



# Response to: State of Reform

Ms. Lee,

The story (“Commissioner Dave Jones on the “big missing piece” of CA health reform,” May 7, 2015) misled your readers and did not accurately represent the decisions made by Covered California or detail the increase of competition in California’s health insurance market.

Covered California made it clear when we first began accepting bids for entry into the marketplace for the 2014 year, that we would not add new carriers to the system until 2017 with the exception of Medi-Cal Managed Care plans. This concept was widely reported, discussed with the Department of Insurance and publicly vetted with carriers, stakeholders and regulators at numerous Board meetings and Plan Advisory meetings.

This decision was made to build solid partnerships with the carriers selected and it helped us offer the best pricing and stability to our consumers. The insurance carriers knew that if they took the risk and made the investment to be a part of this historic endeavor, they would not be undercut by those carriers that stood on the sideline and waited to see how things worked out.

While most other state-based exchanges and the federal marketplace allow all interested carriers to participate in their marketplaces, with varying benefit designs and no negotiating between the carriers and their respective exchanges, Covered California chose the selective contracting or “active purchaser” model. Under that model, Covered California is charged with negotiating and selectively contracting with carriers to obtain the optimal combination of choice, value, quality and service for California consumers.

As an “active purchaser” Covered California was able to promote competition in the market, and give consumers more options, as we added four plans to the individual market that had previously primarily served only Medi-Cal or small employers.

With stability in the marketplace established, Covered California negotiated a 4.2% weighted average increase on rates for the 2015 coverage year, which is a significant improvement over the double-digit increases we used to see in the individual market.

A recent independent Kaiser Family Foundation report also confirmed that the “active purchaser” model stimulates competition. The report, [“Sizing up Exchange Market](#)

[Competition.](#)” underscores that more consumer choice does not equate to more true competition and examines three indicators of individual market competition in California in 2012 versus February 2014. The indicators are:

- The Herfindahl-Hirschman Index (HHI), a metric for market share distribution across insurers;
- Market share of the largest insurer;
- Number of insurers with greater than 5% market share.

The HHI findings in California showed a moderately concentrated individual market in February 2014, as opposed to a highly concentrated individual market in 2012. The percent market share of the largest company has dropped from 47% in 2012, to 30% in Feb. 2014, to 28% in Feb. 2015, and the number of companies statewide with greater than 5% market share has increased from three to four.

On a local level, Covered California’s impact in the market is even more pronounced. In specific regions of the state the following five local/regional carriers each garnered more than 5% market share: Chinese Community Health Plan, L.A. Care Health Plan, Molina Health Plan, Sharp Health Plan and Western Health Advantage.

Our commitment is simple, Covered California has and will continue to add carriers where we believe we can promote viable competition and choice for the benefit of California consumers.

With that in mind, Covered California’s board of directors voted to allow new carriers into the exchange in 2016, a year earlier than initially expected. Medi-Cal managed care plans and newly licensed carriers, as of August 2012, can apply to serve Covered California consumers in all 19 of our pricing regions.

The board also voted to open the door early to carriers that do not qualify under those two exceptions by allowing them to apply to enter regions where our customers currently have limited choices. This allows carriers that chose not to participate at the start of the exchange, to come into the market a year earlier if they choose, in a limited fashion that best serves the needs of our consumers.

Both of these decisions by our board were well-reported, and will increase choice for consumers by providing more options for health care coverage while maintaining the stability of the marketplace.

When it comes to the cost of “specialty drugs” that are often included in the Tier 4 pharmacy benefit, Covered California is committed to protecting consumers by significantly lowering the financial burden for those that need high cost drugs. We have been working on this issue for months and created a specific workgroup comprised of regulators, consumer stakeholders and the Department of Insurance. This is a critical

issue for all of our consumers, not just those who depend on these medications, because it will impact the overall premiums for all consumers. The challenge of finding the right balance between drug costs for consumers and premium costs for all policy holders is one that exists across the entire health insurance industry, not just exchanges.

Thank you in advance for reaching out to Covered California in the future before you publish articles that contain attacks. We are eager to engage and foster a meaningful conversation on issues like these for your readers.

Sincerely,

Anne Price

Director of Plan Management

Covered California