



February 3, 2015

Senator Ed Hernandez
Chair, Senate Health Committee
State Capitol, Room 2080
Sacramento, CA

RE: Engage Consumers and Address Health Care Cost-Shifting

Dear Senator Ed Hernandez,

We understand that the Senate Health Committee will hold a hearing on Wednesday to discuss health care costs, but that no consumer is scheduled to testify. As you are aware, health insurers have adopted a number of new tactics to shift costs onto consumers. Increasingly, consumers are forced to pay unreasonable costs that should be the subject of legislative scrutiny and action.

Saving money for patients requires hearing how consumers are being overcharged by health insurance companies through abusive practices, not merely listening to the institutional stakeholders complain about each other's role in the cost run-ups. We urge you to include a consumer voice on the panel for Wednesday's hearing.

Narrow Provider Networks

Under new health plans sold in California beginning October 1, 2013, health insurers have severely limited their doctor and hospital networks available to consumers.

As a result of these limited networks, patients are at risk of potentially life-threatening delays in accessing needed medical care and huge unpaid medical bills if they are forced to seek care out-of-network.

For example, one Health Net consumer whose story is told below was forced to pay \$12,000 out-of-pocket for a double mastectomy and breast reconstruction surgery even though federal health reform caps in-network costs at \$6,600. The federal health reform caps do not apply to care received outside an insurer's approved network.

Brianna Womick, an actress, stunt performer, and professional dancer was diagnosed with breast cancer in early 2014 and immediately saw an oncologist and began chemotherapy. When surgery became unavoidable and a plastic surgeon had to be added to Brianna's surgical team, Brianna's doctors suggested eight different surgeons on Health Net's list of "in-network" doctors. Shockingly, six of the eight surgeons did not even accept Brianna's Health Net plan. Of the other two, one was unavailable because she was on maternity leave and the other doctor specialized in rhinoplasty, not breast reconstruction.

Brianna spent hours on the phone with Health Net trying to identify an in-network surgeon. Unwilling and unable to delay her treatment any longer, Brianna eventually underwent a successful double mastectomy and breast reconstruction surgery in September 2014. As a result of Health Net's inadequate network, Brianna incurred more than \$12,000 in charges for the procedure that should have been available in-network and largely paid for by Health Net.

Consumers are now required to buy health insurance that can cost thousands of dollars each month or pay a tax fine, but if companies are allowed to sell a plan with too few doctors to provide treatment the coverage isn't worth a dime.

“Specialty Drugs” and Some Generics See Huge Costs Increases

Prescription drugs used to treat chronic health conditions such as HIV, multiple sclerosis, rheumatoid arthritis, hepatitis C, and hemophilia have seen some of the largest cost increases in recent years. These cost increases foist huge expenses onto vulnerable patients and fail to reflect the fact that drug development costs are heavily subsidized by taxpayers.

The hearing background paper discusses Sovaldi, manufactured by Gilead, which has been proven to *cure* hepatitis C, costs \$1,000 a pill and about \$84,000 for a typical person's total treatment.

However, generic drugs, long relied on as the low cost option, also have seen dramatic cost increases that far out-pace insurance drug coverage benefits. For example, consumers report that Digoxin, a generic drug used to treat congestive heart failure, has skyrocketed in price — from \$80 per one-thousand pills to \$900 for the same quantity — in recent months. However, insurance policies commonly only cover \$19 per generic prescription; the rest is up to the consumer.

Increasing and Co-Insurance Costs

Another dramatic cost-shift that threatens health care consumers in California in the Affordable Care Act-compliant plans is increasing co-pay and co-insurance costs.

Though deductible limits are set by Covered California for plans sold through the exchange, no limits apply to co-pay and co-insurance costs. As a result of these higher costs, consumers are more likely than ever to hit their maximum out-of-pocket limit for 2015 of \$6,600 for individuals and \$13,200 for families.

Premium Rates Still Increasing Faster Than Inflation And Generous Small Business Health Insurance Plans Disappearing

In the absence of rate regulation in California, health insurance companies have already begun raising their rates in the double-digits for those who have grandfathered plans. We expect similar rate increases for all Californians later this year.

In addition, small businesses will see greatly reduced benefits now that higher deductible plans with fewer benefits, skinnier doctor networks, and greater co-payments are the only coverage available to small businesses.

The unreasonable costs for consumers are the greatest travesty in today's health care system. By allowing the same industry groups responsible for cost run-ups to be the primary voice as you discuss how to address those rising costs, you doom consumers to a dialogue that is for the "haves" and will come at the expense of the "have-nots."

We urge you to engage consumers and address the cost-shifting that has wreaked havoc on them into your committee's deliberations.

Jamie Court

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Jamie Court

A handwritten signature in black ink, appearing to read "J. Flanagan".

Jerry Flanagan