

The Honorable John Burton
Senate pro Tem
State Capitol
Sacramento, CA 95814

Dear Senator John Burton,

We represent the millions of self-employed entrepreneurs, retired people, small business owners and consumers struggling to pay for exorbitant increases in our health care costs brought on by HMO profiteering and systemic wastefulness. Some of us have had to cut back on our coverage, some may no longer be able afford coverage of any kind.

Your legislation, SB 2, which provides comprehensive health care coverage to people working for employers with 20 or more employees, is an important first step toward reform. Protecting us from unfair premium increases and out-of-pocket costs is the next.

Californians have come to rely on your allegiance to those of us who do not have a well-heeled voice in Sacramento. Now, we need your help to make health care as affordable as possible because Governor Schwarzenegger and his staff have ignored cost controls, deciding instead to support efforts to repeal SB 2.

We cannot possibly keep up with health care costs while insurers are allowed to raise our rates at will. As a result of profiteering and disregard for efficiency in the non-competitive health insurance market, health insurance premiums increased last year 250% more than medical costs.

According to the California Medical Association's latest annual report, state health insurers divert as much as 25% of every health care dollar to cover profit, salaries, overhead and advertising. This does not include billions of dollars diverted to cash reserves kept on hand to make Wall Street analysts smile. Nor does it include excessive corporate retirement payouts like the \$335 million golden parachute for Lawrence Schaeffer, CEO of Blue Cross' parent company, Wellpoint, proposed in a merger deal pending before the Schwarzenegger administration.

We hope you will provide the leadership necessary to regulate health care premiums, as the state does now for auto insurance premiums. Health insurers should have to justify rate increases and get approval for overhead costs, profits, salaries and other factors that drive up the cost of insurance. Such regulation for auto insurance under Proposition 103 has proved extraordinarily successful.

California should also bring health care costs down by standardizing hospital fees, as has worked in Maryland, and buying prescription drugs through bulk purchasing, which has created huge discounts in Canada and at the U.S. Department of Veteran Affairs.

At a time when public and private health care programs are on the chopping block, it is critical that policy makers think creatively about ways to make our health care system as efficient and affordable as possible. Instead of government regulators cutting public programs or employers raising out-of-pocket costs for workers, we should be focused on eliminating profiteering, waste, and bloated administrative costs that divert our health care dollars away from patient care. Savings to state programs could be re-invested in the health care system to help stabilize and increase access to care.

We look forward to hearing from you soon. In the attachment you can learn a little more about each of us. Please direct inquiries to Jerry Flanagan of the Foundation for Taxpayer and Consumer Rights at (415) 633-1320.

Sincerely,

Michael Fry, Poway
Retired
73% Blue Cross Increase

Pat & Dave Parker, Orange
Semi-retired
on COBRA
38% Blue Cross Increase

Jon Marcus, San Francisco
Self-Employed
300% Blue Shield Increase over 3 Years

Gail Saivar, San Diego
Small Business Owner
30% Kaiser Increase

Brad Brown, Belmont
Small Business Owner & Family Man
45% Blue Cross Increase

Art Letter, San Diego
Retired
40% Blue Cross Increase

Susan Walker, Granada Hills
Cancer Survivor, Employed Part-time
28% Kaiser Premium Increase

Don Lapin, San Francisco
Self-employed
20-40% Annual Blue Shield Increases

Laurel Kaufer, San Fernando Valley
Self-employed, Single Mother of Two
32% Blue Cross Increase

Sharon Fowler, San Diego
Small Business Owner
10% Kaiser Increase

Attachment:

Michael Fry, Poway, California

Retired

73% Blue Cross Increase

I am a San Diego County native, live in Poway, attended San Diego State University, and have been with Kaiser since 1967. I just turned 60 and had no had serious complaints with the coverage until I received a notice from Kaiser that pushes my monthly premium up by 73 percent, to \$961 a month, beginning Jan. 1.

Like many health care subscribers who have been with one provider for many years, I thought I had some minimal security from his health plan. I don't think that any more, after receiving the \$406 increase, which means my wife and I will have to pay \$11,532 next year. There is also a new \$200 daily hospital co-pay, and a regular office co-pay increase to \$25.

My wife and I can weather the storm - in the short term. We could ride through a year of this. But after that we're in trouble.

Jon Marcus, San Francisco, California,

Self-Employed

300% increase over 3 Years, Blue Shield

I am an executive recruiter in San Francisco and have been insuring myself for several years through Blue Shield. But endless rounds of rate hikes have my head spinning.

I realize as I see health care costs rising, that we are all reliant on the health insurance system to afford any kind of health care need. I have opted for catastrophic health insurance, the least expensive. Catastrophic coverage, however, is generally useful only in dire situations.

How have insurers stuck it to me and others who are self-insured? The daggers are too many to enumerate. Taking everything into account, my health care costs have increased 300 percent over the last three years.

