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CALLING FOR AUDIT OF COVERED CALIFORNIA

Last week I sent a letter to the Joint Legislative Audit Committee requesting an audit of Covered California's finances in light of some recent, troubling information.

Covered California is reportedly facing a deficit of \$78 million in fiscal year 2015/16, largely as a result of federal funds that will no longer be available at that time. However, Covered California does not appear to have a plan to backfill that deficit, and I am concerned that insurers who pay an administrative fee on every policy they sell — and by extension the consumers who buy health insurance through those providers — will be facing dramatically higher costs in the near future.

In addition, Covered California recently spent \$1.3 million on a widely mocked infomercial featuring Richard Simmons. I fear that this is evidence that the Exchange shows little regard for the precarious fiscal condition it faces. Also, this \$1.3 million is probably only a fraction of the total marketing and public relations budget for Covered California. I would be interested in understanding the total budget in these areas and what, exactly, the Exchange hopes to achieve through these efforts. How many sign ups? In what ethnic groups? In what age groups? I am hoping that an audit would help provide taxpayers and insurers an understanding of how their dollars are being used in this relatively new government entity.

As many as 900,000 policy holders in California lost their plans as a result of Affordable Care Act changes, and many of those people purchased plans through the Covered California Exchange. Millions more will be losing their coverage this year and many will be purchasing through the Exchange as well. As the Bureau of State Audits reported in 2013, "Financial sustainability will be an area of risk that will need to be monitored because future enrollment is unpredictable and is based on market factors outside of Covered California's control."

GAINES GAZETTE FEBRUARY 3, 2014

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It is stunning to me that a Department this new and this small could be facing a deficit this big without a plan to cover it. In light of this deficit, the seemingly ill-advised infomercial outlay, and Bureau of State Audits' own warning regarding the financial sustainability of Covered California, an examination of the Exchange's finances is in order.

I will keep you all updated as this audit request progresses.

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