



**The California Managed Risk Medical Insurance Board**  
1000 G Street, Suite 450  
Sacramento, CA 95814  
Phone: (916) 324-4695  
Fax: (916) 324-4878

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## MEMORANDUM

DATE: May 12, 2011  
TO: MRMIB Members  
FROM: Jeanie Esajian, Deputy Director for Legislation and External Affairs  
SUBJECT: MRMIB Media Report for March – May 2011

The last two months have been a light media period with coverage focusing on the following:

- Budget impacts on the Healthy Families Program
- Efforts to raise awareness about children's health insurance
- The anniversary of the Affordable Care Act

External Affairs staff issued a press release regarding the changes to PCIP's premiums following the March Board meeting, and the release generated coverage in the California Healthline.

External Affairs worked with the Sacramento Business Journal to include a testimonial from a PCIP subscriber in a larger article about health care reform implementation. The Business Journal published the article on April 1, 2011 in its annual health care directory.

External Affairs also worked with the Sacramento Business Journal to place an opinion piece about the benefits of PCIP for California entrepreneurs in the publication. The Sacramento Business Journal published the article on April 29, 2011 in its small business section.

During the past 60 days, seven reporters contacted MRMIB. These reporters represented California Healthline (web), Center for Healthcare Reporting (web), KQED (public radio), Ventura County Star (newspaper), Riverside Press-Enterprise (newspaper), Huffington Post (web), and a freelance writer.

Reporters from California Healthline and the Center for Healthcare Reporting called MRMIB to request more information about the PCIP premium reductions. Reporters from the Riverside Press-Enterprise and the Ventura County Star called with questions about county-level PCIP enrollment. The reporter from KQED radio asked to be connected with a PCIP subscriber for an interview to be part of a story about the anniversary of the ACA. The Huffington Post reporter called regarding a story about a specific PCIP subscriber's enrollment and payment issues. A freelance reporter contacted MRMIB with questions about Medi-Cal and Healthy Families eligibility requirements.

If you have any questions or comments regarding these articles, please feel free to contact me at (916) 324-0571 or at [jesajian@mrmib.ca.gov](mailto:jesajian@mrmib.ca.gov).

# NEWS FROM MRMIB

The Managed Risk Medical Insurance Board

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Contact: Jeanie Esajian  
916-324-0571  
916-275-7649

For Immediate Release  
March 16, 2011

## Managed Risk Medical Insurance Board Announces 2011 PCIP Premiums

The 2011 healthcare premiums released today for California's federally-funded Pre-Existing Condition Insurance Plan (PCIP) show that most subscribers will see no change while 12 percent of them will see a reduction.

"None of the current PCIP subscribers will see an increase," said Janette Casillas, Executive Director of the Managed Risk Medical Insurance Board (MRMIB), which operates the California PCIP.

There will be no change in premiums for most age groups; however, subscribers aged 60 and above will see a reduction, as will children ages 15 through 18. Rates published last year before the program opened in California ranged from \$127 to \$1,003 per month for an average of \$565. The new rates range from \$127 to \$652 per month, which is a 35 percent reduction of \$351 a month in savings for the highest premium payers. The new rates take effect for the May 1 billing cycle. Affected subscribers in California's PCIP during the first four months of 2011 will see a credit in next month's billing statement. The Board reviewed the premium changes during a public meeting today.

The insurance plan opened for business on October 25, 2010, as one of the first major health care reform programs to be implemented in California under the federal Patient Protection and Affordable Care Act. Since the program opened, more than 1,800 Californians have enrolled in this comprehensive medical plan.

Eligibility is limited to Californians who have not had "creditable health coverage" for at least six months upon applying and must have a pre-existing condition as evidenced by either a declination for individual insurance coverage in the past 12 months or an offer of coverage with a premium higher than that of the applicable Major Risk Medical Insurance Program preferred provider organization premium. Applicants must also be U.S. citizens, nationals or lawfully present.

To review revised premiums, apply for coverage or obtain more information about PCIP, please go to [www.pcip.ca.gov](http://www.pcip.ca.gov) or call 1-877-428-5060. ###

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MRMIP

HFP

AIM

PCIP

Managed Risk Medical Insurance Board  
1000 G Street, Suite 450  
Sacramento, CA 95814

Cliff Allenby, Chairman  
Janette Casillas, Executive Director  
916/324-4695

California Health and Human Services Agency



## Few sign up for pre-existing condition insurance

BY JANET LAVELLE

WEDNESDAY, MARCH 16, 2011 AT 8 P.M.

More than half a year after one of the first pieces of federal health care overhaul was launched, a fraction of those eligible have enrolled for coverage in the Pre-Existing Condition Insurance Plan.