I am asking doctors ahead of time what it's going to cost. Like others swirling in the vortex of out-of-control medical costs, I am making health decisions not on the basis of health, but on the basis of expense.

There is no rational relationship between the rise in health care costs and the rest of the economy. While health care has risen 30 percent, the consumer price index has risen only four percent. Greed rules the marketplace and the politicians have sold out to these companies. It's not a matter of dissatisfaction; it's a matter of being screwed. They've got you. What are you going to do?

Insurers have abused the system. They have too much power, outrageous rights, they can deny you coverage for almost any reason, they can raise rates for any reason, and they can even find reasons to drop you.

I want to see health care prices, and the industry, regulated. The government should take control. Let's face it, if you don't have your health you don't have much else. Why should we allow a system to govern our health care that places profit far above our health care? This insurance system has to change.

Brad Brown, Belmont, California
Small Business Owner & Family Man
45% Blue Cross Increase

I am still scraping together enough money to buy health insurance for my wife and two children. But it is getting more difficult with every increase, and the relentless rise in costs - the most recent was 45 percent - is depleting not only my bank account but also my faith in the system.

A 49-year-old licensing agent, I am self-insured and own my own business. I signed on with Blue Cross, a PPO account for myself, my wife and my two grade-school-aged children.

I have watched my rates climb steadily. This year, the deductible shot from \$2,000 per person, per year, to \$2,500 per person. As the deductible increased, the coverage lessened, with Blue Cross paying a smaller percentage of the costs. In addition, the premium went from \$356 bi-monthly for all four us to \$498 - a 45 percent jump that tacks on \$852 to the yearly bill.

The cost increases have nothing to do with my family's actual use of health care. We have not had any major surgeries or large claims. To me - and many others - it looks as though they are paying for services not rendered. If for some reason you leave or change to another insurer, that represents pure profit.

Health care needs to be regulated. We can't trust private industry to regulate itself. We can't give Enron the keys to the building and say, 'don't steal anything.'

I'd like to see the government conduct a cost analysis that would regulate coverage as well as costs of premiums and other medical expenses, such as deductible. The health insurance industry is trying to get everything they can, and until the government steps in they will continue to do so.

We have paid our dues for the American dream and we're getting hosed. What the hell happened?

Pat & Dave Parker, Orange, California
Semi-retired on COBRA
38% Blue Cross Increase

We have lived in Orange for 27 years, and are semi-retired. Dave was let go from his job at a small electronics sales firm in October 2001. We have been on COBRA since then. Dave had open-heart surgery in November 2002, the first time either of us had incurred major medical expenses.

This year Blue Cross increased our health insurance premium by 38 percent - from \$673 to \$941. At first we thought Blue Cross had made a mistake, or the rise was tied to Dave's open-heart surgery. Neither proved to be the case. A Blue Cross employee told us that there is no year-to-year contract and that rates can and do go up arbitrarily.

The health insurance industry preys on those that are especially weak – the unemployed and retirees – who are already struggling to maintain their medical insurance on limited incomes, trying not to dip into retirement accounts or Social Security. Health insurers should have to justify their premium increases to the state and the public should a right to contest unfair increases.

Art Letter, San Diego, California
Retired
40% Blue Cross Increase

I was a civil servant and consultant for decades. I am conversant with the way government works and developed expertise on the state's health care delivery system when served on an independent health commission in the early 1980s. So when my monthly health care premiums shot up by 40% from \$231 to \$323 a month, I thought I would have little trouble getting to the bottom of why it happened.

However, I ran head-on into a stonewall. I was flabbergasted by the runaround I encountered. Insurers pointed the finger of blame at doctors, who pointed at politicians, who pointed back at insurers. It was a vicious circle of evasion. The hands that weren't pointing were covering a rear end. When all was said and done, I discovered this: Nobody is effectively regulating health care in California. They can do whatever they want. It's outrageous what's going on.

I want to see an independent commission that would monitor and have regulatory control over cost increases. I also would like to see it gather specific information that it would provide to governmental leaders. I support Sen. Liz Figueroa's bill, SB 26.

Gail Saivar, San Diego, California
Small Business Owner
30% Kaiser Increase

I am a self-employed contractor and own an advertising business. I am feeling a little

sheepish these days about the answer I gave to a local newspaper doing a feel-good Thanksgiving story last month. Asked what I was thankful for, I said, not exactly gushing but nevertheless feeling a holiday glow, "Kaiser Permanente."

Two days later, I received a notice from Kaiser for coverage in the upcoming year. So sure was I that the news was bad, I waited a couple of days before opening it. I didn't want to ruin my weekend.

The damage was extensive: my monthly premium shot from \$295 to \$493. My hospitalization costs went from nothing to \$200 a day, and my co-pay increased. I was stunned. Shocked. I thought, this has to be a mistake.

