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February 8, 2016

Jennifer Kent, Director
Department Of Health Care Services
1501 Capitol Ave, Ste. 6000
Sacramento, CA 95814

RE: Support Administration's MCO tax proposal (currently RN 16 07337 03)

Dear Director Kent:

We are writing to inform you that Health Net is pleased to support the Administration's latest proposal to renew the managed care organization (MCO) tax.

Health Net is committed to ensuring a stable funding stream for the program in order to ensure high-quality care to all beneficiaries. Health Net supported the original version of the MCO tax in 2009 and all subsequent extensions of the authority for the state to collect such a tax. We have always viewed the MCO tax as a successful partnership with the state that delivers predictable funding for a program that covers millions of Californians in need of health care.

We are also committed to providing high-quality, affordable health care to our commercial members as well.

Beginning last year when the federal government issued guidance setting forth what elements an acceptable MCO tax must contain, Health Net has worked with the Brown Administration, the Legislature and others to develop a replacement tax. We have worked diligently and in good faith to ensure that any proposal would not negatively affect our efforts to ensure affordability for California consumers who purchase coverage from us.

After analyzing the latest model and the accompanying legislative language, we are confident that the proposal represents a balanced approach that we believe will not negatively affect our purchasers, while generating significant revenue to support the Medical program. Health Net anticipates this tax reform proposal will have a positive overall aggregate impact on the marketplace and will have, at most, a negligible negative impact on our purchasers.

For these reasons Health Net supports the MCO tax proposal as drafted as of this date.

Sincerely,



Dan Chick
Director, Government Affairs
Health Net, Inc.

cc: Senator Ed Hernandez, Chairman Senate Health Committee
Senator Janet Nguyen, Vice Chairwoman Senate Health Committee
Assembly Member Rob Bonta, Chairman Assembly Health Committee
Assembly Member Brian Maienschein, Vice Chairman Assembly Health Committee
Nancy McFadden, Executive Secretary to the Governor
Diana Dooley, Secretary California Health and Human Services Agency
Donna Campbell, Deputy Legislative Affairs Secretary