

**Senate Health Committee
Informational Hearing
“The Affordable Care Act in California: What’s at Stake.”
January 19, 2017
Kern County Administrative Center
1115 Truxtun Avenue, Bakersfield, CA**

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Covered California Overview

California has achieved great success in implementing health reforms and coverage expansions that are working for Californians. Through the expansion of Medi-Cal and the creation of a competitive marketplace that has helped to grow and strengthen the state’s individual insurance market, affordable health coverage has been brought within reach of millions of Californians. Over the past three years, California has cut its uninsured rate by nearly 10 points, from 17 percent in 2013 to 7.4 percent in June 2016¹ — our lowest rate in history.

Covered California is driven by a mission to increase the number of insured Californians, improve health care quality, lower costs, and reduce health disparities. While we continue to build on our progress, a number of important achievements have been reached so far.

Covered California Enrollment

Since opening its doors in 2014, Covered California has cumulatively enrolled more than 2.5 million people into health insurance. Many of these are people who had not previously had coverage because they could not afford it, could not obtain it due to a pre-existing condition, or found themselves without coverage due to a change in their employment or other life circumstance.

As of June 2016, our current enrollment is approximately 1.36 million active enrollees. Covered California’s enrollee population is diverse, has a substantial proportion of younger enrollees, and constitutes a healthy risk mix.

About 90% of our enrollees receive federally-funded premium tax credits to help pay for their monthly premiums. This financial assistance covers, on average, about 70% of a consumer’s gross premium. Further, over half of Covered California enrollees receive financial help to pay for their out-of-pocket costs related to health care services. These cost-sharing reductions are available to those with incomes below 250% of the federal poverty level, and can be obtained only through an enhanced silver plan.

¹ [National Health Interview Survey](#), November 2016

Tools for Success

Many of Covered California's achievements can be attributed to the state's commitment to meaningful health reform. Through our enabling statutes, California put in place the tools needed for Covered California to play a role in shaping and creating a competitive marketplace that focuses on affordability, quality, and improvements to the health care delivery system.

- ***Creating a Competitive Marketplace***

Covered California leverages its authority to negotiate with health insurance plans and create a competitive market that contributes to affordability and that maintains choice and value for consumers.

Each year of operation, Covered California has contracted with no fewer than 10 health insurance companies. This has resulted in the ability of consumers to shop and select from plans offered in their region based on what is the best value for them.

For 2017, Covered California contracts with 11 health insurance companies. Additionally, 100 percent of Covered California enrollees can choose from at least two carriers, and 93 percent of enrollees can choose from at least 3 carriers.

Covered California also proactively works to keep premium costs down by negotiating with its carriers on rates. Between 2011 and 2013, California's individual market experienced a median rate increase of 10.4 percent.² Covered California was able to negotiate a statewide average rate increase of only 4.2 percent in 2015, and 4 percent in 2016.

Rates for 2017 (13.2% statewide average) are higher than the last two years. 2017 is considered a "transitional year" for rates primarily due to the expiration of the federal reinsurance program. Despite the higher rates this year, the average increase over the last three years is approximately 7%, still lower than the trend prior to the establishment of Covered California.

- ***Patient-Centered Benefit Designs***

Covered California requires patient-centered benefit designs, which standardizes what carriers can offer. This provides a comparable set of benefits for consumers that allow them to make apples-to-apples comparisons when shopping for a plan without having to navigate complicated, often incomprehensible, variations in health plan designs.

² [California HealthCare Foundation](#), July 2016.

The patient-centered benefit designs also reduce the number of services that are subject to a deductible and improve access to care. For example, no outpatient service in our Silver, Gold, and Platinum health plans are subject to deductibles. In Bronze health plans, enrollees can have three doctor's visits not subject to deductible. This allows for consumers to access primary care without having to pay thousands of dollars to satisfy their deductible first, and it also helps contribute to a healthy risk mix as consumers who don't see any value in their health plan may be more likely to drop their coverage.

- ***Information Technology***

Through a partnership with DHCS, an online eligibility and enrollment system – CalHEERS – has been established and serves as the portal through which consumers can apply for coverage, determine their eligibility for Covered California or Medi-Cal, enroll into coverage, manage their account, obtain assistance. Additionally, through Covered California's website, consumers can shop and compare health plans, see how much financial assistance they may qualify for, learn about their health care options, and apply for coverage.

- ***Service Centers***

Covered California's service centers are supported by nearly 850 employees in Fresno and Rancho Cordova who provide year-round service to consumers in multiple languages, including comprehensive pre- and post-enrollment education and support, enrollment assistance, eligibility questions/issues, appeals, and "warm transfers" to counties of those eligible for Medi-Cal.

- ***Marketing and Outreach***

Covered California has established a successful evidence-based marketing effort in multiple languages, in all corners of the state, using TV, radio, print, and digital platforms. Marketing reaches and retains consumers by conveying the value of coverage, supporting informed choice, promoting enrollment, and providing information and education to consumers.

Covered California has established a robust outreach and enrollment assistance effort in partnership with an expansive network of community partners, health organizations, insurance agents, and other entities to help potential enrollees learn about their coverage options and enroll into coverage.

Off-Exchange Impact

Additionally, it is important to point out that California's individual market is comprised of a single risk pool, and carriers that offer coverage through Covered California must also offer identical products off of the Exchange. As a result, development of a competitive market on the Exchange supports a competitive market off of the Exchange. Therefore, those who purchase coverage off of the Exchange benefit from the rates and benefit designs offered to Covered California enrollees. According the data from the

California Health Care Foundation, as many as 1.1 million Californians are enrolled in an off-market plan and benefit from Covered California negotiations.

Covered California for Small Business

The ACA expanded health coverage options to entrepreneurs and small business owners through Covered California for Small Business (CCSB), formerly known as SHOP. Through CCSB, consumers have an additional marketplace to purchase coverage for their employees. Under CCSB, eligible employers contributing at least 50 percent of their employees' premium cost qualify for a tax credit for up to two years. Many of the benefits of the individual market are also in CCSB, including patient-centered benefit designs and dependent coverage until 26.

Closing

Covered California's success can be greatly attributed to the foresight and leadership of the legislature, governor and administration, and our board as well as our many partnerships with health plans, advocates, agents, government partners, philanthropic organizations, and others who have remained committed to our shared vision for expanding coverage.

Many questions have been asked about what changes to Congress and the federal administration may mean for Covered California and its consumers. First and foremost, we remain focused on enrolling and renewing consumers into health coverage.

We are in the midst of our fourth open enrollment period, during which consumers are renewing their health plans and enrolling into coverage for 2017. We want to make sure that they are aware that, despite discussions in Washington, 2017 health plan rates will not change, that financial assistance is still available to them, and that the penalty for maintaining coverage is still intact.

We have been very proactive in getting these messages out to consumers to quell confusion or uncertainty about whether or not to enroll, and we will continue to communicate these messages throughout open enrollment and beyond.