



# Rate and Plan Announcement for 2016



# Historical Trend

## California's Individual Market

9.8%

2011-2014



# Covered California Trend for 2015

## California's Individual Market

4.2%



# Covered California Trend for 2016

**California's Individual Market**

**4.0%**



# Consumer Choice Means Savings for 2016

Average savings if consumers switch to lowest-price plan in the same metal tier

**-4.5%**

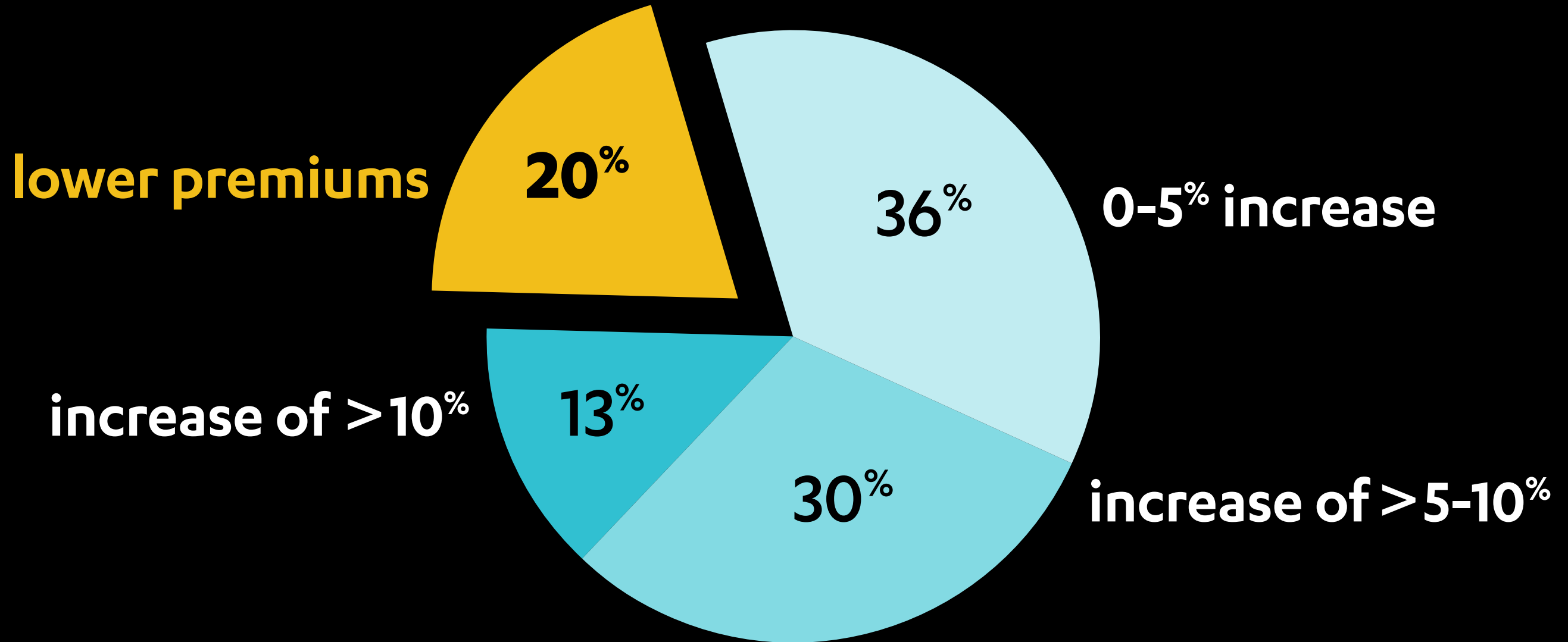
**Weighted Rate Change**



**COVERED  
CALIFORNIA**

# Changes To 2016 Premiums

## If Consumers Stay with Current Plan





# Covered California 2016 Rate Changes in Los Angeles

**Low rates and even greater savings if consumers switch to the lowest-priced plan in the same metal tier**

## LOS ANGELES COUNTY 2016

**1.8%**

**AVERAGE INCREASE**

**-11.1%**

**AVERAGE CHANGE  
IF SWITCHING**



# Covered California 2016 Rate Changes in San Bernardino

**Low rates and even greater savings if consumers switch to the lowest-priced plan in the same metal tier**

## SAN BERNARDINO COUNTY 2016

**1.0%**

**AVERAGE INCREASE**

**-12.3%**

**AVERAGE CHANGE  
IF SWITCHING**