Just 1,588 Californians and about 13,000 people nationwide have signed up for the program that provides subsidized insurance for people with ongoing medical conditions.

An estimated 4 million Americans and 250,000 Californians qualify for the \$5 billion, four-year program.

Ending what the Obama Administration called discrimination by insurers against people with such medical problems was a prime goal of the Affordable Care Act.

The insurance program was designed as an interim solution until full health care reform kicks in by 2014, when insurers will be banned from denying coverage to adults with pre-existing conditions.

Consumer advocates generally praise the program and say more people will sign up once they learn about it. But advocates also say relatively high premiums and a requirement that applicants be uninsured for six months puts the program out of reach for many people.

"This program is a lifesaver for a lot of people who can pull together the money for it so they can get the care they need," said DeAnn Friedholm, director of healthcare reform for Consumers Union. "But the monthly premiums are still too high for many people to afford."

And for those who have managed to get minimal coverage, going uninsured in order to qualify for the new program is too much of a gamble, she said.

### Rates in San Diego County

Monthly premium ranges: \$127 for people under 18; \$571 age 60 and over.

Deductibles: \$1,500 medical, \$500 prescription drugs in network.

Copayments: \$25 per doctor visit, \$5-\$30 prescriptions, 15 percent for other services in network.

Total annual out-of-pocket maximum: \$2,500.

### To qualify

Be a U.S. citizen or legal resident

Be uninsured for the last six months

Be denied insurance within the last year because of a pre-existing condition.

### For information

Phone: (877) 428-5060

Online: [www.pcip.ca.gov](http://www.pcip.ca.gov)

"That causes concern for people who have inadequate coverage now and would like to get into better coverage like PCIP ... but cannot take the risk of going uncovered for six months because something might happen to them during that time," she said.

Federal and state officials say they aren't surprised by the low enrollment numbers so far.

"All the programs we have launched started out slowly and built over time," said Jeanie Esajian, spokeswoman for the state Managed Risk Medical Insurance Board, which oversees the state plan.

Steve Larsen, director of the Center for Consumer Information and Insurance Oversight, which operates the federal program, said thousands are being helped and more will enroll once they learn about it.

"We are working every day to get the word out about this program, to find people who have been abandoned by the health insurance industry to get them the coverage they have been denied for so long," he said.

The program is operated by the U.S. Department of Health and Human Services in 23 states, while 27 states run their own program with federal funding.

The federally run plan began offering coverage on Aug. 1.

California received \$761 million and began providing coverage on Oct. 25, with premiums varying by age and by county.

The federal money partially subsidizes premium costs with the goal that consumers will pay rates similar to individual plans for healthy people in their areas.

Barry Cogdill, president of Business Choice Insurance Services in San Diego, said the premiums do compare favorably to published rates for individual plans for people without serious or chronic medical problems.

In the state program, a 45-year-old San Diegan with a pre-existing condition would pay a \$335 monthly premium, annual deductibles of \$2,000 and an out-of-pocket maximum cost of \$2,500.

In contrast, a healthy 45-year-old San Diegan could pay \$293-\$383 a month, \$1,000-\$1,700 in annual deductibles and an out-of-pocket maximum of \$2,000-\$6,500 for a similar policy on the individual market. Many people will pay rates 25 percent to 100 percent higher, though.

Rates can be higher for smokers, people with high blood pressure or high cholesterol, or other problems. Cogdill said he recently had a client who was charged twice the published rate because she had part of her colon removed a decade ago, with no later medical problems.

"The PCIP is a great health plan and the out-of-pocket maximum is low," said Cogdill, especially for people with chronic conditions serious enough that they were denied coverage — such as diabetes, lupus, cancer, heart conditions, stroke, epilepsy or other serious illness.

Still, the state program — like individual policies in general — are too expensive for many people, he said.

"That's why health care reform happened," Cogdill said. "The individual market has been the Achilles' heel of the health insurance market. You end up with a lot of uninsured people."

Austin Price, healthcare associate for the statewide consumer advocacy group CALPIRG, agreed with Friedholm that the six-month waiting period, plus premium costs, make the plan prohibitive for many people.

"It's still inaccessible for a lot of people," he said. "But this was never meant to be a full policy solution."

Price said that while enrollment generally is low, it's higher in states that run their own programs, like California.

In January, the federally-operated program in 23 states retooled and began offering three insurance options, with substantially cheaper premiums for two of the plans.

The California program seems to be less expensive for most consumers and rates were made even lower this month for some age groups.

Anthony Wright, executive director of Health Access California, said marketing the program is the next challenge in California because many people who are eligible may not know about it.

