



## Bill would limit health plans' overhead to 15%

By Steve Lawrence, The Associated Press

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SACRAMENTO - The California Assembly has approved legislation aimed at reining in one of the fastest-growing cost factors in health care - spending on administration.

The measure by state Sen. Sheila Kuehl, D-Los Angeles, would require that 85 percent of premiums and fees received by health insurers and health plans be spent on treatment and other benefits for patients.

Administration, profits, broker commissions and other costs would be capped at 15 percent, starting in 2011.

A 2005 study by the California HealthCare Foundation found that administrative costs were rising quickly in the health care industry, even outpacing prescription drugs.

Assemblyman Hector De La Torre, D-South Gate, said administrative costs consume as much as 30percent of health insurance premiums, far more than spent by Medicare, the federal government's health-care program for senior citizens.

"Health insurance is the only business where

denying the customers what they paid for makes you money," he said.

Republicans argued that the limit on administrative costs could drive some health insurers out of the California market.

"By passing this legislation, we may cause millions of Californians who purchase (insurance) in individual markets to lose coverage," said Assemblyman Bill Emmerson, R-Rancho Cucamonga.

"I know that administrative costs in many plans are above the 15percent level."

Assemblyman Martin Garrick, R-Carlsbad, said the 15percent limit could prevent improvements in health care record-keeping and in speeding payments to doctors.

The bill would allow state officials to exempt new health-care plans and policies from the measure's restrictions for up to two years. De La Torre said that would allow for advertising and other startup costs.

Tuesday's 41-26 vote sent the bill back to the Senate, which passed an earlier version of it in May. Approval by the Senate of the Assembly's amendments would send it to Gov. Arnold Schwarzenegger.

A Schwarzenegger spokesman said the governor hasn't taken a position on the bill, but legislation he supported earlier this year to cover most of the 5.1million Californians who lack health

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insurance included the same percentage limit on administrative costs.

That measure died in the Senate Health Committee in January after running into concerns about whether the state could afford the program.

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