



California Medical Association

Established 1856

April 18, 2006

The Honorable Michael Enzi
Chairman
Senate Health, Education, Labor and Pensions Committee
428 Dirksen Building
Washington, D.C. 20510

RE: S 1955

Dear Senator Enzi:

On behalf of the California Medical Association we want to thank you for your commitment to expand access to affordable health insurance. We too are concerned that health insurance is unaffordable for many small employers and we are interested in working with you to address these difficult issues.

Preemption of All State Managed Care Protections for Physicians and Patients

However, we believe a blanket preemption of all state managed care protections for physicians and patients is not warranted. California's Knox Keene Act provides some of the strongest managed care checks and balances in the country. We believe these laws have helped to ensure patients have access to appropriate care in California and any weakening of these laws would be viewed with great concern from the physician community.

We recognize that the Harmonization Board could reinstate many state laws, including timely payment laws. However, the way the bill is structured, it is not likely that California's protections would be reinforced. Many of these laws were enacted in response to widespread abuse by plans and insurers. Physicians will not want to participate in plans without these basic protections.

Furthermore, the Medicare standard requiring timely payment of only 95% of all claims is not adequate. Below is a list of California protections we believe to be essential:

- Medical decisions to be independent of health plan fiscal and administrative considerations.
- Continuity of Care Protections
- Independent External Medical review for disputes over medical necessity that must be grounded in evidence-based medicine.
- Important grievance procedures for patients and physicians.
- Timely authorization procedures for medical care and pharmacy benefits.
- Timely payment
- Full disclosure of fee schedules and payment rules
- Complaint processes which give the regulators the power to order health insurers to pay physicians what they are owed.
- Payment for previously authorized services.
- Prohibits plans from changing coverage decisions after claims have been filed.

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Reducing Access to Affordable Health Insurance

We are also concerned that S 1955 would create adverse selection and leave more individuals without access to affordable health insurance. California's rating bands of +/-10% have provided equity and stability in the small group market. A broadening of the rating bands to +/-25% would make insurance unaffordable for most older and sicker patients.

Moreover, we believe the Enhanced Option Plan could promote adverse selection. Groups that expect or require high utilization will select the more comprehensive option. Healthier groups will choose the lower cost plan. This would drive up premiums for those who choose to offer the enhanced plan.

We thank you for considering our concerns.

Sincerely,



Michael Sexton, MD
President



Jack Lewin, MD
EVP/CEO