

Schwarzenegger Vetoes Profit Limit, Single-Payer Health Insurance Bills

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Among the insurance bills recently vetoed by California Gov. Arnold Schwarzenegger is a measure that would have limited health insurers' profits and administrative expenses by mandating that health insurers spend at least 85% of their premium costs on medical care.

S.B. 1440 would have required all health insurance plans to operate under the same set of rules on administrative costs. Health maintenance organizations and most Blue Cross Blue Shield plans currently are regulated by the Department of Managed Health Care, which limits administrative expenses to 15% of revenues. Other plans are regulated by the Department of Insurance, which does not. The bill cleared both chambers of the state legislature by comfortable margins.

The governor also vetoed S.B. 840, a bill to create a single-payer health care system in the state, which he had declared to be dead on arrival.

Schwarzenegger's veto of the "85/15" bill was "quite puzzling," given its provisions were included in an unsuccessful comprehensive health care reform package the governor backed earlier this year, said Jerry Flanagan, a health care advocate for Consumer Watchdog.

Health insurers opposed the bill, saying benefits are the main drivers of health care costs, not administrative expenses. Flanagan welcomed the legislation, but noted the single-payer option was his organization's first choice. As S.B. 1440 did not limit health care premiums, its effect on expenses for families may have been minimal, he said.

"It was still an important first step in the regulation debate," Flanagan said.

Schwarzenegger also vetoed a bill that would have barred health insurers from rescinding a policy unless the policyholder intentionally misrepresented or omitted health information on the application for coverage. While consumer advocates call the veto of A.B. 1945 a betrayal of a prior pledge, opponents say it would have benefited trial lawyers the most (BestWire, Oct. 2, 2008).

(By Sean P. Carr, senior associate editor, BestWeek: Sean.Carr@ambest.com)