



August 3, 2010

The Honorable Kathleen Sebelius  
Secretary, Department of Health and Human Services  
Hubert Humphrey Building  
Room 445-G  
200 Independence Avenue, SW  
Washington, DC 20201

Dear Secretary Sebelius,

We ask with regret that you reject California Gov. Arnold Schwarzenegger's request for a \$1 million grant in connection with implementation of the rate review changes in the Patient Protection and Affordable Care Act.

We ask this not to deprive the state of needed funds, but to prevent the funds from being used for a purpose that is near-opposite the intent of the law. The funds would implement a proposal by the governor that is meant to prevent, not develop, any effective state regulation of health insurance rates.

The governor, in his July 7 letter to you, specifically rejected the entire concept of rate regulation, even though effective and well-crafted legislation for prior review of insurance rates is nearing a final vote in the state Legislature.

See Consumer Watchdog's letter asking Gov. Schwarzenegger to reconsider his stance at <http://www.ConsumerWatchdog.org/resources/ArnoldLetterRateReviewFINAL7-23-10.pdf>

We appreciate your department's explicit encouragement of state regulation to accompany a law that will require all Americans to show proof of insurance. A product that tens of millions of us will be required to purchase must not be priced solely based on profit demands from Wall Street, to the exclusion of consumer protection.

In effect, the state would use the HHS grant money to hire actuaries who may be able to look at insurance rates but will be prevented by law from regulating them. The governor's legislative proposal, referenced in the grant application, explicitly states that when an insurance rate is found to be both unreasonable and unjustified, or plain inaccurate, the most that regulators may do is to publish that information online.

California already has an effective model of prior approval rate regulation for property and casualty insurance, under voter-passed Proposition 103. Until California's chief executive

accepts the need for prior review of health insurance rates as well, in a way that will both protect consumers and keep the insurance industry healthy, we ask that you not fund a project meant to prevent such regulation.

Sincerely,

A handwritten signature in black ink, appearing to read "Carmen Balber". The signature is fluid and cursive, with a long horizontal stroke at the end.

Carmen Balber

A handwritten signature in black ink, appearing to read "Judy Dugan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Judy Dugan