"It's very hard to find these folks," Wright said. "That being said, we believe the state should use all the tools at its disposal for outreach to get to those folks. I think the state would admit that it spent a lot of time getting the program up and running and less time on aggressive outreach. Obviously more can be done."

Wright said that even if California spent all \$761 million, more federal funds could be available from other states who spend less than their allotment.

"We shouldn't look at this funding as a limited resource we need to husband for three years," he said. "We should see this as an opportunity to draw down as much federal funding as possible to put into our health care system."

Esajian, the Managed Risk Medical Insurance Board spokeswoman, said the program is now trying to get word out about the program through disease-specific organizations such as the American Cancer Society, whose constituency may have had trouble getting health insurance.

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**Find this article at:**

<http://www.signonsandiego.com/news/2011/mar/16/few-sign-subsidized-pre-existing-conditions-insura>

Check the box to include the list of links referenced in the article.

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March 18, 2011 - Capitol Desk

## New High-Risk Rates Welcomed

by Mari Edlin (Guest Contributor)

When California's Managed Risk Medical Insurance Board decided to create a state-run, pre-existing condition insurance plan in October, 2010 instead of using the "federal fallback" program, it didn't mean complete autonomy for California officials.

The high-risk insurance program is funded through 2013 by a \$761 million allotment from the federal government and federal officials have some guidelines about how that money is spent.

To entice more enrollees, the federal HHS lowered premiums on the pre-existing condition plans in states using the federal fall-back program. HHS requested that all plans, including state-sponsored ones, create a new child-only age band, moving it from birth to 14-years-old to include children up to 18. Secondly, HHS reinterpreted the payment plans for subscribers in each of the nation's PCIP -- or pre-existing condition insurance plan -- regions.

The result: no increases for any PCIP subscribers. And in fact, enrollees aged 60 and older and 15 to 18 will see reductions in their premiums -- two groups who on average pay the highest premiums. The changes will affect 12% of enrollees.

The reductions were greeted with applause by subscribers and state officials alike. Jeanie Esajian, deputy director of MRMIB, said the request by HHS to review the range between highest and lowest rates was the impetus for the changes.

"We are satisfied that our calculations have led to such a positive outcome," she said. New rates, which will be effective on May 1, will hold until the end of the year. Subscribers will receive a credit or refund from premiums paid Jan. 1 to April 30 to reflect the lower rate.

Premiums for the highest payers have decreased by 35% compared to rates published at the onset of the program.

About 1,800 Californians have enrolled in the PCIP, which Esajian said was the second highest enrollment in the nation. "Most states have experienced a rather small number of subscribers," she added.

She attributes the low number to the cost of the plan and to a requirement that subscribers must have been without "creditable health coverage" for at least six months prior to joining the pre-existing condition plan.

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March 25, 2011 - Capitol Desk

## New Bill Would Take Over MRMIP Money

by David Gorn

The legislative season has begun, with dozens of bills moving through committees this week.

The Senate Health Committee this week approved a measure designed to increase the number of physicians, nurses and allied health professionals in California -- just when demand for those jobs may be at its highest point.

"SB 635 would direct money that is currently going to MRMIP (Major Risk Medical Insurance Program), which is being phased out by national health care reforms," according to Senate member Ed Hernandez (D-Los Angeles), author of the bill and head of the Health Committee. "The money funding MRMIP can be spent now on the vital job of increasing the health care work force in California."

That's especially important starting in 2014, Hernandez said, because the demand for primary care providers is expected to spike -- particularly in underserved communities -- and that's where some of that workforce training money could go.

Gail Blanchard-Saiger of the California Hospital Association said **this bill** is going to be critical, given the current dearth of providers in the state, on top of the increased demand.

"California is not going to have the medical providers, particularly in the allied health fields," Blanchard-Saiger said. "The state will need to train 1 million health care workers by 2013. That's doctors, nurses and a vast array of allied health fields."

It's an attractive idea right now, she said, because it doesn't require any additional expense incurred by the state. "It is much-needed funding for workforce training," she said, "without any added money from California."

The time to plan for the national health care reform law is now "because 2014 is right around the corner," Hernandez said. "This law will be one small part of trying to get more primary care providers and nurses into underserved areas."

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# Love it or loathe it, health reform hits the streets

Despite controversy, many provisions already in place

## A road map to health care reform

The \$940 billion Affordable Care Act is 1 year old — and just as controversial as it was at birth.

The landmark legislation, signed by President Obama on March 23, 2010, will extend coverage to 32 million Americans by 2014 and change the way care is delivered.

