Rate Regulation Will Not Interfere With Covered California

Consumer Watchdog's health insurance rate regulation initiative on the November ballot will ensure that the 1.4 million Covered California enrollees are not charged unreasonable rates. The Board of Covered California has posed a series of questions about how that ballot measure may impact its operations. Consumer Watchdog has answered those questions for Covered California staff. Below are the key reasons why the ballot measure will not impact the exchange.

1. Will 2015 Covered California rates be slowed down by the ballot measure?

No. Under the ballot measure, and laws already applying to property casualty insurance, rates that are filed for 60 days are "deemed to be approved" if the insurance commissioner does not take action on them. Covered California's 2015 rates will have been filed for more than 60 days at the time of election and are thus not subject to prior approval. 2016 rates will be the first subject to prior approval authority.

2. Will the initiative's prior approval and intervener process cause delays in the future?

No. Unlike property casualty insurance, where rate changes are filed monthly, health insurance policies are annual polices where rates can only change once per year. There were 78 health insurance rate change applications last year compared to 7,000 in property casualty insurance rate requests. With annual rate change applications on so few policies, which are already subject to nonbinding rate review, rate regulation will go smoothly.

The insurance commissioner is delegated the power to set firm timelines to guarantee there are no delays beyond open enrollment, including time limits on any interventions or hearings.

3. Can a retroactive rate change alter the subsidies for Covered California plans?

No. Rates cannot change once they take effect for 12 months under existing state law, which sets a rating period as 12 months. Subsidies will not change.

4. Does the initiative give the insurance commissioner the power to modify benefits?

No. The insurance commissioner only has oversight over rates, there is no new authority over benefits or other plan features. Rates are an economic measure of the charges assessed for health insurance. Rate change applications made by the insurance companies request permission to charge a gross premium divided by a specific group of policyholders. The insurance commissioner has the ability to approve or reject the base rate and the individual premiums in the application based on whether it is justified through analysis of loss trend and other relevant factors. He can disapprove of a company charging more based on benefits not justifying the cost, but he cannot alter the benefits themselves.