



August 14, 2015

Mr. Bruce Hinze
Department of Insurance
Health Policy & Reform Branch
45 Fremont Street, 24th Floor
San Francisco, CA 94105

Dear Mr. Hinze:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and the summary (Form DF-131) for the proposed amendments to the Provider Network Adequacy Regulation, as required in California Code of Regulations, title 1, section 2002(a)(1). These comments are also based on the draft proposed amendments provided at the same time.

The proposed amendments require that private, non-managed, healthcare insurers provide adequate network with sufficient capacity to the insured consumers for their timely care. Network adequacy is measured by wait times for scheduling appointments, access to telephone medical advice services, and other metrics. If these metrics are not met, insurers may increase network providers to comply. Insurers are also required to conduct annual covered person experience survey and provider survey, file an annual adequacy report with specific metrics, and provide detailed information on network providers and cost-sharing payments between insurers and consumers. Based on our understanding, the proposed amendments directly affect 262 insurers. The insurers' direct cost from additional providers and reporting requirements would be \$22.6 million in 2016 with a reduction in total economic output of \$51 million, thus meeting the major regulations threshold of \$50 million a year. Expanding network providers would also reduce consumers' out-of-pocket expenses of \$14.1 million and prevent 17 to 42 deaths per year.

Finance, in general, concurs with the methodology used to assess the economic impact of the proposed amendments, although there are areas where impacts must be more fully discussed to meet the SRIA requirements. Although the additional cost that affected insurers incur in expanding providers would have negative ripple effects on the economic output, positive effects of reimbursements by insurers to providers must also be accounted for. In addition, clarification on how the direct impacts on insurers were translated into changes in demand for insurers' services is necessary. The SRIA described between 17 to 42 lives would be saved due to the proposed amendments. Given the extensive literature on the valuation of lives, the SRIA should provide an assessment of the monetary value of lives saved to better allow comparisons of tradeoffs.

As some insurers are likely to be more affected than others, these differences should be discussed. The SRIA estimated the total cost of having additional providers to the insurers based on the size of policyholders in a medical network. Insurers can provide multiple networks with different cost-sharing burden between consumers and insurers. Not all the insurers participate in all geographical regions in California, nor do they offer health insurance to all age groups. Finance's major regulations call for an assessment of distributional impacts when there

are disparities in size or availability of insurers (e.g., large vs. small or urban vs. rural). If detailed information is not available, at a minimum a baseline discussion on network structure and insurers' services by geography would provide the background for possible differentiated impacts among consumers and the 262 affected insurers.

The filing and reporting requirements in the proposed amendments entail additional enforcement activities on the Department of Insurance. The SRIA must describe resource impacts of these requirements on the department, and how these will be funded.

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

Sincerely,



Irena Asmundson
Chief Economist

cc: Ms. Panorea Avdis, Governor's Office of Business and Economic Development
Ms. Debra Cornez, Office of Administrative Law
Ms. Rani Isaac, Department of Insurance
Mr. Joseph Lee, Department of Insurance
Mr. Karl Whitmarsh, Department of Insurance
Mr. Geoff Margolis, Department of Insurance
Mr. George Teekell, Department of Insurance
Ms. Julia Cross, Department of Insurance