It already is helping Americans gain control over their insurance coverage and recoup some savings. New consumer protections are in place, and the health-care industry is scrambling to prepare

STORY BY  
**KATHY ROBERTSON**

for a marketplace with far more scrutiny on quality and cost.

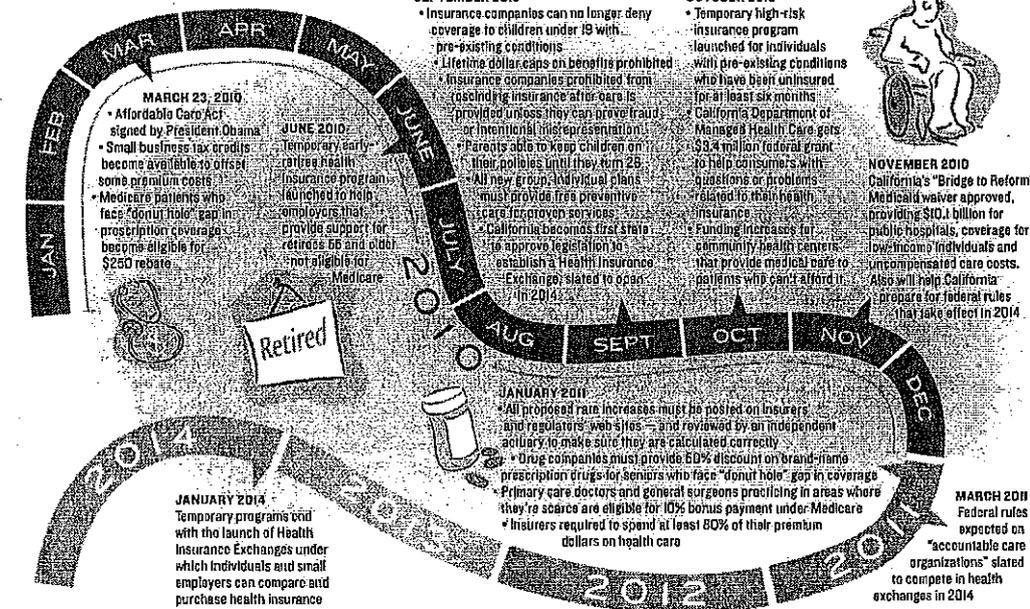
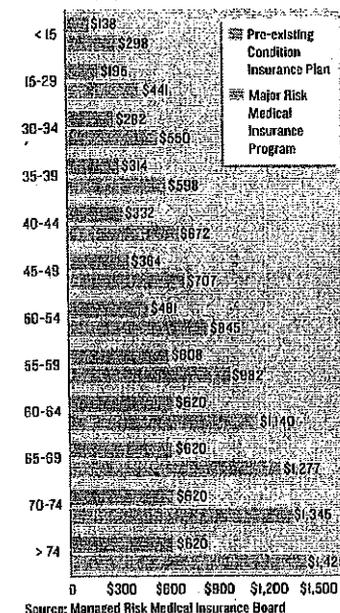
But lawsuits challenge one of the act's main provisions — the requirement that everyone must buy insurance — and business is bristling at some of the rules, worried they will slow the nation's economic recovery. In addition, questions remain about whether the Supreme Court and the new U.S. Congress will unravel key provisions of the law, greatly reducing its effectiveness.

"The law isn't perfect, but the law is the law," said Kim Belshe, former secretary of California Health and Human Services, who was appointed by former Gov. Schwarzenegger to serve on the board of the California Health Benefits Exchange created by the act. "Implementation is complicated, resource intensive and vexing — but implementation is here, and we've got to move forward."

### Better benefits, lower costs

A new federally subsidized, state-run health insurance plan for people with pre-existing conditions is far cheaper than an existing state program. The plan is only open to people who have been uninsured for six months or more.

Monthly premiums for Sacramento County residents, by age



HEATHER WITZERS AND JEFF BYRD | SACRAMENTO BUSINESS JOURNAL

### THE FIRST STEPS

Some provisions took effect immediately after the bill was signed.

They include small-business tax credits, targeted to offset some of the cost of premiums. Tax credits are available to employers who buy health insurance for workers — but they must have fewer than 25 full-time equivalent employees and those workers must earn average annual wages of less than \$50,000.

Provisions also include a \$250 rebate for Medicare patients who hit the "donut hole" in prescription drug coverage. This gap in coverage occurs when costs, including deductibles and copayments, paid by beneficiaries, reach \$2,840, and it continues until total out-of-pocket costs reach \$4,550.

In June, a temporary health insurance program for early retirees was launched. Its mission is to help employers that support retirees 55 and older who aren't eligible for Medicare. It ends in 2014, when other reforms kick in.

