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Insurance exec sees rate spike under health reform



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Prepare for sticker shock in two weeks, warns local health plan CEO Garry Maisel.

On May 23, the state health benefit exchange will name the plans it has selected to offer insurance in **Covered California**, the new marketplace for individuals and small employers.

Shortly thereafter, plans will file proposed rates with state regulators — and the numbers are going to be eye-popping in the individual market, Maisel said Thursday at a program on health care costs sponsored by **Drexel University**.

"I think individual premiums will go up 40 to 70 percent ... and this will cause a national furor," he said.

A caution: first-year rates in the new state program will be an anomaly.

"We have to reset the benchmark," said Maisel, CEO of Sacramento-based **Western Health Advantage**, one of the plans vying for a spot in the new state program.

A variety of factors will affect health premiums in the individual market next year, Maisel said:

- Policies will be different from the bare-bones coverage many people buy today. There will be more choice and policies will more closely resemble employer-sponsored insurance.
- Health plans will pay a greater percentage of costs.
- Health plans can't deny coverage for pre-existing conditions or charge more for poor health status.

- Younger beneficiaries will lose some of their advantage because plans currently can charge them up to five times less than older people. In 2014, the range will narrow to 3-1.
- Higher anticipated enrollment among older individuals means higher health care costs.
- Many people will be eligible for subsidies. Most moderate- to low-income Californians will pay less for coverage than they did before. Those on the lowest end of the income scale could see their premiums decline significantly.

"The ACA is not health care reform, it's mostly health insurance reform that changes the model of access to insurance," Maisel said.

Part of the problem currently is the way the health delivery system shifts costs to recoup income lost on low-paying government programs.

Dignity Health, parent company to local Mercy hospitals, spends \$519 million more annually on care to Medicare patients than it gets paid by the government, said Shelly Schlenker, vice president of public policy and advocacy. For **Medi-Cal**, the annual gap is \$571 million.

"Hospitals cost too much and the ACA will begin to address that," Schlenker said. "But it's going to be a long period of chaos," she added. "The trick for health systems will be to stay in business during the change."

For health plan CEOs like Maisel, the pending announcement by Covered California of its proposed health plan line-up for 2014 is a nail-biter.

Most insurers are expected to file for approval of a variety of plans.

"Everybody is trying to play their poker face, but wondering what it will be," he said. "If we banked on four plans and two are not picked, we'll miss out on a huge amount of business."

Kathy Robertson covers health care, law and lobbying, labor, workplace issues and immigration for the Sacramento Business Journal.