

To: The Honorable Felipe Fuentes, Chairman, Assembly Committee on Appropriations
From: Reed Royalty, President, Orange County Taxpayers Association (OCTax)
Date: May 4, 2011

AB 52 (Feuer, Huffman): Health Care: Rate Approval

OCTax Position: OPPOSE

AB 52 would require a health care insurer to file a complete application for any proposed rate, and would prohibit the Department of Managed Health Care or the Department of Insurance from approving any rate that is “excessive, inadequate, or unfairly discriminatory.”

OCTax analysis

AB 52 does nothing to lower the cost of medical care. It would simply enlarge the bureaucracy to impose arbitrary limits on health care premiums paid by California’s consumers, while doing nothing to reduce the major costs of treatment: the hospital rooms and equipment, doctors and nurses, procedures and medications that make up 87% of the premium price.

California already has two new laws to battle excessive premiums:

- The Federal Patient Protection and Affordable Care Act, which includes a provision to limit the medical loss ratio, which in turn controls the amount health plans and insurers can spend on administration versus direct medical costs; and
- AB 1163, which provides rate transparency and review.

Amid the concern about the costs of medical care, it’s tempting to heap one “reform” after another on the problem. If we do so, we’re likely to wind up with a confusing, duplicative, and contradictory health insurance system. Let’s allow the two new laws above to take effect, then assess them to determine if additional legislation is necessary.

cc: The Honorable Mike Feuer
Orange County Legislative Delegation