By December, 518 California employers had been accepted into the program and received almost \$65 million in reimbursement from the feds.

One early adopter was the California Public Employees' Retirement System. Pension fund officials estimate they will save \$200 million in premiums for more than 115,000 early retirees and their dependents in 2010-2011.

In anticipation of the savings, CalPERS worked with health plans to decrease 2011 premiums by 3 percent — a savings that directly benefits the 1.1 million public employees that participate in the health benefits program, many of whom have been subject to declining wages due to state furloughs.

"It was very beneficial for us — and for our 2011 rates," said Kathy Dommeson, chief of the CalPERS office of health

plan administration.

The Sacramento Municipal Utility District participates, too. Between 25 and 50 employees are enrolled in the program. SMUD has been reimbursed more than \$500,000 so far.

"The system is pretty easy to use. The first reimbursement arrived within 30 days," said Jason Schibata, benefits supervisor at SMUD.

### NEW OPTIONS

A wide-ranging Patient's Bill of Rights took effect in September. It stopped insurance companies from denying coverage to children under 19 who have pre-existing conditions or from dropping coverage after care is provided because mistakes were made on applications for insurance. Lifetime dollar caps on benefits were nixed. Young adults won the right to remain on their parents' coverage through age 26, and all new plans were ordered to provide free preventive care for proven services.

"From the consumer point of view, hundreds of thousands of Californians are getting direct help, whether it's young adults on parents' coverage or seniors getting help with drug costs," said Anthony Wright, executive director of Health Access, a San Francisco-based consumer group.

"More broadly, millions of Californians have more peace of mind due to protections in the act, and there will be new options, new benefits and new protections to millions of Californians in the next few years."

There's a lot in federal reform for doctors to like, said Dr. Paul Phinney, a Sacramento pediatrician who chairs the board at the California Medical Association.

"From doctors' standpoint, it's really all about patients. We are pleased with the

commitment to reform, insurance protections and propping up the safety net," Phinney said. "The tricky part will be ensuring not just coverage, but access."

### 'PEOPLE LIKE ME'

A subsidized health insurance program for individuals with pre-existing conditions kicked off in October.

The program is designed to provide insurance to individuals who have been denied coverage or offered options they could not afford. People are eligible if they've gone without insurance for six months or more.

A temporary fix, the program will go away in 2014, when insurers will be prohibited from denying coverage based on health status, and the Health Insurance Exchange — a one-stop insurance shop — will offer affordable coverage to small businesses and people without employer-sponsored benefits.

By mid-March, 1,828 Californians had signed up for the program.

The program is funded by \$761 million from the feds, plus premiums from beneficiaries. Initial estimates figured about 23,000 Californians could be served at any given time.

"This is a much richer and more cost-effective program for medically uninsurable people in California," said Janette Casillas, executive director of the Managed Risk Medical Insurance Board, which runs the new Pre-existing Condition Insurance Program.

California has a long-standing insurance program for high-risk individuals but it is more expensive than the new federally subsidized program and has benefit caps. People already enrolled in the old program cannot join the new one because they have not been uninsured

## FROM PAGE S-2

for six months or more. And that's hindering enrollment in the new program.

"We believe one of the reasons for the slow enrollment is the six-month barrier. That's a long time" to go without insurance, especially if you are a high-risk patient, Casillas said.

Bryan McCarthy knows all about not having insurance.

Five years ago, McCarthy damaged blood vessels in his ankle when he jumped off a horse that "freaked out." The lack of blood to the region caused tissue in his ankle to die.

McCarthy, now 27, had two surgeries covered on his parents' insurance. Then he turned 25, was dropped from the plan and hobbled for more than a year before discovering the new program.

"I hit a wall; it just wasn't getting any better," McCarthy said.

At roughly \$200 a month, health insurance became affordable. McCarthy signed up — and had surgery once again. The ankle still isn't healed, but he has access to ongoing treatment.

"This is a great opportunity, this program. It helps a lot of people like me," he said.

## TACKLING RATE INCREASES

Almost \$432 million in grant funding has been made available in California since the Affordable Care Act was signed.

In addition to supporting the early-retiree and pre-existing condition programs, the money includes:

- One-time, tax-free \$250 rebates to

214,650 Medicare beneficiaries to defray costs during the "donut hole" or temporary lapse in their Part D prescription coverage.

- \$3.4 million to the California Department of Managed Health Care and the Office of the Patient Advocate to help consumers with problems related to their health insurance.

- \$1 million to crack down on unreasonable insurance premium increases by synchronizing review activities between the DMHC and state Department of Insurance and to post filings online to educate consumers.

