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Honorable Arnold Schwarzenegger
Governor of California

Honorable Don Perata
Senate Pro Tem

Honorable Fabian Núñez
Speaker of the Assembly

Dear Governor Schwarzenegger, Mr. Speaker and Hon. Pro Tem Perata,

It's been two months since you and the governor have announced outlines of plans to make health care more affordable and accessible, and today marks the second of three preliminary hearings on them. The Perata and Schwarzenegger proposals *require* people to buy private insurance. Yet none of you have stated how much the public must pay for mandatory health insurance or what the actual cost of your proposals to the state would be. The Legislative Analysts' Office also called into question last week the monthly premium predicted by the Schwarzenegger plan outline.

The point, gentlemen, is that you say individuals must pay for health insurance, and you say it will be affordable, but none of you are willing to give a price or guarantee comprehensive coverage. This is equivalent to rebuilding the state's highway system without a budget, without strict contract oversight, even without regard to the quality of concrete used.

It's time for you to put your law where your mouth is. Each of your bills should have a cap on how much individuals would pay for their insurance, and a strict floor on what benefits these plans provide. Californians have a right to know how much their state-mandated health insurance will cost and what kind of care they will receive for their money. If the private market fails to comply, you need a plan that allows the state to do more.

Clearly, your collective hesitance to pursue this common sense course of setting affordability limits springs from deference to the medical insurance complex, which demands that it be free to charge what the market will bear. No doubt you believe the doctors, hospitals and insurers have the political power to stop you from doing otherwise. But your allegiance must be to the public.

It's outrageous that this process has been dictated not by patients' needs for affordable comprehensive health care, but by the medical industrial complex's demand not be regulated or

bypassed. Shame on you if you use the power of the state as a collection agency for corporate medicine without setting limits on how much the industry can charge or making it prove how much coverage really costs.

For example, Governor Schwarzenegger has estimated that a \$5,000 deductible policy for the average Californian will cost \$100 per month. Insurance brokers claim this is completely unrealistic, because in today's market only the youngest and healthiest are sold such policies. In a market where all Californians must rightly be sold these policies, the prices will be radically higher. A 40-year-old patient who takes allergy medicine, for example, is almost certain to be declined an individual policy today. What would the price be if the insurers had to sell to all, yet could set their price?

As you are certainly aware, we have recommended Proposition-103 style regulation of doctors, hospitals, insurers and HMOs, though we have received no response from you. It's time that you came around to the understanding that without regulation of this industry, there will be no affordability for consumers.

Other states that are ahead of California in universal or near-universal coverage are learning hard lessons.

- Massachusetts has received no private-insurer bids that are both credible and affordable to families that are not eligible for subsidized insurance, and cost estimates for the state-subsidy plan continue to rise. The state in desperation has requested bids for plans *without* prescription drug insurance, meaning that buyers of such plans would likely be forced to choose surgery over non-covered drug management of ailments that are perfectly treatable without surgery. Such plans would be catastrophic for persons with chronic diseases such as diabetes and asthma.
- Vermont, after trying to work with multiple private insurers, has restricted its new voluntary state-offered plan to one regulated insurance provider to reduce fragmentation and administrative costs. Rates must be defended and approved. It is also giving the private market only two years to prove affordability for a comprehensive low-deductible plan. After that, if the result is unsatisfactory, the state will self-insure the plan and hire an administrator, as is the case with California state employees' PPO plans. The state is also standardizing medical payments and requiring full case management for persons with chronic conditions.

California, where the stakes are higher, can learn from those who are a few steps ahead. We are appreciative of your determination to get something done, but fear that your deference to the medical and insurance industries will make care even less affordable to both the state and individuals. Such a result will set back the cause of universal health care for years to come.

Sincerely,



Jamie Court



Judy Dugan



Jerry Flanagan