

November 2007

What's In Store For California Health Care?

Bob Dylan sang “The times they are a-changin’” and so they are. And whether we like it or not, we’d better be prepared to change with them. There’s no question that there will be some type of health care reform in the very near future. The question is what will it be? Between Senator Sheila Kuehl’s single payer utopia and Governor Schwarzenegger’s mixed bag of remedies, we can only hope for some common sense on the part of the public that will make itself heard. After all, it is the public that elects the lawmakers, so they do listen. But it is up to us to educate the public so they understand the realities of the health care proposals. Who else is better equipped to analyze the consequences than those of us who understand health insurance and deal directly with the public for their health insurance needs?

To see the governor’s health reform plan, go to <http://www.fixourhealthcare.ca.gov/plan>. While incorporating some of CAHU’s concepts, such as tax credits, the governor’s plan proposes many unworkable ideas. For example, the plan makes the assumption that mandates to employers will survive ERISA preemption. The plan mandates that all employers offer a Section 125 pre-tax treatment, and that employers either offer health insurance or pay into a state fund – a “play or pay” concept that has been preempted in the past. If federal ERISA is determined to preempt the governor’s plan, it folds like a house of cards because the employer mandate penalties are his method of funding the proposed state-run risk pool for individuals.

Here are some other potentially unworkable proposals:

Tax credit only inside the risk pool: Unless the tax credit is treated the same outside and inside the purchasing pool, subsidized individuals will be driven into a pool that, by definition, offers fewer choices than what

will be available in the private market. The state would be mandating that individuals spend their own money on a product and then, to gain the benefit of an advanced tax credit, drive them into a pool where the plans may not provide them access to their physician or hospital of choice or fail to cover a specific drug they require.

Mandate to buy and mandate to sell: The governor’s plan lacks specifics. His proposal defers the definition of the minimum coverage Californians will need to purchase. This makes it impossible to determine the economic impact of the overall package, including issues related to state finances, affordability, individual compliance rates and its impact on the private marketplace. The proposal is asking for lawmakers and the public to sign a blank check.



Connie Zarkowski is VCAHU’s Legislative Chair and the author of this article.

Automatic enrollment mandate: The Health and Human Services Department would have the ability to sign up individuals in a health plan without their consent or signature (or knowledge) and then seek to obtain payment from them. This is at best poor public policy and at worst the creation of illegal contracts.

Medical loss ratio: The governor’s plan imposes an 85 percent medical loss ratio (MLR) on health plans which will have the unintended consequence of reducing the number of carriers in California and raising overall premiums. It requires that 85 percent of premiums be used to pay medical expenses. You can figure out where that leaves agent commissions. If the governor pursues this proposal, CAHU recommends that all state-imposed fees be eliminated from the MLR calculation and that regulators be given the flexibility to adjust the MLR requirement to encourage carriers to enter the individual and small group markets.

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President's Message



At our last member meeting we highlighted the legislative changes facing the health insurance industry in California. The CAHU Sales Symposium last week took that a step further and offered insight on the ideas that are surfacing throughout the nation. It seems as though some form of change in our industry is inevitable. What that change will ultimately look like is anyone's guess. However, even at the local level here within VCAHU, we are experiencing changes and challenges as the year gets started.

Our chapter's Treasurer Chair position was recently vacated by Robert Sichmeller so that he could spend more time with his family. Robert served as Treasurer and Media Relations Chair for more than a year, and I would personally like to thank him for all his help during that time. We wish him the best. Thankfully for us, Sonny Gallegos stepped right in and offered to assume the Treasurer position for the chapter. Many thanks to Sonny for his volunteer spirit.

There are a few other changes that I'd like to remind everyone about. In order to remain in compliance with California state law, we will be changing the way we conduct our PAC contribution requests and our raffles, beginning with the next member meeting. In addition, NAHU will be increasing membership dues by \$50 beginning January 1, 2008.