- \$1 million to plan for the Health Insurance Exchange in California.

- Sixteen other grants that range from \$200,000 to boost the health care work force to \$91.5 million to support capital development at community clinics.

"The first year has been an amazing opportunity to regroup and decide where to go with the industry," said Carmela Castellano-Garcia, president and chief executive officer at the Sacramento-based California Primary Care Association. The trade group represents 600 community clinics statewide. "Health care reform validated the existence of community health centers and really embraced them."

## CHANGE CONTINUES

Initial changes to the Medicare program took effect in January, including free preventive care for seniors and a 50-percent discount on name-brand prescription drugs for seniors who face the donut hole gap in coverage.

By the end of January, 308,713

Medicare beneficiaries in California had received a \$250 rebate check.

Effective Jan. 1, insurers must spend at least \$4 of every \$5 they collect in premiums on direct medical services and other programs to improve care. If they don't, they must rebate premiums to members. The bar is higher — 85 percent of every premium dollar — for health plans that serve large employers.

New federal regulations on "accountable care organizations" are expected any day. The "ACOs" are expected to compete for business in the Health Benefits Exchange that rolls out in 2014.

The idea of the ACOs is to get doctors, hospitals and health plans to share information — and financial risk — in order to coordinate care more directly, improve quality and reduce costs, instead of shifting them from one partner to another or back to the employer paying the tab.

One of the few pilot ACOs in the nation tested the concept in Sacramento. By working together, Blue Shield of California, Catholic Healthcare West and Hill Physicians Medical Group Inc. appear to have shaved the cost of care for 41,000 CalPERS members by as much as \$20 million. The partners reduced unnecessary hospital readmissions by 22 percent and days spent in the hospital by 12.9 percent.

## ONE-STOP SHOPS

Big policy decisions are pending for the state Health Benefits Exchange, even though it won't launch until 2014. California was the first state to create one, and planning is expected to ramp up this year.

Under federal law, exchanges are one-stop shops where individuals and small



RENEE M. COY/SACRAMENTO BUSINESS JOURNAL

Bryan McCarthy was dropped from his parents' health plan at age 25. He hobbled on an injured ankle for more than a year before landing federally sponsored insurance.

businesses can find and compare affordable, quality health insurance.

California's exchange will be overseen by a five-member board. Four members have been appointed so far, including Belshe, former secretary of California Health and Human Services; former Schwarzenegger chief of staff Susan Kennedy; HHS Secretary Diana Dooley; and Paul Fearer, executive vice president

REFORM | PAGE S-4



## Dedicated to the Health of Northern California Communities

### Our Local Commitment

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For more information, please visit [www.mcstate.com](http://www.mcstate.com)

## REFORM | Debate still rages on provision requiring individuals to purchase health care

FROM PAGE S-3

of Union Bank of California and board chairman at the Pacific Business Group on Health, a leading Bay Area nonprofit business coalition. Appointment of the fifth member and an executive director to run the program were pending at press time.

The group has weighty issues on its plate, including the role of the exchange in determining eligibility and enrollment and deciding to whom is the exchange's board will be accountable. The group will have to define terms such as "qualified

health plan" and "small employer" because legal definitions are inconsistent.

"The issue of what health plans and organizations can participate in the Health Insurance Exchange is already raging in the private sector," said Albert Lowey-Ball, a Sacramento health care consultant.

In addition, the board will have to tackle the relationship between the exchange and Medi-Cal.

"Under reform, Medi-Cal is not your grandmother's Medi-Cal any more—for certain types of poor or disabled people—but a foundation for all kinds of people at

a certain income level," Belshe said.

A \$10.1 billion Medi-Cal waiver approved by the feds in November provides a "Bridge to Reform" applauded by providers. The money will be used to help public hospitals, provide additional coverage for low-income individuals and help with uncompensated costs of care. It also will help California prepare for the exchange and other reform in 2014.

"A shining star in the eye of the storm is the potential for coverage starting now," said Ann McLeod, senior vice president for policy at the California Hospital Association.

### PUTTING ON THE BRAKES

While efforts to implement reform move into high gear, some business leaders and members of Congress are scrambling to slow or stop the changes.

Republicans who swept the House and diminished the Democratic majority in the Senate in November have targeted key portions of the law and promised to withhold funding to implement other changes if their efforts fail.

Others have gone to the courts for relief, but the record so far is mixed. The primary target is the "individual mandate," an issue that likely will be decided by the U.S. Supreme Court.