# Covered California 2016 Rate Changes in San Diego

**Low rates and even greater savings if consumers switch to the lowest-priced plan in the same metal tier**

## SAN DIEGO COUNTY 2016

**2.8%**

**AVERAGE INCREASE**

**-10%**

**AVERAGE CHANGE  
IF SWITCHING**

# Covered California Rates and 2016 Trends

## Northern CA vs Southern CA



average premium

average increase

change if switching

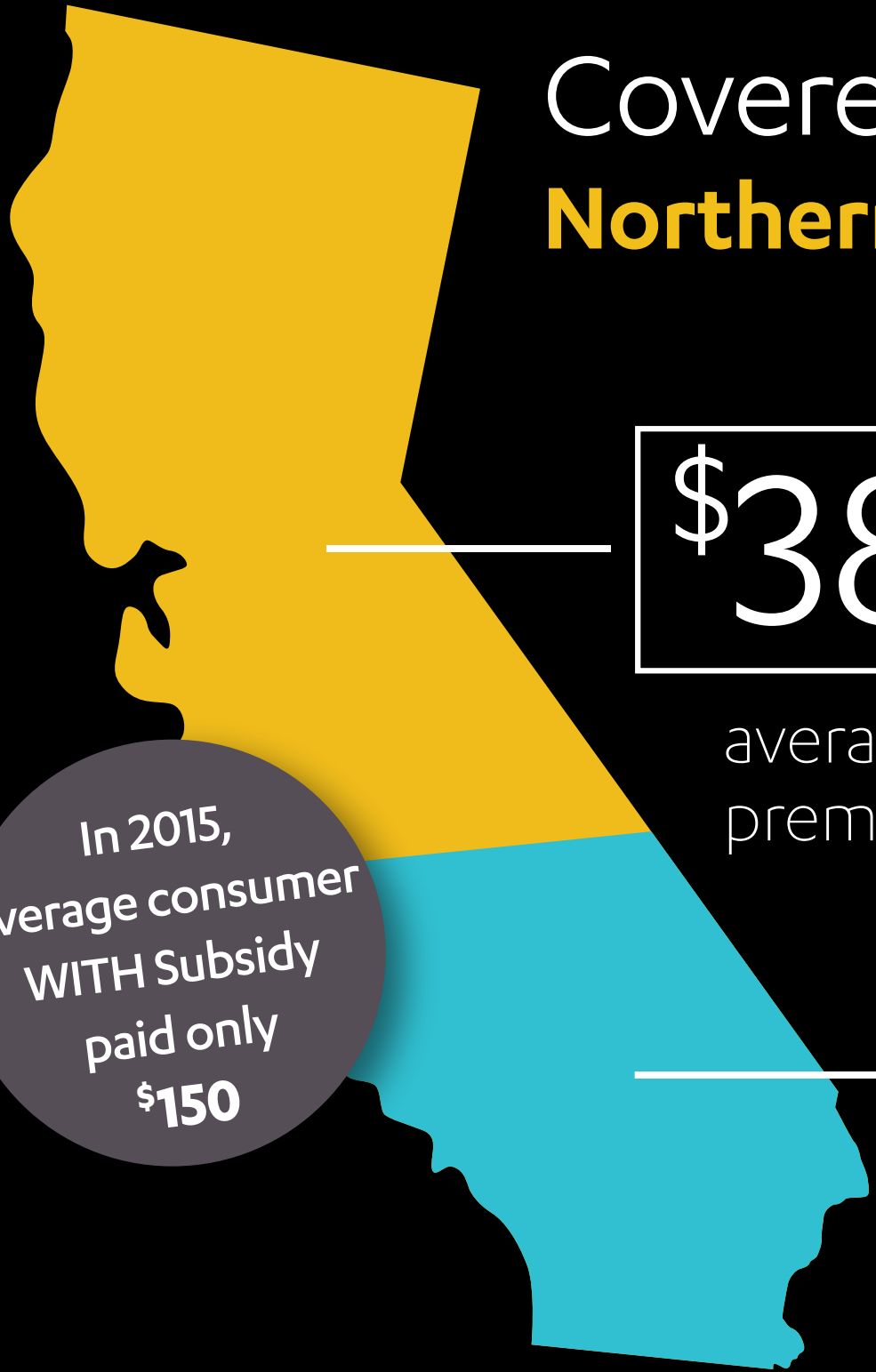


average premium

average increase

change if switching

In 2015, average consumer WITH Subsidy paid only \$150





# Rate and Plan Announcement for 2016



# How We Got Here

**Successfully enrolled 1.3 million consumers**

- **Young and diverse mix**
- **Purchasing power**
- **Healthy risk pool**



# How We Got Here

**California benefited from the standard  
Affordable Care Act tools**

- **Medical loss ratio**
  - focusing on care, not profits
- **Risk adjustment**
  - no reward for avoiding sick people
- **Reinsurance**
  - stabilizes premiums



