



Prop 45 Toolkit

Help make sure Proposition 45 is approved by voters on November 4 so we can stop health insurance companies from raising rates at will. The health insurance industry has put over \$25 million into the campaign against Prop 45.

But they have pushed Californians too far! Working together we can organize the millions of Californians who have suffered unfair insurance prices and pass Prop 45. Working together we will stop these abuses and make health insurance more affordable.

This *Prop 45 Supporter Tool Kit* provides what you need to organize and educate your friends, neighbors, community organizations, political clubs and groups you are a part of to support the Prop 45 campaign. This *Tool Kit* includes:

- A basic fact sheet with a list of endorsers
- State Exchanges & Rate Regulation Success Stories
- How Prop 45 helps achieve the goals of the Affordable Care Act (ACA)
- List of health insurers who have given millions against Prop 45
- Endorsement form

Working together we will pass Prop 45 and win control over health insurance prices.
For more information call (310) 392-0522.

2701 Ocean Park Blvd., Suite 112, Santa Monica, CA 90405

*Paid for by Consumer Watchdog Campaign – Yes on 45, a coalition of consumer advocates, attorneys, policyholders, and nurses.
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Proposition 45 Facts

www.Yeson45.org

Why We Need Prop 45 to Put the Brakes on Rates

- Health insurance premiums in California have gone up 185% since 2002 – 5 times faster than the rate of inflation.
- From April 2012 to January 2014, more than 1 million Californians faced \$250,735,223 in rate hikes that were deemed “unreasonable” by regulators who had no power to stop them.
- Five health insurance companies control 88% of California’s health insurance market: Kaiser, Anthem Blue Cross, Blue Shield of California, Health Net and United Healthcare.
- There is no “independent commission” in California with the power to stop health insurers from imposing unreasonable rate hikes.
- 35 other states regulate health insurance rates; California should too.

Prop 45 will:

- Require health insurers to publicly justify and get approval for rate hikes
- Give the insurance commissioner the power to reject unreasonable rate increases and order refunds of excessive rates
- Apply the same rules to health insurance that have saved California drivers over \$100 billion since 1988
- Prevent health insurers from using policy holder premium dollars for lobbying and political campaigns, such as the \$37 million they are spending against Prop 45
- Prohibit excessive profits and allow the state to return excessive reserves to policyholders in the form of lower premiums

Why You Should Vote for Prop 45

- A Consumer Watchdog analysis has found that Prop 45 could save Californians up to \$1 billion per year
- The San Jose Mercury News said, “If you liked Prop 103, pass Prop 45”
 - “...States like Connecticut, New York, Maryland, and Oregon have rules similar to Prop 45 providing compelling evidence that this regulation discourages insurance companies from seeking the kinds of outrageous increases California has seen.”
- Prop 45 applies the same rules to health insurance that have saved California drivers over \$100 billion since 1988, while making the auto insurance market highly competitive and profitable for insurers. California is also the only state where auto insurance rates went down.

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- Insurance companies waste our money on executive perks and excessive reserves. For example, Blue Shield spent policyholder dollars to purchase a multi-million dollar skybox at the 49ers new Levi Stadium to wine and dine certain corporate “membership groups,” and has accumulated excess reserves of \$3.68 billion by overcharging its policyholders for years.
- **When was the last time health insurers spent \$37 million trying to save you money?** Kaiser, WellPoint/Anthem Blue Cross, Blue Shield, United HealthCare and HealthNet are spending over \$37 million on a massive, deceptive campaign to defeat Prop 45. Hiding behind the phony name Californians Against Higher Healthcare Costs, they want to fool voters into thinking Prop 45 is bad for Californians.