"The requirement to have everyone carry insurance or pay a penalty is simply unconstitutional," said John Kabateck, executive director of the California chapter of the National Federation of Independent Business, the primary plaintiff in one of the lawsuits.

Kabateck sees good, bad and ugly in the Affordable Care Act. Ugly dominates.

"Small-business owners do want reform and do believe Californians—and all Americans—should have access to quality, affordable health care," Kabateck said. "The bitter pill is forcing it through mandates and regulation. Our small business owners are gravely concerned that the health care law costs too much and will further slow our crawl toward economic recovery."

Health plans bristle at some of provisions, too.

Debate has focused on rising health insurance premiums while ignoring the root causes that are driving up the cost of coverage, according to Karen Ignagni, president of America's Health Insurance Plans, a national trade group for HMO plans.

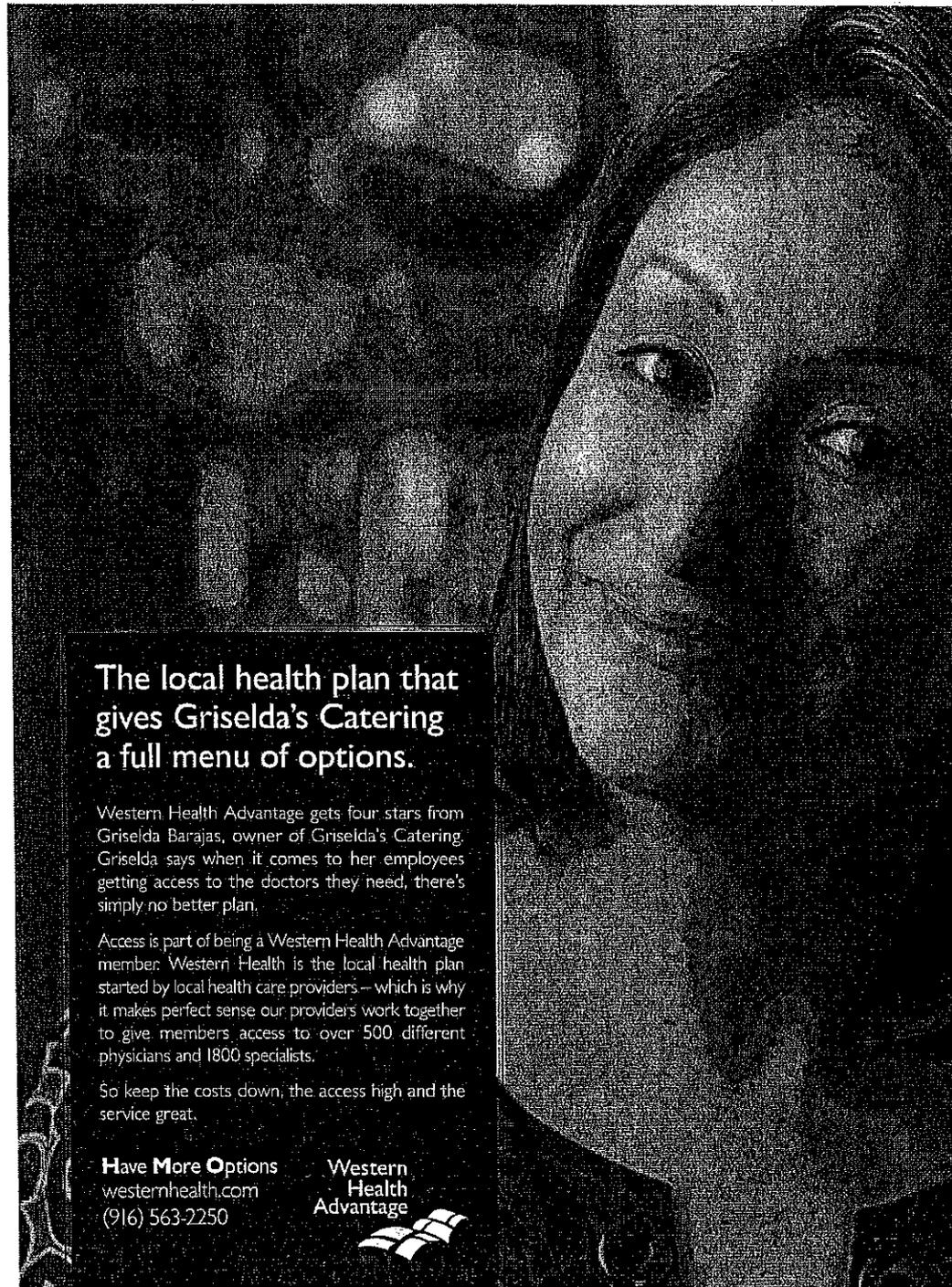
Soaring hospital costs and new benefit mandates are squeezing health plans, which typically raise rates to cover higher expenses. Health plans stand to get millions of new members under federal health care reform, which will help spread costs, but the marketplace will be more competitive and they will have to be very efficient to maintain anything like the profits they've banked in the past.