# How We Got Here

## California's Extra Steps as an Active Purchaser

- Select plans
- Evidence-based negotiating
- Standard benefit design

Saved  
consumers  
more than  
**\$200 million**  
by lowering  
rates



# Rate and Plan Announcement for 2016



# Returning for 2016

**Anthem Blue Cross of California**

**Blue Shield of California**

**Chinese Community Health Plan**

**Health Net**

**Kaiser Permanente**

**L.A. Care Health Plan**

**Molina Healthcare**

**Sharp Health Plan**

**Western Health Advantage**





# New Plans for 2016



UnitedHealthcare<sup>®</sup>

**OSCAR**

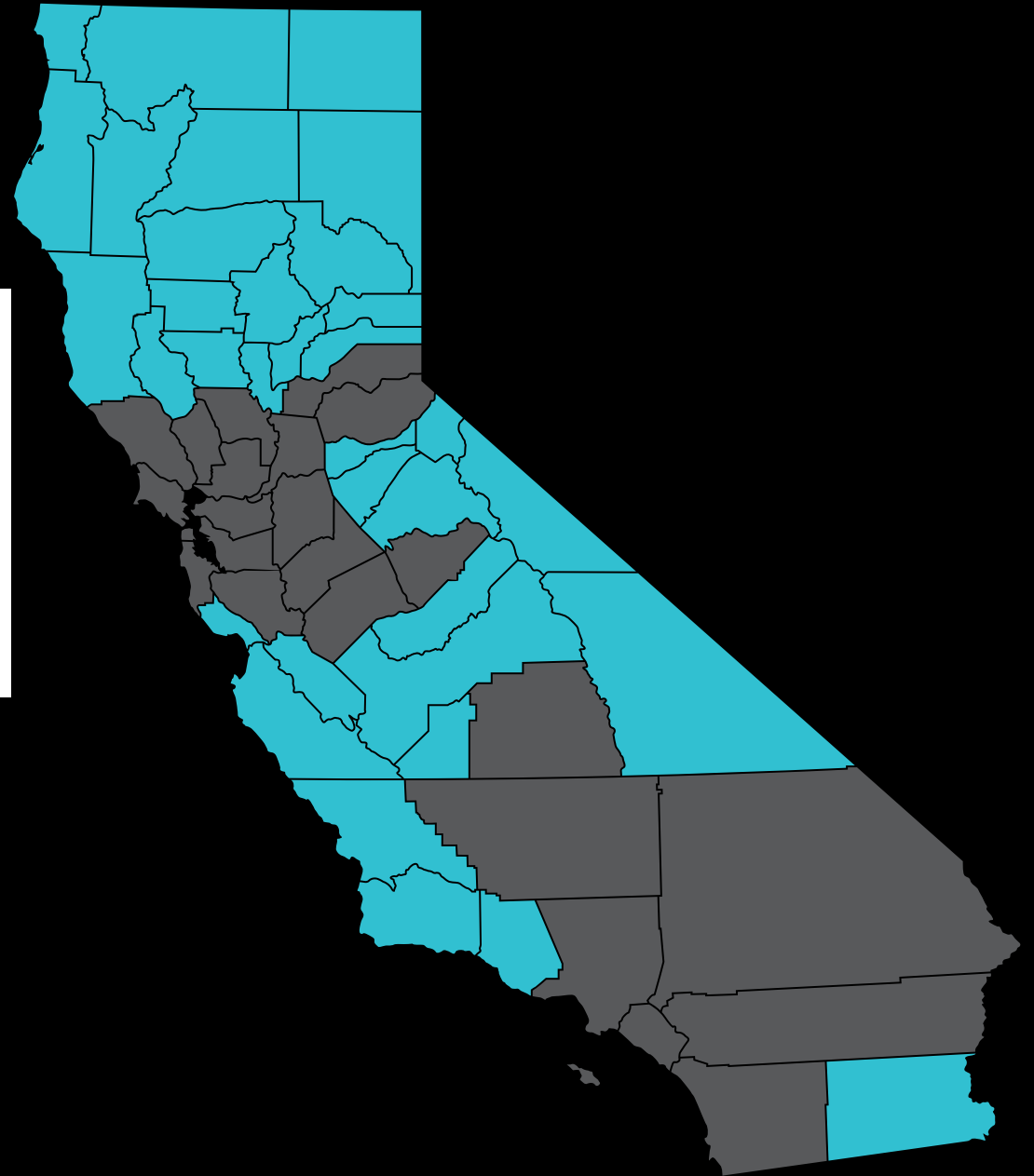


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**CALIFORNIA**

# New for 2016



**UnitedHealthcare<sup>®</sup>**

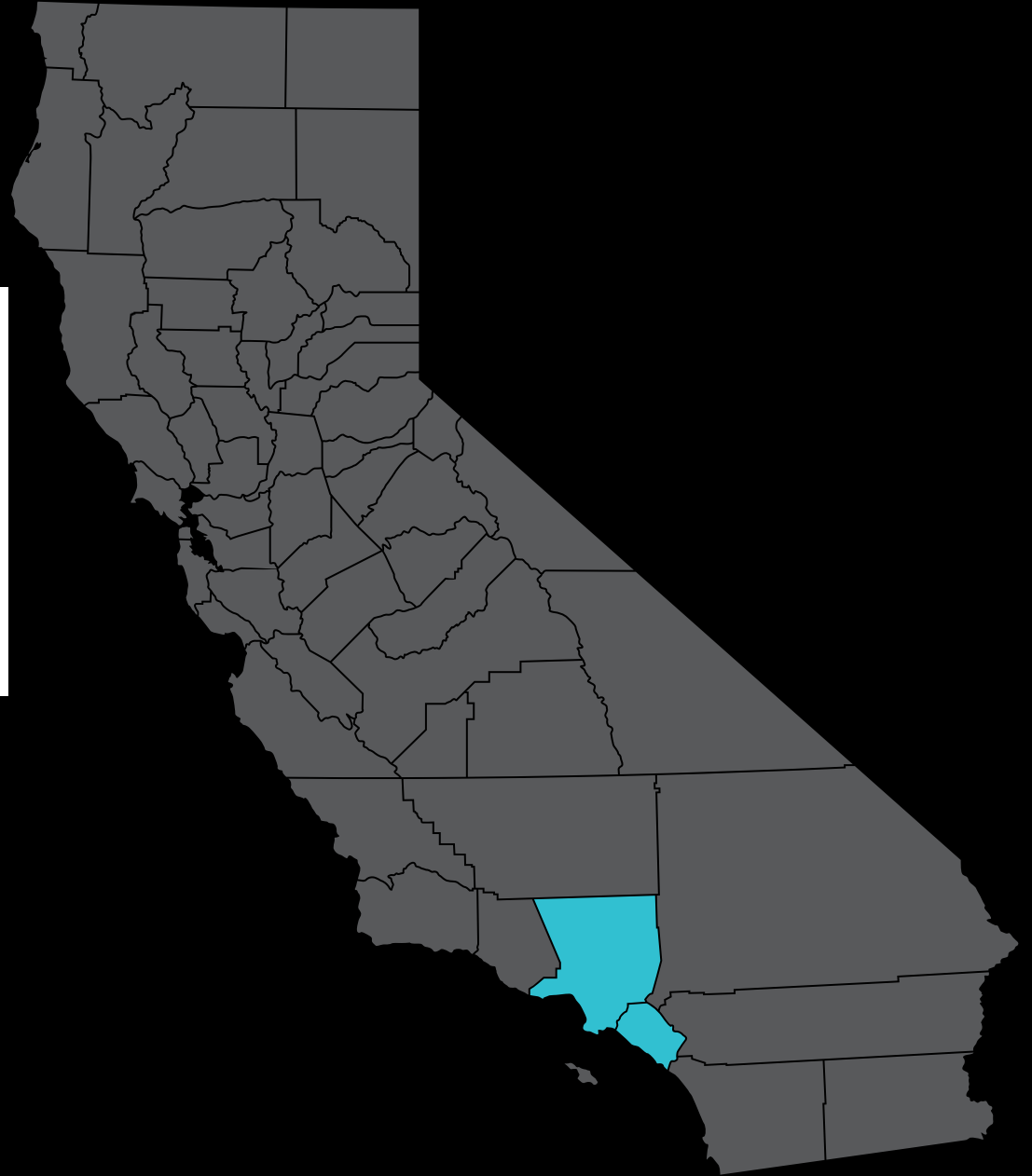




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CALIFORNIA**

# New for 2016

# oscar





# Plan Details for 2016

## Expanded Access and Providers

- Current plans will expand coverage
- 99.6% of consumers can choose from three or more carriers
- Consumers will have access to more hospitals with more plans



