

## [AB 2578: Proposition 103 Coming to Managed Health Care?](#)

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Having unsuccessfully urged Congress to impose a national freeze on health insurance rates, [Harvey Rosenfield has refocused his efforts on the California legislature and AB 2578.](#)

Who is [Harvey Rosenfield](#)? He is, in his own words, the “author of California’s landmark property-casualty insurance rate regulation [Proposition 103](#) – recognized as the most successful rate regulation in the country.” In fact, [AB 2578](#), which cleared [Assembly Health Committee](#) earlier this week, includes the following provisions modeled closely on Proposition 103:

- A requirement that all rates and rate changes be filed with and approved by the [Department of Insurance](#) or [Department of Managed Health Care](#) before they go into effect;
- A prohibition on the use or approval of rates that are “excessive, inadequate, or unfairly discriminatory”;
- A right for consumer advocates to request a hearing on a rate application, and a requirement that a hearing be granted whenever the rate increase sought exceeds 7%.

Finally, Mr. Rosenfield has made sure that he and his friends in the consumer advocacy industry are taken care of by advocating a provision requiring health plans to pay the consumer advocacy fees associated with fighting the health plan’s rate application.

We have seen this played out before, as our firm has represented property-casualty insurers in [administrative and judicial matters](#) involving insurance rates regulated under Proposition 103 since 1989.

While property-casualty insurers have had plenty of time to adjust to the dictates of rate regulation, health plans will face a steep learning curve if AB 2578 becomes law.

We are hopeful that this legislation will not become law. Even if it does, AB 2578 will likely face legal challenges and hurdles as did Proposition 103.

From our experience, we learned some of those challenges will be more successful than others. Nevertheless, if rate regulation comes to pass, a company’s goals can still be achieved provided that it has a complete understanding of the proposed regulatory system, plans ahead, has input into the development of regulations, and prepares itself for life after the system is implemented.

[Barger & Wolen](#) will continue to keep our clients and friends apprised on new issues pertaining to AB 2578 via the firm’s [Insurance Litigation & Regulatory Law Blog](#) and the [Life, Health & Disability Law Blog](#). If you would like to be notified about upcoming events and seminars pertaining to AB 2578 and other issues, please subscribe to our blog via the [RSS feed](#) or add your e-mail in the left column.