Double digit annual increases are too onerous a burden for me. Please help.

Susan Walker, Granada Hills, California
Cancer Survivor, Part-time Administrative Assistant
28% Kaiser Premium Increase

For me, health care coverage is not something abstract, an optional expense that I can take or leave. For me it is, literally, a matter of life and death. I have had bad luck medically, with heart problems, cancer and other ailments. I have had seven surgeries.

So when I opened my mail in early December and saw the new 2004 rates from Kaiser Permanente, I panicked and then plummeted into a deep pit of depression. My premium will shoot from \$319 to \$493. Worse, in my eyes, is the jump in hospital stay to \$200 a day. It had been free.

I don't understand why they did this. The last increase was from \$249 to \$319 a month, so I thought it would go up a little, but not like this. Coverage is vital. It's my safety net, my security blanket. I feel as though it's been completely ripped from me now.

I don't see any help forthcoming. Because I am not strong enough, I cannot work full time. An administrative assistant, I work 25 hours a week, not enough to qualify under my company's plan.

Until now, I have remained politically unsophisticated, but that may change. I am not just depressed and worried, I am angry. I cannot understand how Kaiser or any other health care insurer can raise rates arbitrarily.

They're not accountable to their clients. We need some kind state regulation. Without someone keeping insurers in line, it's only going to get worse.

Laurel Kaufer, San Fernando Valley, California
Self-employed, Single Mother of Two
32% Blue Cross Increase

When my divorce came through and I became a single mom to two kids, I took over responsibility for their health care. Self-employed, I knew it was going to be a struggle, but had little idea just how tough the health care industry was going to make it for us.

Because of relentless rate increases, I have had to measure each proposed trip to the doctor very carefully against my other household expenses, and no longer take my children to the doctor with every illness. Neither I nor anyone else should be forced into that kind of juggling act with their children's health.

In April 1998 I paid \$129 a month in premiums to Blue Cross, for a policy that had a \$1,500 deductible per family member, for herself and my two children. Today, that same policy, with fewer benefits, costs \$448 a month. Being self-employed and unwilling to subject myself and my children to an HMO system, I have few options for private health coverage.

Skyrocketing rates are having a chilling effect on people seeking early health care when they could prevent an illness or stop it early in its attack. Like so many other health care consumers, I am educating herself about health care in California. One thing I am discovering is that it is virtually unregulated.

The insurance companies have a huge lobby, with a great deal of financial backing, and so remain in control. I'd like to see the Legislature mandate caps on rate increases. Every increase should be approved by a panel of non-industry personnel.

Taking the decisions out of the hands of the insurers, who are in the business for profit only, is key. In order for the consumer's needs to be protected, the insurance industry must be watched and held accountable.

Don Lapin, San Francisco, California,
Small Business Owner
20-40% Annual Blue Shield Increases

Like so many other health care consumers in California, I have watched my costs go through the roof with increases that seem to come every full moon. It has driven me to the point where I have choose not to seek preventive health care. The government to step in.

I am a 46-year-old engineering consultant. Born in St. Louis, I attended MIT, received an M.A. from the University of Houston, and moved to California in 1987.

My Blue Shield deductible has jumped from \$1,000 to \$1,500; my co-payments are up

between 20 and 40 percent; I have a \$250 deductible for brand name medicine.

The health care system is unregulated and running wild. Blue Shield is supposed to be non-profit, but its managers act like they're with Exxon.

Consumers suffer, but it shouldn't be that way. With the amount of money we have in this country, there should be good health care for everyone.

Sharon Fowler, San Diego, California
Small Business Owner
10% Kaiser Increase

Compared to some other Kaiser subscribers, the premium increase facing my husband Barry and me on Jan. 1 is modest - "only" 10 percent, from \$515 to \$565. Many Kaiser patients have seen fees jump by 40, 50, even, in some cases, 70 percent. But the fact that our boost barely made it to double digits does not make us feel a whole lot better.

When I got the Kaiser notice this month, I was taken aback less by the premium than by the rest of the charges. We were expecting the increase, but not the cut in benefits. There is a new \$200 a day hospital fee, up from zero last year. There is a \$250 deductible on brand name drugs, also a new charge. Cat scans and MRIs, which had been free, are \$50. The out-of-pocket maximum is \$500 per family, up from \$300. Mental health, ambulance, co-pay all have gone up.

The timing could hardly have been worse for me. My small business is about to shut down temporarily because of the southern California grocers' strike. I provides glass vases to floral departments at Ralphs supermarket, and am about to close for a couple of weeks, putting myself and my two employees out of work at the holiday season.

I feel the entire system needs fixing and says Kaiser and other insurers are not going to improve matters all by their lonesome. That state must help by regulating costs and other aspects of health care delivery.