



February 16, 2016

Dennis Meyers, Assistant Director
Economic Analysis and Sustainability Financial Management Division
California Health Benefit Exchange
1601 Exposition Blvd.
Sacramento, CA 95815

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 were not attached but are making existing emergency regulations permanent, we are assuming those emergency regulations to be substantially similar to the ones that you will be submitting to the Office of Administrative Law for public comment. If there are substantive changes to the emergency regulations, then the economic impacts must be reflected on the Standard Form 399.

The proposed regulations outline how to enroll in health insurance plans sold through the California health insurance exchange, and who is eligible for subsidies. While the framework and many of the requirements were set out by the federal government in implementing the Affordable Care Act, California opted to set up a state exchange which has been operating under emergency regulations since 2013. Having actual data on enrollment and subsidies as the basis for the estimated impacts was very helpful. The SRIA calculates impacts for the 1.3 million Californians who bought coverage in 2014, with total premiums paid of approximately \$4.7 billion. Of this, \$4.2 billion in premiums were subsidized to some extent, \$1.1 billion in premiums were from previously uninsured individuals, and the exchange collected \$160 million in fees.

The main impacts stem from the expansion of health coverage. Individuals have access to health care, reduce out-of-pocket spending on health care, and increase other spending if the subsidies reduced their overall health care costs. Insurers have a larger pool of people buying health insurance, and transmit that money to the health care sector depending on what additional services are now accessed by individuals. There is also now more demand for health care services, which benefits providers. Fiscal impacts from the subsidies are also substantial.

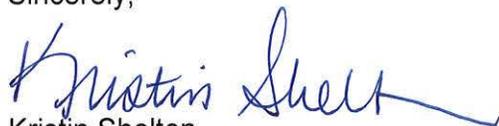
Finance generally concurs with the methodology used to estimate annual impacts under the proposed regulation. However, there are three areas where the analysis could be improved. First, on the incentives for innovation section, there could be large gains from streamlining medical processes and tracking with the increased access to health care. This section could include an estimate of individuals with increased employment mobility as a result of ease of getting health care coverage through the exchange. Second, the discussion of the impacts of the two alternatives could be expanded with more narrative about how the alternatives would work. The discussion of alternatives is required to help illuminate the tradeoffs made in the proposed regulation, and the public would benefit from additional assistance in understanding the relatively long and complicated proposed regulation. Third, the discussion of the fiscal

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impact to other state agencies could be expanded to include the impact to the California Department of Social Services as a result of being designated the exchange appeals entity and to the Department of Health Care Services (DHCS), the Office of Systems Integration, and other state entities as a result of changes made to the California Healthcare Enrollment, Eligibility and Retention System. Additionally, this section should be expanded to include the impact to DHCS and the counties resulting from mixed Advanced Premium Tax Credit and Medi-Cal cases.

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,



Kristin Shelton
Program Budget Manager

cc: Ms. Panorea Avdis, Governor's Office of Business and Economic Development
Ms. Debra Cornez, Office of Administrative Law
Ms. Kathleen Keeshen, Covered California
Mr. Brandon Ross, Covered California
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