Prop 45 is Endorsed by a Broad Coalition of Consumer Advocates, Unions, Community Organizations, Seniors, and Elected Officials, including:

Dolores Huerta
 California Nurses Association (CNA)
 Courage Campaign
 United States Senator Dianne Feinstein
 California Federation of Teachers (CFT)
 California School Employees Association (CSEA)
 Consumer Federation of California
 California Democratic Party
 California Industrial Areas Foundation (IAF)
 California National Organization for Women (NOW)
 Consumer Watchdog
 Consumer Attorneys of California
 California Alliance for Retired Americans
 Congress of California Seniors (CCS)
 San Diego Hunger Coalition
 California Partnership
 Campaign for a Healthy California
 Los Angeles Alliance for a New Economy (LAANE)
 AllCare Alliance
 Physicians for a National Health Program (PNHP) – California
 Health Care for All - California
 California Teamsters Public Affairs Council
 Northern California Carpenters Union Regional Council
 AFSCME Local 685 - LA County Deputy Probation Officers
 United Teachers Los Angeles (UTLA)
 United Food and Commercial Workers (UFCW) Western States Council
 Orange County Employees Association (OCEA)
 Labor United for Universal Healthcare
 AFSCME District Councils 36 and 57
 California Conference Board-Amalgamated Transit Union (ATU)
 ILWU-Northern California District Council
 United States Senator Barbara Boxer
 Insurance Commissioner Dave Jones
 Superintendent of Public Instruction Tom Torlakson



State Exchanges & Rate Regulation Success Stories

www.Yeson45.org

Oregon

Oregon and California provide the best head-to-head comparison because of their similar yearly per capita health costs, which are much lower than in Connecticut or New York. This allows an actual dollar comparison of rates in their health benefit exchanges. Oregonians paid on average \$1,200 a year less (as of the 2014 insurance year) than Californians for the most popular Silver policy in the states' health benefit exchanges.

Oregon's insurance commissioner has robust power to modify or reject unreasonable health insurance rate hikes and question the companies' cost projections. Oregon also contracts with a major consumer advocacy organization to assess and question rate proposals, providing another layer of consumer protection and health care cost containment.

Both California and Oregon have expanded Medicaid eligibility under the Affordable Care Act. They both have elected insurance commissioners with a stated commitment to consumer protection. And, as stated, they are similar in their annual spending per person on health care. California's health benefit exchange, Covered California, recently reported that policy premiums in the health benefit exchange will rise 4.2% on average in 2015. Californians in many counties will experience double-digit rate hikes. Yet in Oregon, the average premium for comparable plans inside and outside the exchange will *decline* by an average of 4.6% for 2015, largely due to rate modifications required by the state. Small businesses will save even more, with an average rate decline of 5.9%.

Oregon's success in containing the cost of health insurance is partly attributable to consumer advocacy. The state actively seeks consumer participation in rate review (rather than just allowing online comments from the public), and contracts with Oregon's Public Interest Research Group (OSPIRG) to analyze, critique and question rate filings. OSPIRG's questioning of insurers' data resulted in voluntary rate reductions by at least one insurer in 2014, and its analysis of proposed rates prompted the state to question medical-cost predictions that appeared to be unreasonably high.

Connecticut

The Connecticut health benefit exchange is the most comparable to Covered California in terms of being an "active purchaser" that picks and chooses what policies may be sold on the

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exchange. Unlike California, the state also has active rate regulation that has substantially reduced or even eliminated rate hikes proposed by insurers in the exchange. Connecticut's insurance department recently rejected Anthem's proposed 12.5% average increase for 2015, disputing many of Anthem's cost projections. After contentious hearings and negotiations, the state approved a rate *decrease* of 0.1% for Anthem, which is the state's largest health insurer. Among smaller Connecticut insurers most requests for increases were cut back. Some insurers voluntarily cut their rates by as much as 8.5%.

Maryland

Maryland's insurance administration recently approved 2015 rates for six existing companies in the state exchange, and two new exchange entrants. For five of the six existing companies in the exchange rates will *decline*, on average, by 6.7% to 14%. These insurers' original proposed rates ranged from a 4.8% *increase* to a 12.1% decrease. In all cases they were modified by the state and consumers saved money. The state also required the two new entrants to the exchange, Cigna and AllSavers, to decrease their proposed 2015 rates by about 3.5% and 10% respectively. The state approved increases of 9.8% to 16.2% for large insurer CareFirst BlueCross/BlueShield, but only after cutting the requested rate increases by about 50%. The substantial decreases by other providers may make them more competitive with the CareFirst plans, which were among the cheapest in the state exchange last year.

