

AB 52 RATE BILL FACES GROWING OPPOSITION

The Sacramento Bee -

Aug. 18, 2011: Supporters of controversial legislation to give state regulators power to approve, deny or modify changes in health insurance rates have returned from their summer recess to find added opposition as they push for its passage before the session wraps up.

Gov. Jerry Brown's finance officials came out against Assembly Bill 52 at a Senate Appropriations Committee hearing this week, raising concerns about the costs of the rate-regulation proposal.

AB 52, by Democratic Assemblyman Mike Feuer of Los Angeles, is one of the most contentious measures up for debate in the session's remaining weeks. It would allow the state insurance commissioner or the director of the Department of Managed Health Care to reject or modify proposed rate increases found to be "excessive," "inadequate" or "discriminatory."

Supporters, including Insurance Commissioner Dave Jones and health advocacy groups, say the measure would protect businesses and consumers from sky-rocketing premiums, pointing to large rate hikes recently pursued by Anthem Blue Cross.

While the governor hasn't taken a formal position on the bill, an analysis produced by the Department of Finance cited "substantial first-year and ongoing costs" as a factor in its position.

The report raised concerns that the need to review more proposed rates would "require very large staff increases that are likely impractical to be achieved" and that the state would face "significant" litigation costs in the likely case that the law is challenged in court.

The bill cleared the Assembly on a 45-28 vote with no Republican support. Opposition appears to be mounting as it works its way through the upper house.

Finance's opposition follows concerns raised by members of the state's new Health Benefit Exchange board, who caution that the bill could interfere with the health insurance marketplace it is tasked with creating under the federal health care overhaul.

The California Public Employees' Retirement System board voted Wednesday to oppose the measure. A staff report cited concerns over costs and complications with its own responsibilities running health benefit plans for state employees and retirees.

Because of the projected costs of the legislation, the Senate Appropriations Committee directed the bill to the suspense file for later consideration. Whether AB 52 makes it to a full floor vote won't be known until those high-cost measures are taken up late next week.

Feuer was not available for comment Wednesday. In the past, supporters have

pointed out that 35 states require rate approval by state regulators and that much of the funding for the policy would come from state fees and federal subsidies, not the general fund.