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State Exchange Profiles: California

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Establishing the Exchange

On September 30, 2010, former Governor Arnold Schwarzenegger (R) signed into law two complementary bills, AB 1602 and SB 900, to establish the California Health Benefit Exchange. California was the first state in the nation to pass legislation creating a health insurance exchange after the enactment of federal health reform.¹

Structure: The legislation defines California's Exchange as a quasi-governmental organization, specifically an "independent public entity not affiliated with an agency or department."

Governance: The Exchange is governed by a five-member board, including the Secretary of California Health and Human Services (or designee) as a voting, ex officio member, two members appointed by the Governor, one member appointed by the Senate Committee on Rules, and one member appointed by the Speaker of the Assembly. The legislation specifies that each appointed member of the Board should possess expertise in key subject areas such as, individual or small employer health care coverage, health benefits plan administration, or health care finance. While serving on the Board, members must not be affiliated in any way with a carrier or other insurer, an agent or broker, a health care provider, a health care facility or clinic, or a trade association for these entities. Also, members must not be health care providers, unless receiving no compensation for services provided.

Current Board members are:

- Diana S. Dooley (Chair), Secretary of California Health and Human Services
- Kimberly Belshé, Public Policy Institute of California
- Paul Fearer, Union Bank and Pacific Business Group on Health
- Susan Kennedy, former Chief of Staff for Governor Schwarzenegger
- Dr. Robert Ross, The California Endowment

The Board hired an Executive Director who began on October 17, 2011.

Contracting with Plans: The Board will selectively contract for health coverage offered through the Exchange, "seek[ing] to contract with carriers so as to provide health care coverage choices that offer the optimal combination of choice, value, quality, and service." California has experience acting as an active purchaser from other programs, such as the Children's Health Insurance Program (CHIP), small-business purchasing pool, and the state employee purchasing pool. The legislation directs the Board to define minimum requirements that carriers must meet to be considered for participation in the Exchange.

To mitigate the risk of adverse selection, the legislation requires carriers, whether or not they participate in the Exchange, to offer at least one choice at each of the four coverage levels. Catastrophic plans will only be offered by carriers participating in the Exchange. Also, products offered within the Exchange, either for individuals or small employers, must be offered to that population outside the Exchange.

In February and March 2012, the Exchange led multiple stakeholder group sessions with consumer advocates, brokers, and business representatives to gather feedback on plan selection



Exchange Monitor

Compare information across states about what they are doing to create and implement health insurance exchanges, including the [status of state action](#), [how their exchanges will be governed](#) and [total federal exchange grants](#).

State Exchange Profiles

Go in-depth and learn more about each state's progress in setting up exchanges including the legislative process and the next steps.

Select a State



States Fast Facts

Explore State Progress

Consumers are expected to receive over \$1.1 billion in [medical loss ratio rebates](#) from their insurance companies this year.

43 states and the District of Columbia have effective [rate review programs](#) to evaluate proposed increases in health insurance premiums.

Over 73,000 people are receiving health insurance coverage through a [pre-existing condition insurance plan](#).

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and design issues including, the optimal number of plans with which to contract, network criteria, out-of-pocket cost design, dental and vision coverage, and health system reform. In July 2012, the Exchange released a draft report with the help of subcontractors on qualified health plans (QHPs) options and recommendations based largely on stakeholder feedback.^{2,3} Recommendations on plan and network design included requiring all QHPs to offer all metal tiers, limiting each issuer to propose 2-3 products per geographic region, and standardizing family tiers and tier ratios. All proposed recommendations for QHPs have yet to be approved by the Exchange Board.

Consumer Assistance and Outreach: The Affordable Care Act (ACA) requires that state exchanges employ Navigators to assist with education and enrollment activities but leaves considerable flexibility for states to define their program. Given California's complex linguistic and cultural diversity and its size, the state began soliciting broad stakeholder input for an Assister program. In June 2012, Exchange subcontractors released recommendations and a final work plan for Phase 1 and 2 of the statewide Assisters Program.^{4,5} The report recommends the Assisters program include two distinct types of Assisters registered and certified by the Exchange. Certified enrollment Assisters (Navigators) will be compensated by the Exchange and at a minimum will include, non-profit organizations, community clinics, County Social Services offices employing Eligibility Workers, and labor unions. Direct Benefit Assisters, will not be paid by the Exchange and will include health insurance agents, hospitals, and providers. It is recommended that Certified Enrollment Assisters be paid a compensation of \$58 per successful Exchange application and given no compensation for renewals; however, this will be reevaluated prior to the launch of open enrollment in Fall 2013. Training and certification guidelines for both types of Assisters have been developed.

