

**Congress of the United States**  
**Washington, DC 20515**

December 15, 2009

The Honorable Nancy Pelosi  
Speaker  
United States House of Representatives  
U.S. Capitol Building, Room 232  
Washington, D.C. 20510-6200

The Honorable Harry Reid  
Majority Leader  
United States Senate  
322 Senate Hart Office Building  
Washington, D.C. 20510-6200

Dear Speaker Pelosi and Majority Leader Reid:

We commend you for your strong leadership in creating health care reform legislation that achieves our nation's most important health care priority: affordable, high quality health care coverage for all Americans. While we know that this process has posed significant challenges, your dedication and hard work is leading us to the creation of a new system that maintains the pieces that work for our country, while fixing what has become so severely broken. To that end, we urge you to eliminate interstate compact provision language which threatens to deeply undercut or altogether eliminate many important consumer protections that residents in our states rely upon.

The interstate compact provisions in both H.R. 3962 and the Senate proposal, as currently written, will lead to a race to the bottom in insurance regulation and severely threaten the important and often lifesaving protections the residents of our states enjoy. In the Senate bill, insurers are permitted to sell policies in our states while only being subject to the regulations of the state in which the policy is written or issued. H.R. 3962 permits states to decide among themselves which regulations will govern, which could make the regulations in the consumer-friendly state irrelevant. Practically speaking, insurers will domicile their plans in states with less stringent regulations and market to the population in more protective states like ours, just like nationally chartered banks have done.

As you know, our current insurance system, which puts the onus on states to develop consumer protection standards for their populations, has resulted in varying degrees of protection. The states that we represent have taken unprecedented steps to provide exceptional health insurance consumer protections. In California, for example, 80 percent of the state's residents are in a managed health care system, which has been highly effective in enforcing the comprehensive patient protections afforded by the Knox-Keene Act of 1975 and subsequent legislation. California residents will certainly lose out if state protections are undermined. Current law guarantees patients access to life-saving procedures and medicines, including cancer screenings, insulin for diabetes, and newborn coverage – among several other protections. California has crafted and improved upon these protections over the last several years, and it would be a tragic mistake to take them away.

In addition, since 2000, the California Department of Managed Health Care has assisted more than one million consumers in resolving disputes and complaints with their health plans. The state is often on the cutting edge in addressing insurance industry practices that put profits before

patient needs. For example, in 2004, California brought national attention to the then-relatively unknown insurance industry practice of rescission by obtaining a \$14 million settlement against the state's five largest health plans that had unlawfully rescinded the health insurance policies of 3,000 patients.

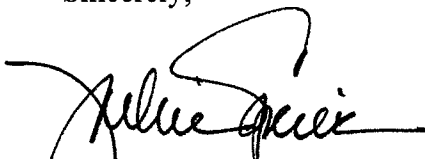
Maine is another state that has been uniquely responsive to the needs of its consumers and would be negatively impacted if this policy were to take effect. Like California, it has enacted an external review system that independently evaluates denied claims and far exceeds the current National Association of Insurance Commissioners (NAIC) models. Maine has preserved the authority to review rates for individual market coverage, resulting in increased affordability for consumers as evidenced by the recent decision to limit Anthem (Maine's largest insurer, with roughly 78% of the market) to a 10.9 percent rate increase, despite the company's request for an 18.5 percent boost. Maine has been at the forefront in dealing with rating boundaries, one major area where insurers would be given the right to pick and choose if the interstate compact provision is enacted. It is unlikely that an insurer would choose Maine's more restrictive 1.5 to 1 restriction on age rating if it could alternatively domicile in a compacting state which only imposes the 2 to 1 rating permitted by H.R. 3962, but then sell its policies to the residents of the state. In addition to Maine, the consumers in California, New York, Vermont, Massachusetts, and New Jersey are also at risk, because their states impose higher standards on rating than the minimum federal floor.

California and Maine are not alone. In fact, seventeen states, encompassing more than half of the U.S. population, have health benefit mandates and consumer protection regulations that could be adversely effected if these provisions are signed into law. The negative impact of these provisions cannot be understated – they can and will eliminate access to important health care services that so many Americans depend on.

While it might be argued that allowing states to enter into compacts at their own discretion provides adequate protection for states such as ours, we believe this is an insufficient safeguard that leaves the needs of consumers to the mercy of insurance industry influence. We urge you to oppose the interstate compact altogether. If the decision is made to keep the provisions in, we ask for substantive language changes that will ensure the preservation of the strong regulatory protections that the residents in our states have come to depend on.

We strongly support your efforts in creating a historic health care reform legislation that offers affordable, accessible and quality health care coverage for every single American. We now look to you for your leadership in protecting the residents of our states by opposing the interstate compact provisions.

Sincerely,



JACKIE SPEIER  
Member of Congress

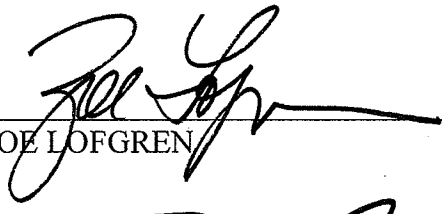


SUSAN DAVIS  
Member of Congress



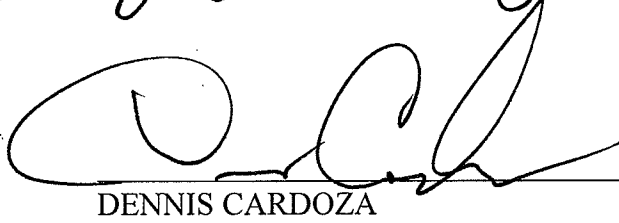
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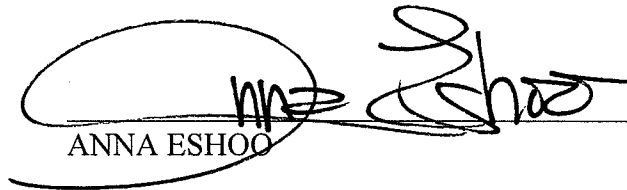
  
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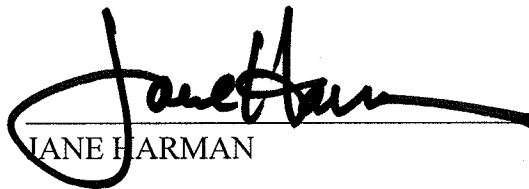
  
JOE BACA

  
HOWARD BERMAN

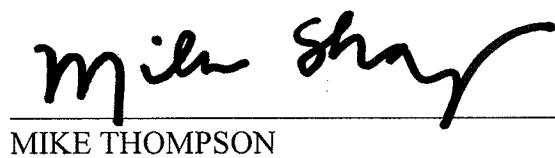
  
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