# Rate and Plan Announcement for 2016



# Promoting Quality Care



**Integrated and coordinated care**



**Addressing health disparities**



**Innovations in customer service**



**Telehealth to expand access**



**Empowering consumers with tools**



**Prevention and wellness programs**



**Managing chronic disease**



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CALIFORNIA**

# Collaborative Initiatives

## Covered California Is Exploring for 2016



**Partnerships  
to improve  
care for all**

- **Choosing Wisely partnership**
- **CalSIM Maternity Project**
- **Promote payment reform**
- **Partnership for patients program**
- **Support stronger primary care**



# Rate and Plan Announcement for 2016





# 2016 Rate and Plan Announcement

July 27 – Sacramento

Good morning and thanks for joining us today. I think it is appropriate that we are announcing our new rates and plans for 2016 on the same day the nations celebrating the 50<sup>th</sup> anniversary of Medicare and Medicaid.

I can think of no better way to celebrate 50 years of health care being a right for all of America's seniors and many of the most disadvantaged than be reporting on how we are delivering on the promise of the Affordable Care Act to make health care a right for ALL Americans.

And, today we are providing further proof that the Affordable Care Act is working for Californians.

In just a few moments, we will announce the health plans that will participate in Covered California next year, and release their preliminary rates for 2016.

Today shows that if your state puts politics behind it, and focuses on what works for consumers, you can make the health care system better by lowering costs and improving quality.

Today's news reaffirms what President Obama recently said – this is now health care in America.

I would like to start by reading a brief statement from Covered California's board chair, Diana Dooley, California's Health and Human Services Secretary, who could not be here but wanted to welcome you to this event.

*She says, "California has used the tools of the Affordable Care Act, including our state exchange and the expansion of Medi-Cal, to provide coverage and care to millions of Californians.*

*Thanks to the hard work of many partners in communities across the state, our elected officials, counties, the health plans and providers, and negotiators working for months on behalf of Covered California,*

*the exchange is able to mark another important milestone with the announcement of today's health insurance rates for 2016.*

*For the last five years, the Board, leadership and staff of Covered California have been working toward our vision of not just affordable health care, but better health, access and quality.*

*Today's rate announcement, and the changes underway in our state's health system, are important reminders of the very real progress we are making."*

Across the nation there has been much said and written about what the rates would be for 2016 – the third year into the expanded coverage of the Affordable Care Act.

Some reporters, analysts, critics have been hinting, suggesting and even flat-out warning that – once again – the sky was about to fall and rates would soar in 2016. These pundits, critics and chicken-littles were flat out wrong.

But, before I get to the facts for millions of Californians, let me remind you how insurance rates used to work.

Before the Affordable Care Act, one study found that between 2011 and 2014, the median increase for the individual market was 9-point-8 percent – PER year.

Before the Affordable Care Act, these high rate increases were only available to those without pre-existing medical conditions.

If you were fortunate enough to get insurance, you often did **NOT** have the coverage you needed when you got sick or injured because of gaps in coverage and coverage limits.

And, in those days, a big portion of consumer's premium dollars could have gone to windfall profits, high executive pay, marketing and administration.

Health care in California and across America is fundamentally different today: insurance companies cannot turn anyone away; national standards

limit consumer exposure and assure coverage is meaningful; and health plans' premium dollars are spent on health care.

When Covered California opened its doors, we offered consumers a wide range of plans that were more robust and offered more benefits and protections, with rates that were significantly lower than many experts predicted.

For 2014, we enrolled hundreds of thousands of people, across all ages, health status and regions of the state - and yet some predicted our rates would skyrocket because we had not been successful enough enrolling young people.

So we come to 2015, when our 4-point-2 percent weighted average increase was a fraction of what consumers saw before the Affordable Care Act.

Again, we heard some critics say the low rates were a fluke and that in 2016 rates would sky-rocket.

Today Covered California is demonstrating that the Affordable Care Act does indeed work for consumers, by announcing a rate increase that is even lower.

I'm proud to announce that after intense and innovative negotiations with ten health plans – the average weighted rate increase for 2016 will be 4-percent.

