



FACT SHEET

May 23, 2013

Frequently Asked Questions About Covered California Health Plans

Will consumers enrolling in Covered California have access to a wide range of doctors and hospitals?

Yes. The plans that Covered California has selected have thousands of California's doctors and more than 300 of California's hospitals in their networks. For consumers, many plans have different networks meaning it will be important to be an informed shopper and we'll help that by having a combined provider directory.

What did Covered California do to be sure each plan had a good mix of doctors, hospitals and other providers?

Every plan that Covered California selected must meet state standards for having an adequate network of doctors, hospitals and other providers. In addition, Covered California did a detailed review of the mix of doctors and hospitals proposed for each health plan in every region. In many cases, we required plans to add medical groups or hospitals to their networks.

Many had predicted that rates would rise dramatically with the implementation of the Affordable Care Act because the potential of "adverse selection" and other factors. How do the rates Covered California is announcing compare to costs today in California?

It is difficult to make a direct comparison of low rates to existing premiums in the commercial individual market because in 2014 there will be new benefits and the actual change in premium will depend on an individual's insurance they have today. The best frame of reference for how good rates are is by looking at current rates available in the small employer market in California. Each market is a competitive market with guaranteed issue. Comparing rates Covered California has achieved to comparable products in the small employer market, our rates ranged from two percent above the

2013 average premium to 29 percent below the rates in California's most populous markets. This is impressive since the 2014 products include doctor visits, prescriptions, hospital stays and more essential benefits. Additionally, there is financial protection like a maximum out-of-pocket cost of \$6,350 which will dramatically reduce the chances of someone filing bankruptcy because of medical bills.

Milliman released a report in March, sponsored by Covered California, which outlined the major factors that could result in premiums going up or down. At that time their "best estimate" was that medical trend would increase 9 percent from 2013 to 2014 and that eight different factors would have a "best estimate" impact of increasing rates by 14 percent. For each of the eight factors, Milliman also noted a range of "Low" to "High" that could mean that instead of seeing a combined increase of 23 percent, premiums could be substantially less or substantially higher. The rates that Covered California will be offering in 2014 make it clear that the health plans truly did "sharpen their pencils" to make the more optimistic assumptions the reality that will benefit Californians.

While the specific reasons differ for each plan and the experience of an individual consumer will vary by their circumstance, the major factors that resulted in rates being lower than many predicted are:

- Better health status of likely enrollees -- health plans assumed that Covered California's marketing, outreach and enrollment plans were likely to result in a more balanced health mix than some commentators.
- Effective partnerships with providers -- Many of the health plans worked for many months to arrange contracts with doctors, medical groups and hospitals that were equally committed to being part of Covered California. These high performance networks were built around quality and cost criteria. Some plans included their integrated delivery system that promote efficiencies and quality. In addition the plans had an emphasis on care coordination, early intervention and management of high-risk enrollees.
- Trust in the Affordable Care Act's risk protections -- The Affordable Care Act has a number of provisions that are designed to reduce risk for health plans, including a risk adjustment process, risk corridors and reinsurance. These mechanisms were closely reviewed by and trusted by health plans.
- Reduced administrative costs -- While health plans will need to pay a fee to participate in Covered California, that fee will be spread across their entire individual business. At the same time, plans will no longer have any costs for medical underwriting, will have reduced marketing expenses and many committed to limiting profits to only two percent to three percent of Covered California business.

Do the contracted plans meet the goals of Covered California to assure contracts with providers that have historically served low-income and Medi-Cal populations (called "Essential Community Providers")?

Yes, we are appreciative of the work health plans have already done and have agreed to do in the coming months to potentially expand their networks with the hospitals, community clinics and other providers that are vital to meeting the health care needs of Californians. Covered California did a detailed assessment and mapping of every plan's bids and their proposed networks. We have provided plans with our assessment of the status of their contracting and where plans have come up short, they have agreed to reach out in the coming months to expand their networks with Essential Community Providers that are willing to participate in their networks.

How are the plans and networks you have contracted with going to promote affordability and high quality over the long term?

Within the networks of the Covered California plans, there are many delivery systems and medical groups that are on the cutting edge, including pioneer accountable care organizations. (An accountable care organization is an organization of health care providers that agrees to be accountable for the quality, cost and overall care of beneficiaries). In addition, we have incorporated many provisions into our contracts that will promote improvements in care coordination, reducing health care disparities and fostering prevention in the coming years.

Are these selections and the rates final?

Covered California is announcing the plans that it has tentatively certified. These plans now must submit their rates to their state of California regulator (either the Department of Managed Health Care or the California Department of Insurance) which by law must assess their rates for reasonableness. When that is final, Covered California will enter into final contracts with these plans and begin the work of enrolling millions of Californians.

Can plans raise their rates after today?

Covered California will not allow plans to lower or raise their rates unless the regulator finds rates to be "unreasonable," in which case we would reconsider their rates.

Does this announcement include plans for the Small Employer Health Options Programs?

No. Covered California will announce the plans and initial pricing for the SHOP in early June.

Are the doctor and hospital networks final? When can I know if my doctor or hospital is in which health plan?

Covered California reviewed in detail each health plan's mix of hospitals, doctors and other providers; and the basic networks are completed as part of our selection. Health plans will be finalizing those networks with their regulators in June. In July Covered California will make available a full list of providers.

Covered California has been described as an "active purchaser." How was that represented in the plan contracting process; how many plans bid and how many did Covered California reject?

Covered California was and will be a very active purchaser on behalf of Californians. Originally 32 plans stated their intent to bid; and at the end of that process Covered California selected 13 plans across the state with no region having fewer than three plans. Covered California has a policy of not disclosing bidders it does not select for any of its contracting processes and will keep this information confidential to encourage future bidding.

At a high level, over the past four months some plans dropped out because they saw our expectations of health plans reflected in our model contract -- which requires plans to work with us to promote care improvements and cost reduction in future years. In addition, as part of our negotiations some plans lowered their prices and others were not selected because their prices were too high; and in some cases Covered California required plans to add capacity to their networks.

Will consumers have a choice of plans in all parts of the state?

In the most populated areas of the state, consumers will be able to choose from among six health plans and on average consumers will have four health plans to choose among. Even in most rural areas consumers can choose between two or three health plans. Coverage from Covered California is truly statewide, with every part of that state covered. In a very small number of counties there are areas covered by only one plan - but we estimate those areas represent a small percentage of those eligible for subsidies (meaning 99.5% of Californians will have choice of quality plans).

When will the Small Employer Health Options Program (SHOP) health plans be announced?

The SHOP health plans will be announced in early June. We are still finalizing the details so be sure to check our website, www.CoveredCA.com for updates regarding the time and location of the announcement. (Note: there is an option on the website to sign up for auto-alerts.)

About Covered California

California was the first state to create a health benefit exchange following the passage of federal health care reform. Covered California is charged with creating a new insurance marketplace in which individuals and small businesses can get access to health insurance. With coverage starting in 2014, Covered California will help individuals compare and choose a health plan that works best for their health needs and budget. Financial help will be available from the federal government to help lower costs for people who qualify on a sliding scale. Small businesses will be able to purchase competitively priced health plans and offer their employees the ability to choose from an array of plans and may qualify for federal tax credits. Covered California is an independent part of the state government whose job is to make the new market work for California's consumers. It is overseen by a five-member board appointed by the Governor and Legislature.

For more information on Covered California, please visit www.CoveredCA.com.

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