



October 13, 2014

Honorable Kamala Harris
Attorney General
1300 I Street, Suite 1740
Sacramento, CA 95814

Attorney General Harris:

The Associated Press reported today that the state's insurance exchange Covered California "awarded \$184 million in contracts without the competitive bidding and oversight that is standard practice across state government, including deals that sent millions of dollars to a firm whose employees have long-standing ties to the agency's executive director." Read the story here <http://www.utsandiego.com/news/2014/oct/12/ap-exclusive-california-gives-no-bid-health-pacts/?#article-copy>

The contracts reflect a troubling practice at Covered California, which has paid very large amounts to current and former employees of health insurance companies to create the exchange and to oversee contracts and contract negotiations with the health insurance companies on the exchange.

An independent investigation by your agency is warranted to determine whether taxpayer dollars have been misused and whether consultants have inappropriately used their position with the government agency to advance the interests of former and current insurance industry employers.

The Associated Press story focused on \$4.2 million in no-bid contracts to Leesa Tori, who is closely connected professionally to Covered California's executive director Peter Lee. Tori also worked at Blue Shield and her interim role at the agency included negotiating and overseeing contracts with health insurance companies including Blue Shield.

The organizational chart of key Covered California consultants and key employees, linked here, has been amended with insurance company logos to show former and current insurance industry employment affiliations: <http://www.consumerwatchdog.org/images/CoveredCaliforniaOrgChart.jpg>

We ask that your investigation include the degree to which consultants who work or

or have worked for health insurance companies may have used their official positions at Covered California to advance the interests of those companies at the expense of policyholders and taxpayers.

Your investigation should cover the following contracts with industry consultants and key employees at Covered California: Ken Wood, the former COO at Blue Shield, who served as Covered California Special Advisor, then returned to Blue Shield to become Senior Vice President; Jeff Rideout, formerly of Blue Shield, who has a current \$411,000 consulting contract, and works with the current division that negotiates and oversees contracts with health insurance companies; Ann Price, formerly of Blue Shield, who replaced Tori in her role as Plan Management Division Director; John Berkto, chief actuary, formerly employed by Humana; Corky Goodwin, who formerly worked for Health Net; and Kathleen Solario, who worked at Blue Shield and as Interim Operations Director at Covered California.

Time is of the essence. Covered California has refused for months to release information requested by Consumer Watchdog under the Public Records Act concerning the agency's communications with insurance industry executives about Prop 45, the measure on the November ballot to require health insurance companies to open their books and justify their rates to the elected Insurance Commissioner, just as auto, home and small business insurers do.

Californians deserve to know the truth about hundreds of millions of dollars in no-bid contracts and industry influence at Covered California before they vote November 4th.

Four health insurance companies are spending \$37 million against Proposition 45's rate regulation falsely claiming there is an "independent commission" overseeing health insurance rates. The Associated Press's disclosures confirm that this 'commission,' Covered California, does not operate with the transparency, accountability and independence that voters expect from government agencies and need in order to be protected from health insurance company rip-offs. Voters need the facts about these consultants and contracts so they can make an informed choice about oversight of the health insurance industry's rates.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Court". The signature is stylized and cursive.

Jamie Court

