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## Health-Insurance Market Moves Ahead in California

By ANNA WILDE MATHEWS

California passed legislation creating a health-insurance marketplace, a move set to be echoed across the country as states take steps to implement federal law.



California lawmakers are expected to pass Wednesday legislation to create a new exchange where consumers will be able to purchase health insurance. Anna Mathews has details from Los Angeles and tells us why other states are watching closely.

Millions of Americans around the U.S. are expected to eventually purchase their coverage through such exchanges, which will offer health plans to individuals and some small businesses.

The California legislature on Wednesday passed the second of two related bills to set up the exchange, putting the state at the forefront of efforts nationwide and creating a blueprint that will likely influence other states. Under the national health-care overhaul law passed in March, states are supposed to set up exchanges, or their residents will be offered a federal version.

California Gov. Arnold Schwarzenegger, who has said he supported implementing the federal law, is expected to sign the bills.

Many aspects of the exchange are mandated under the federal law, so many features of California's model will be included in those adopted by other states. The exchange is expected to offer insurance through a website that will provide standardized and detailed information about plans, so consumers can compare them. It will have a toll-free number, and will set up a program of live helpers, or navigators, to help explain plans to consumers.



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Associated Press

California Assemblyman Mike Feuer, a Democrat,

The exchanges aren't required to be fully up and running until January 2014, when key provisions of the new federal health law kick in, although some exchange operations may start earlier. Following federal requirements, the California exchange will sell insurance in five categories, ranging from rich "platinum"-level benefits to a plan for young people offering catastrophic coverage.

## Medical Marketplace

How state health-insurance exchanges will work



**Who can use the exchange:**  
People buying individual health plans and certain small businesses. Those who qualify can access federal subsidies.



**What it offers:**  
Health plans in five categories, ranging from 'platinum' packages to catastrophic coverage for those up to age 30.



**How the plans are sold:**  
Via a website, a toll-free number and live representatives to help navigate the options.



**When:**  
The exchanges are supposed to be up and running by Jan. 1, 2014

Sources: Federal Register, Kaiser Family Foundation

It will also link eligible Californians that would coverage, or programs s

Rising insur California a generate the political momentum for a health overhaul. California's Department of Insurance said Wednesday it will allow premium rate hikes from WellPoint Inc.'s Anthem Blue Cross and nonprofit Blue Shield of California to go forward. Anthem will raise rates about 14% on average on its individual policy-holders. That's a sharp drop from an earlier proposed rate hike that made the company a lightning rod, and was withdrawn. Blue Shield's individual-market increase will average around 19%.

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If it becomes law as expected, California's legislation would make it the first state to enact a full exchange since the national law passed. At least one state,

Iowa, is crafting a new information-only marketplace, while Massachusetts and Utah had pre-existing exchanges.

The initiative will be "precedent-setting," said Jon Kingsdale, a consultant who headed the agency that runs the Massachusetts exchange.

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California's exchange may be the largest one established by a single state. Researchers at the University of California, Berkeley projected that as many as 8.3 million people might be eligible for plans through the exchange, including individuals and 3.8 million through small employers.

The federal law says businesses with up to 100 employees can purchase coverage through the exchanges, and states can raise that cutoff in 2017. The availability through the exchange of subsidies for some people who are sole proprietors, and tax credits for certain small businesses, should be lures for those that qualify, said Scott Hauge, president of Small Business California, an advocacy group, and an insurance agent.

Still, said Marti Fisher, policy advocate for the California Chamber of Commerce, which opposed the exchange bills, the details of the exchange's plans, such as pricing,

benefit design and access to care, will affect whether companies choose to purchase them. "We don't know how it will play out," she said.

At the national level, analysts have projected that under the overhaul some small businesses will lose their coverage if employees make little enough to qualify for government programs or subsidies.

The California exchange would be governed by a new board, which will be given robust authority and power to selectively contract with insurers to offer plans within the exchange. That provision was opposed by some health insurers. "Health plans are concerned that an appointed board could decide in the disadvantage of consumers," said Patrick Johnston, chief executive of the California Association of Health Plans.

Bill Monning, chairman of the California Assembly's health committee, said the selective contracting would enable the exchange to act as a "filter, or a fiduciary representative of all Californians," and ensure that health plans offered represent the best quality and value.

Nonprofit Blue Shield of California supported the bills, and a spokesman said it was "pleased" by the passage. A spokeswoman for WellPoint Inc., which had opposed the legislation, declined to comment.

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