



Board Members

Diana S. Dooley, Chair
Kimberly Belshé Paul Fearer
Susan Kennedy Robert Ross, MD

Executive Director

Peter V. Lee

July 19, 2013

Mr. Gary Cohen
Deputy Administrator & Director
Center for Consumer Information and Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201
Attention: CMS-9957-P

Re: CMS-9957-P: Patient Protection and Affordable Care Act; Program Integrity:
Exchange, SHOP, Premium Stabilization Programs, and Market Standards

Dear Mr. Cohen:

On behalf of Covered California, our state's Health Benefit Exchange, we submit the following comments on the proposed rule for program integrity regarding rating areas for fair health insurance premiums. California appreciates the opportunity to comment on this important rule.

In Section 147.102(a)(1)(ii) of the proposed rule, HHS proposes that small group markets use the group policyholder's principal business address (the employer's business address). Prior to the release of federal guidance, Covered California made the policy decision to require plans to apply rates in small group markets based on the residential address of each employee and not the employer's business address. This direction is consistent with California's existing small group market rating practices. Covered California contractually requires rates based on the residential address of each employee, and enrollment system business rules have been similarly programmed. Finally, the rates we solicited for our Small Business Health Option Program (SHOP) are based on employee residential address. For these reasons, it will be impossible for Covered California to implement this new federal rule, as proposed, in 2014. We respectfully request that the final rule be changed to provide states flexibility to use either employee residential or employer business address.

Sincerely,

Peter V. Lee
Executive Director