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Lawmaker's 2nd try to rein in health care costs

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Jason Hamilton seems like just the kind of member any health insurance carrier would want.

At 36, the San Rafael resident is active, healthy and has an uneventful medical history. So he was caught off guard when he received notice earlier this year from his insurer, Anthem Blue Cross, that the monthly rate for his individual health policy would go from $110 to $186 as of March 1.

"My premiums would have gone up 68 percent had I chosen to stick with the policy. Where exactly is that money going?" said Hamilton, who switched from a $500 to a $2,500 deductible to keep his premiums under control.

Unlike home and automobile insurers, health insurance carriers in California can legally raise rates for policyholders as much as, and whenever, they want for both group and individual policies. Regulators technically oversee the increases, but they have no power to control rates.

Small employers and individual policyholders typically see higher rate increases than large group plans. From 2003 to 2006, premiums for the small-group market in California increased by more than 50 percent.

Assemblyman Dave Jones, D-Sacramento, wants to curb the practice of unregulated rate increases through legislation that would require the state's two health insurance regulators - the Department of Managed Health Care and the Department of Insurance - to approve health plan increases in premium, co-payment, deductible or other charges. The proposal, Assembly Bill 1218, is scheduled to be heard today in the Assembly Health Committee.

In 2007, Jones introduced an identical version of the bill that passed the Assembly but died in the Senate Health Committee. The new legislation, supported by the California Labor Federation and several consumer groups, would exempt increases of less than 5 percent from insurers that devote at least 90 percent of their premium dollars to medical care.

Not surprisingly, the California Association of Health Plans opposes the bill. The trade group for the state's health insurers argues that such legislation would hinder plans from offering new products or changing existing policies, adding a "burdensome new regulatory scheme."

The bill is also opposed by the California Medical Association, which represents doctors. That group, which opposed Jones' previous effort as well as similar proposed legislation in 2005 and 2006, fears it could lead to lower provider reimbursement rates.

"In our view, lower reimbursement rates would force physicians not to contract with HMOs, and that would further decrease access for patients," said Amber Pasricha Beck, spokeswoman for the doctors' group.

For some consumers, however, increased authority over rates would provide much-needed relief.

Anthem Blue Cross, which covers about 800,000 individual policyholders, or more than any other insurer in California, raised rates on March 1 for more than 80 percent of its individual plan members. Anthem officials have said hikes were necessary to cover increased medical costs.

Jerry Steach of San Francisco blanched when his Anthem rates rose 27 percent. So he switched to a different policy with the same carrier, one that came with a $5,000 deductible and $100 co-payments for office visits.

"It's not a long-term solution for anybody, much less somebody in his 50s or above," said Steach, 51, who is healthy but keeps a liquid reserve that he could use in case of a major health event. "I'm fully expecting there will be a substantial out-of-pocket for me at some point, but in the meantime I'm able to keep premiums down."

Bay Area resident Philip Chin's premiums went up more than 36 percent - and that's after he already had a deductible of $5,000. But with a diagnosis of diabetes, the self-employed 38-year-old knows he has little chance of finding alternative coverage.

"I can't pack up and run. In this situation, I don't have much choice," he said, adding that he chooses generic medications when possible and has reduced the number of his doctor visits.

As for the potential of legislation providing a solution, Chin is skeptical. "Insurance companies and other businesses usually find a way around such laws," he said. "It's just always been that way."