While the overall weighted average increase is 4-percent – the change in the lowest priced Bronze plan is just 3-point-3 percent – and it's even smaller for the lowest priced Silver which is 1-point-5 percent. Both figures are also **LOWER** than last year.

This is good news for Californians, but the even better news is that consumers will be able to save money next year if they shop around.

If Covered California enrollees shop around and if they all moved from their existing plan to the lowest cost plan in the same metal tier, they can actually pay an average of 4-point-5 percent **LESS** next year, and in some

regions of the state they can save more than 10-percent for the same level of coverage.

And, all of this good news applies to the coverage our plans offer both inside Covered California and in the off-exchange individual market – benefiting the 900,000 Californians who are not in Covered California but get the benefit of our negotiating clout and work to expand the insurance pool.

These rates also benefit the tens of millions of Californians with employer-based coverage in two ways. First, by lowering the number of uninsured – we are reducing the cost shift to employers and their employees from hospitals and other providers needing to make up their uncompensated care in commercial premiums. And, all Californians can know that if they lose employer-based coverage they will have affordable insurance available to them.

So how does this impact consumers, because behind those averages are individuals facing very different circumstances? Well – health care is personal and health care is local. So, first, let's talk about consumers' experiences. The big news is that for 20-percent of Covered California enrollees – even IF they stay with their current plan, they will either see a decrease in their premiums.

That's one out of every five of our consumers – and that is a big deal.

36-percent will see their increases rise slightly – but no more than five percent.

30-percent will see their increases rise between five percent and ten percent.

And 13-percent of those who do NOT want to seek lower rates by changing plans will see an average increase of greater than ten percent.

Again, this is only for consumers who stay in their current plan.

While we would rather **NO** consumer were to face double digit increases, I'll note that about 2-point-5 percent of our enrollees – one out of 40 -- will

face potential increases of over fifteen percent. But, even the consumers facing these rates can actually **REDUCE** their current premiums by an average of 2-point-9 percent if they switch to the lowest priced plan in the same metal tier.

This is potential savings shows the value of choice and the value of no longer being “locked in” to a particular plan.

So, now let’s talk about health care is LOCAL.

Let’s take a look at Los Angeles County, the most populous area of the state which is actually made up of two “rating regions” and show you how shopping around can pay off.

The weighted average increase for L.A. County consumers who stay in the same plan is less than two percent.

However, if they shop around and switch to the lowest priced plan in the same metal tier, they would actually see their premiums go down by more than 11 percent.

In San Bernardino County, consumers will see a weighted average increase of one percent if they stay in the same plan.

However, they could save an average of more than 12 percent if they shop around.

It’s the same story in San Diego County where the weighted average increase is 2-point-8 percent.

However, if they shop around they could save an average of 10 percent.

The “Local News,” however is not all rosy. Health care is local and provider competition based on where you live is a key driver in the cost of coverage. You can see that here:

In Southern California, where there are more providers and greater competition, the weighted average increase is 1-point-8 percent.

In Northern California, which has historically been less competition between providers, the average increase is seven percent, where premiums will be up to 30 percent higher in 2016.

This, however, is not “news” and not a Covered California story – rather this is the same experience of **ALL** consumers and purchasers in the state of California. And, this is NOT because Northern Californians are sicker or Southern Californians get worse quality care.

What **IS** different about Covered California is that consumers in both regions can now dramatically reduce their premiums if they shop around.

In Southern California the average reduction in premiums is almost ten percent, while consumers in Northern California could limit the increase in their premium to an average of only one percent.

We know that not everyone will see a decrease or only experience a small increase, that’s why shopping around will be key this year and we encourage consumers to take a look at their options and pick the one that best suits their needs.

Also, these figure are all about the underlying premium and since many of our enrollees get financial help to lower their costs we will be providing additional support to help consumers understand the best choice for them that also factors in change in their federal subsidy.

But, by any calculation – this is good news.

So how did we get here? How did Covered California turn the tide on years of rising rates and put consumers in a position to save money on their premiums?

First and foremost, we successfully enrolled more than 1.3 million active consumers that resulted in a good “risk mix” and gives Covered California the negotiating power of one California’s biggest health insurance purchasers.

Our mix of young and ethnically diverse enrollees are among the healthiest in the country – and the proof can be found in the 4-percent rate increase, validated by ten health plans actuaries who are **NOT** planning on losing

money on our business. Unlike pundits and politicians – not only are they actually trained to analyze the risk mix of a population, their jobs are on the line if they get it wrong.