A few things that are not changing are our ongoing need to recruit members and the necessity to contribute to the PAC. I would like to ask each member of VCAHU to recruit at least one new member this year. This could be a fellow agent, a member of your staff or anyone you feel might benefit from our association. Also, I'd like to ask everyone to contribute just \$20 a month to the PAC. This money helps the CAHU lobbyists get critical face time with our legislators as well as gives us the ability to have our voices heard in the ongoing debate over industry reforms. Everyone on the VCAHU board has committed to the 1-for-1 recruitment and monthly PAC donations... have you?

Lastly, please join us to learn about the changes and updates to Medicare Part D at our next member meeting.

Jason Herbison

**VCAHU President
2007-2008**

What's In Store? *(continued from page 1)*

There are other underlying problems in the governor's proposal that may provoke the ire of voters. For example, the plan proposes expanding eligibility for MediCal and Healthy Families to 300 percent of poverty level and to extend coverage *regardless of immigration status*. These concepts could affect federal funding under SCHIP and Medicaid and leave the state with huge medical care expenses for existing recipients. Also, if the proposed funding of the risk pool involves additional taxes (which is probable) there must be an initiative on the ballot for voter approval. Unless this proposal is simplified and resonates with the voters, they will reject it and we will be back to square one.

On the other hand, health care reform is a necessity and we must be part of the solution rather than complaining about the ideas. We can't ignore the fact that the uninsured are an ever-increasing burden on the health care system, causing cost shifting that drives up the cost of care to the insured which is reflected in ever-higher premiums. The higher the premiums, the more people drop out.

What to do? An individual mandate is a solution, but only if it is followed. Forty-four thousand eligible parents refuse to enroll their children in Healthy Families. Even MediCal-eligible people refuse to enroll until point of service, if then. Incentives and low cost don't seem to work now, how can we expect them to work under the governor's plan? Especially since free health care is as close as the county hospital's emergency room. Unless there are consequences for the deliberately uninsured, health insurance reform cannot work. And if the agent is removed from the equation, the numbers of uninsured will most definitely rise. Now more than ever, it is time for health insurance agents to be heard. Make sure you respond to Operation Drumbeat and support the CAHU PAC. We have a voice in Sacramento, let's make sure we keep that position.





Ventura County Association of Health Underwriters

PLEASE JOIN US!

VCAHU's Membership Meeting

***Learn the 2008
Rules Regulations Changes***

"Understanding Medicare 2008"

Presented by

Katharine Raley

Health Insurance Counseling & Advocacy Program

(1 hour CE Credit – Course # 203219)

Tuesday, November 20, 2007

11:30 a.m. – 1:30 p.m.

**RSVP by
November 16th, 2007:**

Email:

VCAHU_News@pesc.com

OR

Call:

(877) 623-7830

OR

Fax:

(559) 227-1463

Meeting Venue:



Courtyard by Marriott
600 East Esplanade Drive
Oxnard, CA
(805) 988-3600

Registration Fees:

Members: \$25

Non-Members: \$35

Please RSVP me: _____

Number of Guest(s): _____

Phone Number () _____

You can pay by check at the event

OR

**You can fax your credit card information to
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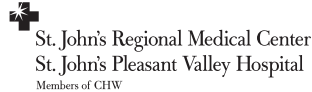
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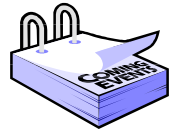
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Calendar of Events



- **November 20** - Monthly Membership Meeting (11:30 a.m. - 1:30 p.m.), **"Medicare and Medicare Part D,"** **Presenter: Katharine Raley, Area Agency on Aging/HICAP,** Courtyard by Marriott, Oxnard
- **December 4** - Board of Directors Meeting (9 - 10:30 a.m.), Westlake Village
- **December 18** - Monthly Membership Meeting and Holiday Party (11:30 a.m. - 1:30 p.m.), **Complimentary Lunch, Holiday Charity Event and Door Prize Drawings,** Courtyard by Marriott, Oxnard

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