The state has detailed enrollment goals which have been broken out by potential enrollees' insurance status and demographic characteristics.⁶ Between September and December 2012, the state plans to refine their media plan and begin to develop the training curriculum for the Assisters program. Then for Phase II, between January and July 2013, the state plans to begin educating consumers and to begin paid media promoting the benefits of coverage. The Exchange is also exploring options for a service center and for branding the Exchange, but no final decisions have been made.

Information Technology: Additional legislation to help guide the state toward streamlined eligibility and enrollment systems for Medi-Cal, Healthy Families, and the Exchange was signed into law in October 2011 (AB 1296).⁷ The legislation requires the creation of a single statewide application that will be available on paper and electronically for all systems and entities accepting and processing applications and eligibility. It also requires a simplified citizenship and identity verification at application and renewal and increased coordination with other public programs.

In June 2012, the Exchange Board, in collaboration with the Department of Health Care Services and the Managed Risk Medical Insurance Board, procured a subcontractor for the development and operations of a new Eligibility, Enrollment and Retention System (CalHEERS) which will serve as the technology infrastructure for all three agencies.^{8,9} Stakeholders were given the opportunity to provide comments on specific design elements and the Board solicited two different approaches to Medi-Cal case data management- either building to allow the data to reside at the county level or pushing the data to a central hub. The Exchange also solicited subcontractors to provide project management and technical support services to state staff during the design, development and implementation of the CalHEERS system.

California is also participating in the "Enroll UX 2014" project, which is a public-private partnership creating design standards for exchanges that all states can use.¹⁰

Basic Health Program (BHP): California has considered an optional bridge program available through the ACA which allows states to use federal funding to offer subsidized health insurance to adults with incomes between 139 and 200% of the federal poverty level (FPL) who would otherwise be eligible to purchase subsidized coverage through an Exchange. Various analyses evaluating the option for California have been released; however, no final decision has been made.¹¹ Legislation creating a BHP was initially introduced in 2011, but in August 2012 the bill was held in Committee, effectively tabling the legislation (SB 703).¹²

Essential Health Benefits: In January 2012, the Board began to discuss the essential health benefits and procured subcontractors to analyze and compare the health services covered by the ten California benchmark plans. Legislation introduced in January 2012, would select the Kaiser small group HMO plan as the state's benchmark plan (AB 1453/SB 951).¹³

Exchange Funding

The legislation creates the California Health Trust Fund within the State Treasury, which will be continuously appropriated and used to manage the finances of the Exchange. The legislation also authorizes a loan of up to \$5 million from the California Health Facilities Financing Authority to assist in establishment and operation of the Exchange. The California HealthCare Foundation and the Blue Shield California Foundation also funded activities in preparation for applying for the federal Establishment grant.¹⁴

In September 2010, the California Health and Human Services Agency received a federal Exchange Planning grant of \$1 million. The state also received a federal Level One Establishment grant of \$39.4 million on August 12, 2011 which will be used for overall business and operational planning, research and analysis, and implementation of an information technology system.¹¹ The state was awarded a second Level One Establishment grant in June 2012 for \$196.4 million for continued Exchange development.^{15,16}

Next Steps

Governor Brown (D) announced that he may call a special legislative session for December 2012. This would allow the state to draft additional supplementary legislation to implement the ACA in California.

The Board has been meeting monthly since April 2011, focusing on a variety of topics, including hiring staff; collecting stakeholder input; investigating coordination of programs (e.g., Medi-Cal, Healthy Families); options for creating the Small Business Health Options Program Exchange (SHOP); and information technology to facilitate eligibility determinations and enrollment. The Exchange continues to involve stakeholders in much of the development process, including soliciting input through its website on policies related to marketing, enrollment and retention, and the Assistants Program. The state has procured multiple subcontractors to develop a business and operations plan; to develop an outreach, marketing and education strategy; to develop a SHOP Exchange; and to help establish standards for QHPs. In May 2012, the Board began solicitation for a subcontractor to develop and assess alternative approaches for a state-wide Exchange Service Center and released a report outlining the options being considered.^{17,18}

On July 10, 2012, Governor Brown issued a declaration letter reiterating California's commitment to the establishment of a state-based exchange.¹⁹ To complete the Exchange [blueprint](#), California must also submit an application to the U.S. Department of Health and Human Services by November 16, 2012, with information about the state's plans to operate a fully state-based exchange.