How did we do this enrollment? We did it in every community of this state, with insurance agents, community groups, schools and churches. I want to thank all of them for being part of making this announcement possible – including the representatives of our Marketing and Outreach Advisory Committee who are here with us today.

Next, the tools provided by the Affordable Care Act are working to enable us, and other marketplaces across the nation to get off the ground.

“Medical Loss Ratio” requires insurance companies to spend at least 80 percent of premium dollars on medical care – and limit the amount they spend on administrative costs, executive salaries and marketing.

“Risk Adjustment” is a program where carriers that enroll higher risk consumers are paid by carriers which enroll lower risk consumers, so there is no longer money to be made by avoiding sick people.

Finally there is “Reinsurance” – which also helps keep rates stable by allowing insurance companies to build their pool of enrollees without worrying about whether they will incur high medical bills from their consumers.

2016 will be the last year of “reinsurance” – and some fear that rates will spike when it ends. The fact is – our rates for are about two percent lower than they might have been because of this program.

Finally, Covered California is taking extra steps as an “active purchaser”.

We choose which plans participate in the exchange and have created a market where the consumer is in the driver’s seat.

We use evidence-based negotiating to get the best rates, networks and quality for consumers. Our independent data resulted in plans lowering their rates from where they started in our negotiations and consumers saving over **200-million** dollars in premium costs.

We created a standard benefit design, which establishes the services plans must offer, and creates a level playing field where carriers must compete on price and quality.

Those standard designs also mean that for the vast majority of enrollees they get any and all care in doctors' offices without first needing to satisfy a deductible. These are huge benefits to consumers that remove financial barriers to getting care.

If you really want to see the potential of the Affordable Care Act, California is a good test case as a state that is using all the tools available to us.

And here – I want to thank and acknowledge both all of the plans we contract with – who engaged in our negotiations constructively and have been working hard to deliver on the promise of care and to the many partners – consumer activists, labor, clinicians and more -- who have helped develop and improve on our policies – many of them, including members of our Health Plan Advisory Committee are here today.

We also are here today to announce that we are increasing the number of health insurance companies that Covered California is offering, expanding coverage and giving consumers more choices than ever before.

To do the honors, I would like to introduce Anne Price, our Director of Plan Management.

*(Anne Price introduces plans)*

- *All ten of the carriers we offered will be back in 2016 – along with two new ones, bringing the total number of plans offered through the exchange to 12.*
- *Proud to introduce Oscar and UnitedHealthcare to the Covered California family.*
- *We have representatives from both companies here today.*
- *UnitedHealthcare is the single largest single health carrier in the United States – and will be offering coverage in five pricing regions. They are in blue on the map:*
  - *The Northern Counties in region 1;*
  - *The Central Coast which includes Santa Cruz, Monterey and San Benito Counties in Region 9; and San Luis Obispo, Santa Barbara and Ventura Counties in Region 12.*



- *The Central Valley, which is made up of Fresno, King and Madera Counties in Region 11; and Mono, Inyo and Imperial Counties in Region 13.*
- *The decision to add United was for increasing carrier choice in regions where there was limited choice.*
  - *In the regions where United will now be an option, it's hard to establish a competitive environment due to few providers in the areas. Adding United can help as a step in this direction.*
  - *A second example is the consumer tools suite United brings such as Telehealth and their mobile capabilities. United offers members the Health4Me mobile app to help members manage different aspects of their health such as getting health care cost estimates for specific treatments and procedures.*
  - *The cost estimates provided by United's tools are based on actual contracted rates of their specific plan. Thus consumers know real costs before receiving care.*
- *I am happy to introduce – Brandon Cuevas, CEO of United's California health plan, to make a few remarks, Brandon?*  
*(Anne returns to podium and introduces Oscar)*
- *Oscar is a new health insurance company that is currently offering its products on the New York State health exchange.*
- *We decided to include Oscar because it has developed some innovative and helpful internet tools for consumers and a provider network that includes UCLA hospital which previously had only been available to consumers through one other carrier,*
- *Their contracting strategy to have an integrated accountable care model with Providence in Southern California is designed to deliver better care coordination for consumers through the sharing of clinical data and aligned payer provider incentives.*
- *Oscar will offer plans in:*
  - *West Los Angeles, region 16 and*
  - *Orange County, region 18.*

- *I am happy to introduce – Mario Schlosser, co-founder and CEO of Oscar Insurance, Mario?*

