

Editorial: Anthem rate hike shines light on need for comprehensive reforms

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Assemblyman Dave Jones tried in 2007 and 2009 to pass legislation giving California greater authority to regulate health insurance companies' rate increases. He failed both times — but this year may be different, thanks to Anthem Blue Cross' outrageous plan to increase rates for individual policyholders by up to 39 percent.

And on Friday — the same day Jones reintroduced his bill in Sacramento — U.S. Sen. Dianne Feinstein dropped a legislative bomb proposing similar regulation on the federal level.

None of this would be necessary if Congress did its job and passed comprehensive health care reform. For example, a public option would discourage price-gouging and give Anthem subscribers an alternative.

But if that's not going to happen, regulating rates is probably better than nothing. California already does this for auto insurance. Whether regulation is more appropriate on the national level is something to explore, but the state shouldn't wait for a federal solution. (See above re: Congress.)

Jones, a Sacramento Democrat running for state

insurance commissioner, makes a strong argument that health insurers should have to get approval to raise rates. The best tool now available to the commissioner is the ability to suspend a company's right to do business in California if it spends less than 70 percent of premium dollars on providing care.

The current commissioner, gubernatorial candidate Steve Poizner, is looking at Anthem's books and says he has a "healthy skepticism" that Anthem's rate hike is justified.

The problem with just regulating rates is that it does nothing to tackle the soaring medical costs that insurers say determine their premiums. But direct costs aren't exactly what Anthem is arguing in t his case. It claims it has lost so many of its healthy customers that it needs higher rates to pay the medical costs of its remaining policyholders.

That must be one sick bunch of Californians to justify a 39 percent rate increase, when medical costs throughout the United States are estimated to have grown by 10 percent in 2009. But it points up the problem that, as fewer people can afford insurance, it forces costs up for the rest, compounding the problem.

Another possibility is that Anthem is playing games with its medical loss ratios, a common criticism by consumer groups.

It isn't just insurance companies that are fighting regulation. The California Medical Association has opposed it because doctors believe, with good reason, that it will lead to lower reimbursement rates.

Medical experts long have argued that incremental health care reforms will not work. The system is so

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complex that a comprehensive, national approach is needed. They're right. But if Congress can't get it done, piecemeal approaches are all that's left. States like California can't afford to have thousands more join the ranks of the uninsured — and that is the only possible outcome of a rate increase like the one Anthem proposed.

Jones' AB 2578 deserves a fair hearing when the Assembly takes it up on Tuesday.

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