New York

The state, which is most similar to California in population, also has an active exchange that oversees standard benefit designs. As in Connecticut, the state insurance department aggressively oversees rates. A 2010 law restored New York's ability to reject or modify rates following a decade of disastrous rate deregulation that propelled the state to the nation's highest health insurance rates.

Proposed 2014 rates in the New York benefit exchange were cut by more than one-half on average in the individual market, from 9.5% to 4.5%, and reduced by more than one-third, from 15.8% to 9.6%, in the small business market. Published rate proposals for 2015 vary wildly, from double-digit reductions to 19% increases, with state action expected to reduce the increases across the board.

www.Yeson45.org



Proposition 45 and the Affordable Care Act

www.Yeson45.org

Proposition 45 on California's November 2014 ballot, requires health insurance companies to publicly justify rate increases and get approval before they take effect.

How does Prop 45 work with the Affordable Care Act?

Rate regulation will make health insurance affordable – a key goal of the Affordable Care Act (ACA). Proposition 45 was written after the ACA passed and takes all its provisions into consideration.

Supporters of the ACA wanted rate regulation. President Obama and Senator Feinstein tried to include rate regulation authority in the ACA but were defeated by the health insurance lobby:

- Senator Dianne Feinstein, co-chair of the Proposition 45 campaign, deemed the authority to reject excessive rate increases a “missing piece of federal health care reform... In order to protect consumers from skyrocketing insurance premiums, state regulators need this explicit authority to ensure rates are justified.”
- Steve Larsen, director of the HHS office implementing health insurance reform testified, “prior approval provides the maximum level of protection for consumers.”

ACA included grant money for rate regulation. The ACA requires Americans to purchase health insurance and the rate review provision of the ACA provides grants to states for “reviewing and, if appropriate under State law, approving premium increases for health insurance coverage.” Additional funds are provided to states with prior approval. California does not have prior approval and so is ineligible for these additional funds.

Proposition 45 executes the intent of the ACA

- **Closes the loophole** in the Affordable Care Act that requires *review* of “unreasonable” health insurance rates but does not give states or the federal government the power to *reject* unreasonable increases
- Stops health insurance companies in California from raising rates and passing on new costs at will and without justification
- Makes health insurance in California more affordable, which is a primary goal of the ACA
- Creates a prior-approval rate justification system similar to the prior approval systems in effect in 35 states including Massachusetts

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Will Prop 45 hurt Covered California, the state's health benefit exchange?

No. Rate regulation exists in 35 states along with state exchanges and the federal exchange. Rate regulation makes health insurance sold in the Exchange more affordable. For example:

- Massachusetts had an exchange for years and rates kept climbing. Massachusetts enacted rate regulation because an exchange alone cannot rein in excessive rates
- Even with Covered California, rates are continuing to rise in California

Rate Regulation will NOT cause delays or confusion and will make Covered California Plans More Affordable

In 2013, individual and small employer rates were filed with the Department of Insurance (CDI), Department of Managed Health Care (DMHC), and Covered California. Both Departments completed their reviews in time for Covered CA. CDI negotiated lower rates for Covered CA than Covered CA had gotten initially. Rates would have been even lower with actual rate regulation by CDI instead of just review and negotiation. There were no delays and there will be no delays with rate regulation.

Health Insurers' "Study" Full of Inaccuracies and Omissions

The state's five largest health insurance companies, which have already put over \$25 million into the campaign against Proposition 45, paid \$50,000 for a "study" falsely saying the initiative is obsolete, "interferes with California's implementation" of the ACA and will harm consumers:

- It totally ignores the fact that CDI, DMHC, and Covered CA had no delays last year with health insurance rate filing intervenors
- The author of the "study" did not contact CDI to verify its figures, which are wrong. The experience with existing rate regulation for auto and home insurance shows there are intervenors in only 0.2% of rate filings.
- There have only been 2 intervenor hearings since 2008. If the health insurers' paid consultant had bothered to talk with experts at CDI, he would have learned that intervenors and hearings are rare and that health insurance intervenors caused no delays for Covered CA last year.

