



Dennis Meyers, Assistant Director
Economic Analysis and Sustainability
Covered California
1601 Exposition Blvd.
Sacramento, CA 95815

February 14, 2018

Dear Mr. Meyers:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and the summary (Form DF-131) for the proposed regulations for the eligibility and enrollment in the individual market, as required in California Code of Regulations, title 1, section 2002(a)(1). As the proposed regulations would make emergency regulations effective October 26, 2017 permanent, these comments are based on both the SRIA and the emergency regulations.

The proposed regulations make permanent the emergency regulations that led to 1.3 million Californians in 2016 enrolling in health insurance plans sold through the California health insurance exchange, with total premiums paid of \$6.5 billion. There were 1.16 million enrollees who qualified for federal subsidies totaling \$4.2 billion, and an additional 150,000 who enrolled without subsidies. The SRIA notes that these enrollments helped decrease the number of uninsured Californians under the age of 65 to around 2.8 million. For enrollees that were previously insured, the proposed regulations help give certainty about premiums and access, but would likely not change health spending to the same extent as for previously uninsured enrollees. The previously uninsured are estimated to account for \$1.5 billion in premiums, with enrollees paying \$367 million of that. Insurers and providers also benefit from additional business from enrollees. Insurers also received \$724 million for cost sharing reductions to reduce copayments and deductibles for subsidized enrollees. The exchange collected \$219 million in fees from insurers serving all enrollees.

Finance generally concurs with the methodology used to estimate annual impacts of regulations to establish California's health exchange. However, there are two areas where the analysis must be improved. First, while the SRIA notes the portion of premiums from previously insured enrollees, a full description of the baseline must include what likely happens in the absence of the regulations, including the impacts to local governments. Under current federal and state law, individuals would have to acquire health plans through other means, such as directly from plan providers. The portion of enrollment that would have occurred irrespective of the exchange should be part of the baseline and not considered an impact of these regulations. Likewise, the benefits of allowing access to health care will be understated without this discussion of the baseline.

Second, the SRIA must include a discussion of how the proposed eligibility and enrollment regulations affect the uninsured rate in California. There are more than twice as many uninsured Californians under the age of 65 as there are enrolled through the exchange, and the SRIA must address the steps the exchange has taken to facilitate enrollment and how the proposed regulations affect the number of insured Californians.

Finally, given the uncertainty about federal policy changes, the SRIA could include a discussion of what assumptions might change, or how impacts might be different.

These comments are intended to provide sufficient guidance outlining revisions to the SRIA. The SRIA, a summary of Finance's comments, and any responses must be included in the rulemaking file that is available for public comment. Finance understands that the proposed regulations may change during the rulemaking process. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Irena Asmundson".

Irena Asmundson
Chief Economist
Department of Finance

cc: Ms. Panorea Avdis, Director, Governor's Office on Business and Development
Ms. Debra Cornez, Director, Office of Administrative Law
Mr. Brandon Ross, Covered California
Ms. Bahara Hosseini, Covered California
Mr. George Shaw, Covered California
Ms. Victoria Kielborn, Covered California
Mr. Kambiz Elahi, Covered California