class of subscribers. It expects to have between 150,000 and 430,000 enrollees by Jan. 1, 2014. A year later, it anticipates between 490,000 and 1.4 million subscribers.

Between now and next October, Covered California and its contractor, Accenture, must build a statewide Web-based enrollment system. The health exchange must also negotiate

with more than 30 health plans to design coverage and pricing in 19 separate regions of California.

One of the biggest challenges will be persuading the uninsured to sign up, particularly the healthy subscribers necessary to ensure that the program is financially viable. Lee said Covered California will devote much of its energy and resources to connecting with residents through paid advertising and community outreach.

The state health exchange previously hired Ogilvy Public Relations for \$900,000 to work on an outreach plan. The Bee reported in July that ideas ranged from having First Lady Michelle Obama lead a California summit to asking television writers in Hollywood to draft story lines featuring subsidized health care options, the latter of which drew objections from GOP congressmen.

Despite the flak, Lee said Covered California isn't backing away from those ideas: "We want it talked about at the dinner table, in front of the TV, in barber shops."

Health insurers are concerned that the federal law limits their ability to charge significantly lower rates for young people than for older adults. Patrick Johnston of the California Association of Health Plans says older adults typically have health care costs five to seven times higher than young enrollees.

Johnston said health insurers are asking the Obama administration to allow greater discounts for young subscribers. Otherwise, he fears, healthy young adults will avoid signing up.

"What Congress did was take (pricing) out of math and science and move it into politics," Johnston said. "It's good for older people. But the effect will not only be on younger people, but the stability of the pool. It's a concern."

As recently as several weeks ago, Gov. Jerry Brown worried that Obama's overhaul might not survive the election. The governor vetoed bills that would have enshrined some of the most popular federal components in state law.

Obama's plan requires health insurers to cover people regardless of condition and prohibits higher premiums based on illness. That pencils out for insurers only if healthy people are mandated to buy coverage, as the federal plan requires under threat of financial penalty.

Brown feared that Obama-plan critic Mitt Romney might eliminate the mandate if elected president, leaving California insurers required under Senate Bill 961 and Assembly Bill 1461 to cover sick patients while healthy residents could avoid buying coverage.

While much of the health care action will take place at Covered California, the Legislature must still make several major decisions in a special legislative session in January.

Sen. Ed Hernandez, D-West Covina, chairman of the Senate Health Committee, said lawmakers must revisit the legislation that Brown vetoed to require insurers to cover all individuals regardless of medical condition and define how premiums are set.

He said the Legislature also has to consider how to extend Medi-Cal benefits to more people and whether to create an alternative basic health plan for low-income residents.