Additional information about the California Health Benefit Exchange can be found on the Exchange's website: <http://www.healthexchange.ca.gov/>

1. California State Assembly Bill 1602 http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_1601-1650/ab_1602_bill_20100930_chaptered.pdf. California State Senate Bill 900. http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0851-0900/sb_900_bill_20100930_chaptered.pdf (Accessed June 22, 2011)
2. California Health Benefit Exchange. The California Path to Achieving Effective Health Plan Design and Selection and Catalyzing Delivery System Reform: Stakeholder Input on Key Strategies. May 18, 2012. http://www.healthexchange.ca.gov/BoardMeetings/Documents/May%202012,%202012/HBEX-QHPStakeholderReport_5-18-12.pdf
3. Qualified Health Plan Policies and Strategies to Improve Care, Prevention and Affordability. Discussion Draft- Options and Recommendations. July 16, 2012. http://www.healthexchange.ca.gov/BoardMeetings/Documents/July_19_2012/CHBE-QHP_Discussion_Draft_7162012.pdf
4. Phase I and II Statewide Assistants Program Design Options, Recommendations and Final Work Plan for the California Health Benefits Marketplace. June 26, 2012. RHA. http://www.healthexchange.ca.gov/Stakeholders/Documents/CHBE,DHCS,MRMIB_StatewideAssistersProgram
5. DesignOptionsRecommendationsandWorkPlan_6-26-12.pdf Assistants Program for the California Health Benefits Marketplace. Exchange Board Meeting. May 22, 2012. http://www.healthexchange.ca.gov/BoardMeetings/Documents/VIII.%20A%20-%20CHBE,DHCS,MRMIB-RHA_AssistersProgramOverviewPresentation_5-22-12.pdf
6. Marketing, Outreach, and Education and the Assistant Program for the "California Coverage." May 16, 2012. <http://www.healthexchange.ca.gov/Stakeholders/Documents/PlanOverviewPowerPointPresentation.pdf>
7. AB 1296. February 18, 2011. Enrolled Bill Text. http://leginfo.ca.gov/pub/11-12/bill/asm/ab_1251-1300/ab_1296_bill_20110920_enrolled.html
8. Solicitation Request CalHEERS. California Health Benefit Exchange. January 18, 2012. <http://www.healthexchange.ca.gov/Documents/Solicitation%20HBEX4%20-%20CalHEERS%20Dev%20and%20Ops%20Services.pdf>
9. Announcement of Contract Award to Accenture LLC for CalHEERS Contract. California HBE. June 26, 2012. <http://www.healthexchange.ca.gov/Documents/6-25-12%20Announce%20of%20CalHEERS%20Contract%20Award%20to%20Accenture.pdf>
10. Enroll UX 2014 website. <http://www.ux2014.org/>
11. Rick Curtis and E. Neuschler. "Income Volatility Creates Uncertainty about the state Fiscal Impact of a BHP in California" IHPS. September 2, 2011. <http://www.chcf.org/publications/2011/09/income-volatility-creates-uncertainty>

12. Senate Bill 703. Basic Health Program. Introduced February 18, 2011. Last amended June 25, 2012. http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0701-0750/sb_703_bill_20120625_amended_asm_v93.pdf

13. AB 1453. 2012 Session. http://leginfo.ca.gov/pub/11-12/bill/asm/ab_1451-1500/ab_1453_bill_20120823_amended_sen_v95.pdf; SB 951. 2012 Session. <http://legiscan.com/gaits/text/662069>

14. Exchange Planning Grant and Exchange Establishment Grant. Presented at California Health Benefit Exchange Board meeting on April 20, 2011.

<http://www.healthexchange.ca.gov/Documents/Overview%20of%20Exchange%20Planning%20Grants%20and%20Exchange%20Establishment%20Grants.pdf>

15. Level 1 Establishment Grant Application.

<http://www.healthexchange.ca.gov/Grants/Pages/GrantInformation.aspx>

16. HealthCare.gov. "California Affordable Insurance Exchange Grants Award List." (Accessed August 2012) <http://www.healthcare.gov/news/factsheets/2011/05/exchanges/ca.html>

17. HBE Request for Offer. California Health Benefit Exchange. May 31, 2012.

<http://www.healthexchange.ca.gov/Solicitations/Documents/RequestforOfferforProcurementAssistantConsultantServices-ServiceCenterHBEX9.pdf>

18. Consumer-Centric Exchange Customer Service Center. Board Options Brief. June 15, 2012.

http://www.healthexchange.ca.gov/Stakeholders/Documents/IV_CHBE_ServiceCenterBoardOptionsBrief_06-15-12.pdf

19. Declaration Letter. Office of Governor Brown to Secretary Sebelius. July 10, 2012.

<http://www.healthcare.gov/law/resources/letters/ca-exchange-letter.pdf>



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