The sticking point for hospitals is a projected \$17 billion cut in Medicare payments over the next decade.

Sacramento-based Sutter Health warned employees last month of plans to slash its annual operating budget by \$700 million over the next three years, largely due to the projected Medicare cut. Other health systems are likely to feel the squeeze, too.

Health care reform presents huge financial challenges to health systems, but it offers an opportunity to reinvent how care is delivered in the future, said Sutter CEO Pat Fry.

"Our health care system is broken," said HHS Secretary Dooley. "The cost-shifting from the uninsured is creating an enormous strain on our health care delivery system and on working families struggling to afford health coverage. California is committed to implementing health care reform, as a well-functioning health care system will improve our long-term economic outlook."



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**Western Health Advantage**

## BIZ SAVVY

## Plan helps owners buy insurance

Health insurance plan targets those with pre-existing conditions

As California lawmakers grapple with budget woes, many of the state's entrepreneurs face a different kind of economic obstacle: increasingly unaffordable and inaccessible health insurance.

While higher unemployment linkages, more Californians are starting their own businesses. These entrepreneurs and small businesses are critical to our state's economic recovery. But in recent years, they have been hindered by a lack of access to affordable health coverage. Now, the Pre-Existing Condition Insurance Plan can help protect the solvency of some self-employed entrepreneurs by providing access to health insurance.

PCIP is one of the first parts of federal health reform implemented in California, funded through enrollee premiums and federal funds. The plan is intended to provide comprehensive health insurance to Californians who are unable to obtain coverage through the individual market because they have a pre-existing medical condition.

Current law allows small businesses (those with two to 50 workers) to obtain group health insurance. But that option is not available for solo entrepreneurs. Skyrocketing costs and strict medical underwriting frequently leads health plans in the individual market to charge unaffordable rates or to deny coverage to those with pre-existing conditions.

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### QUEST COLUMNIST

CLIFF ALLENBY

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## ALLENBY | Plan enables self-employed entrepreneurs to buy affordable health insurance

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many business owners with pre-existing conditions as large out-of-pocket medical expenses may eat away profits, drive owners into debt and lead to bankruptcy.

Despite these risks, self-employed Californians are disproportionately more likely to work without health insurance. In 2010, the California Health Care Foundation revealed that California's self-employed were 30 percent more likely to be uninsured than their counterparts nationwide. According to the Center for Labor Research and Education at the

University of California Berkeley, almost 25 percent of California's 2.8 million self-employed workers are uninsured. In comparison, roughly 17 percent of California's total workforce is uninsured.

When the state's Managed Risk Medical Insurance Board opened PCIP for business in October 2010, entrepreneurs gained a new tool enabling them to obtain affordable health insurance without denials and waiting periods for pre-existing conditions.

Enrollees can access a provider network that includes a broad selection of pharmacists, hospitals and physicians

statewide. The plan provides comprehensive coverage with no annual or lifetime limitations. Enrollees access these benefits by paying monthly premiums priced consistently with those offered by insurers to individuals without pre-existing conditions.

Californians are eligible for PCIP coverage if they have been uninsured for at least six months, are lawfully residing in the state and either were denied health coverage because of a pre-existing condition or were quoted premium rates that are higher than current rates in the state's Major Risk Medical Insurance Program.

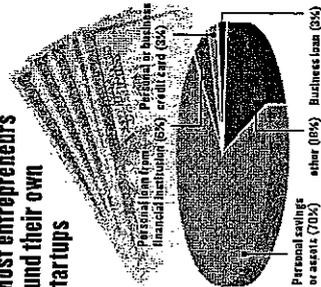
Making health coverage affordable and accessible for self-employed Californians is a key building block for improving our state's health and helping ensure that our homegrown businesses thrive. By keeping our entrepreneurs healthy, we also will keep their doors open for business and California moving forward.

PCIP eligibility and premium information can be obtained at [www.pcip.ca.gov](http://www.pcip.ca.gov).

Cliff Allenby is acting director for the California Department of Mental Health and chair of the Managed Risk Medical Insurance Board. He previously served as director for the California Department of Social Services.

### JUST THE FACTS

Most entrepreneurs fund their own startups



Personal savings or assets (70%)  
Personal loan from friend or business (24%)  
Personal or business financed investment (6%)  
Other (0%)  
Business loan (0%)