*(Anne returns to podium)*

- *The addition of two new carriers was supplemented by many of our current carriers expanding their areas of service – because of this, Covered California is increasing choice and access to plans and providers.*
- *Californians in large metropolitan areas, where most of the state’s population lives, will have from five to seven health plans to choose between.*
- *And, in 2016 almost all consumers, 99.6 percent, will be able to choose from three or more carriers, and all will have at least two to choose from.*
- *This is an important improvement for consumers who live in rural areas who have had to travel long distances.*
- *In addition, those consumers who live close to Oregon and Nevada will be able to cross state lines to get care through United’s contracted doctors in those states.*
- *Also In 2016, more than 90 percent of hospitals in California will be available by at least one plan, and three quarters will be available through three or more offerings.*
- *We have more quality plans to choose from, which are serving more parts of the state. We’re giving our consumers the choice of more doctors and more hospitals to ensure they can get the right care at the right time.*

*(Peter returns to podium)*

Thank you Anne, and thank you and welcome to Oscar and UnitedHealthCare -- you are in good company.

Keeping rates affordable and providing our consumers with quality options is only part of Covered California’s mission. We are also working to foster improvements in the way health care is delivered to consumers.

This “delivery reform” is part of the contracts we have with the health plans. On the press release you will find a link to a fact sheet that lists

some of the new options that will help more Californians get access to doctors and specialists, get more efficient and higher quality care, and care in their own language.

I would like to invite our Chief Medical Officer, Dr. Lance Lang up to highlight some of the improvements consumers will see.

(Dr. Lance Lang addresses delivery reform)

- *The way health plans have been innovating in health care delivery has contributed to their ability to provide quality care while keeping rates down. The following are a few examples among many:*
- ***In providing Better Care for People with Chronic Conditions***
  - *All plans are helping those with high blood pressure, diabetes, heart disease and asthma get the care they need*
  - *All plans have shown this lowers use of ERs and Hospitals*
  - *Kaiser Permanente has led the nation in lowering heart disease mortality*
- ***In Reducing Racial/Ethnic disparities in health outcomes***
  - *Health Net, LA Care and Kaiser Permanente are among only 9 insurance companies nationwide to achieve NCQA recognition for Multi-Cultural Health Care*
  - *Most importantly, this includes the ability to measure and begin to narrow the disparity in quality among racial and ethnic groups.*
- ***Using Telehealth to Improve Access***
  - *Anthem is offering 24/7 access to an urgent care physician*
  - *Sharp is testing providing access to a member's primary care physician*
  - *Blue Shield is working with Adventist to augment access to specialists in areas of the state where they are scarce*
- ***Promoting integrated and coordinated care***

- *Each plan will continue to innovate and differentiate itself to compete in the Covered California marketplace. An example is that many plans are testing different approaches to building Accountable Care Organizations or ACOs that integrate and coordinate care across institutional boundaries.*
- **Promoting collaboration that touches all Californians**
  - *But in California, no plan provides physicians with more than 10-15% of their patients. So promotion of new ways to organize each physician's practice requires collaboration among all our plans.*
  - *Covered California is engaging with its twelve health plans to partner on improving quality and value for all Californians **as soon as next year**. Initiatives we are exploring include:*
- **Reducing Overuse through "Choosing Wisely"**
- *This program provides consumer information on treatment options for conditions and procedures national physician specialty societies have singled out as targets to reduce wasteful care.*
- **The California State Innovation (CalSIM) Maternity Project**
  - *Will support appropriate use of C-Sections*
- **Promote Payment Reform**
  - *Evolving from fee for service to more payment for value following the lead of the CMS Innovation Center*
- **Hospital Safety, the national Partnership for Patients program**
  - *Targets reduced rates of readmission and hospital complications like surgical infections*
- **And lastly, Support Stronger Primary Care**
  - *Through broad adoption of Patient Centered Medical Home for Family Docs, Internists and Pediatricians... a model that is more accessible and team based, providing more comprehensive care than is commonly available today*

- *These discussions are ongoing and progressing well. These delivery system innovations will be key to continuing to keep a lid on health care rate increases.*

(Peter returns to podium)

Thank you Lance. I want to thank you all for being patient. My final note of thanks is to our negotiating team all that they have done to make today a reality.

As we always say, our top priority is doing what is best for the consumer. We are proud of today's announcement, but know that we have more to do in this new era of health care.

This isn't Obamacare or the Affordable Care Act anymore, this is health care in America and it is working.

Now I would like to open the floor to questions.