The health industry is using these scare tactics to protect their cash cow – their unchecked ability to raise rates at will and pass on expenses such as the \$25 million in policyholder money they are spending to defeat this initiative.

What about health insurance rates in California?

In California, health insurance premiums have **increased 185%** since 2002, but insurance regulators are handcuffed. They frequently find health insurance rate increases to be unreasonable. However they can't do anything to stop the insurance company from going ahead with the increase. A recent study by the California Public Interest Research Group found that over one million Californians faced \$250 million in health insurance rate increases that were declared unreasonable by state regulators.

In an example from 2013, Anthem Blue Cross imposed three unreasonable increases on small businesses. One was an average 10.5% increase on 250,000 policyholders, with some premiums hiked by 22.9%. The 12-month cumulative increase by Anthem in 2013 on these policyholders was an average of 17.6%.

Who is Behind the Campaign to Stop Proposition 45's Consumer Protections?

The Health Insurance Industry

<u>Contributor</u>	<u>Amount</u>
Kaiser	\$14,590,350
WellPoint/Anthem Blue Cross	\$12,770,000
Blue Shield	\$9,693,200
HealthNet	\$135,000
United HealthCare	\$70,000
CA Ass'n of Health Plans	\$60,000
Lisi, Inc.	\$50,000
BenefitMall	\$7,500
Word & Brown Insurance Administrators, Inc.	\$50,000
Beere & Purves, Inc.	\$25,000
Nat'l Ass'n of Health Underwriters	\$50,000
Warner Pacific Insurance Services	<u>\$50,000</u>
<i>TOTAL*</i>	<i>\$37,551,050</i>

Total contributed to the two committees against Proposition 45 as of 8/18/14:

1. No on 45 – Californians Against Higher Healthcare Costs, a coalition of doctors, hospitals, health insurers, and California employers
2. No on 45: California Association of Health Underwriters Issues Committee for Responsible Health Insurance Regulation

From the Secretary of State website:

<http://cal-access.sos.ca.gov/Campaign/Committees/Detail.aspx?id=1343998>, and
<http://cal-access.sos.ca.gov/Campaign/Committees/Detail.aspx?id=1367275>

* 9/12/14 Update: Only change is an additional \$9,000 to the Underwriter's Committee: \$1,000 from Alan Katz of SeeChange Health Insurance, \$1,000 from Barry Fisher Insurance Marketing, Inc., \$1,000 from Myron D. Sam Smith, Genesis Financial, \$1,000 from Richard P. Colburn, Word & Brown, & \$5,000 from Silicon Valley Association of Health Underwriters



Make Health Insurance Companies Justify Their Rates

Proposition 45 Endorsement Card

Join U.S. Senator Dianne Feinstein, Insurance Commissioner Dave Jones, and the growing coalition of organizations for more affordable health insurance.

Proposition 45 will:

- Give the insurance commissioner the **authority to reject excessive rate increases for individual and small group health insurance.**
- Require health insurance companies to **publicly disclose and justify**, under penalty of perjury, proposed rate changes before they take effect.
- Make every document filed by an insurance company to justify a rate increase a **public record.**
- Allow Californians **to challenge** unjustified premium rate increases.

YES! I/We endorse Proposition 45.

NAME: _____

TITLE: _____

ORGANIZATION: _____

ADDRESS: _____

CITY, STATE, ZIP: _____

EMAIL ADDRESS: _____

PHONE NUMBER: _____

CONTACT NAME: _____

Please submit:

Via mail – 2701 Ocean Park Blvd., Suite 112, Santa Monica, CA 90405

Via scan/email – Yeson45@consumerwatchdog.org

For more information, contact Yeson45@consumerwatchdog.org, 310-392-0522, or www.Yeson45.org

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