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California insurance exchange chief has health reform 'in his bones'

By Chad Terhune

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Republicans in Congress are railing against the healthcare law as a government takeover of medicine. The massive program will harm patients and cost far too much, critics say. Supporters are being branded as socialists.

This isn't just the latest political theater in Washington. It mirrors the scene 50 years ago during the contentious debate over Medicare.

Two brothers, Peter and Philip Lee, fought on the front lines back then, bucking the medical establishment to guarantee healthcare for seniors.

Now another Peter Lee — Peter's son and Philip's nephew — is carrying on the family tradition. He's in charge of enrolling millions of Californians in Obamacare.

President Obama and the fate of his signature law have a lot riding on Lee's performance here in the nation's biggest market.

Opponents are ready to pounce on any stumbles as evidence the law should be scrapped. Conversely, high enrollment, satisfied customers and stable rates in California may silence some detractors and even persuade fence-sitting states to join in.

"Peter has the weight of the country on his shoulders," said Gerald Kominski, director of the UCLA Center for Health Policy Research. "The overall success of the healthcare law depends a great deal on California."

As enrollment in the new health insurance marketplace begins Tuesday, Lee admits to feeling the pressure as California tries to sign up more than 2 million people through next year, the most of any state.

But he says he finds comfort from digging through his father's old files and seeing the acrimony surrounding Medicare as it launched in 1965.

"Medicare was incredibly controversial, and it was rocky" at the beginning, said Lee, executive director of Covered California, the state's insurance exchange. But he saw the tide turn. "A huge percentage of seniors said, 'I actually want healthcare.' "

The Lee family has been at the intersection of healthcare and politics for decades. Lee's grandfather, Russel, founded the well-known Palo Alto Medical Clinic and pushed for national health insurance as a member of President Truman's Commission on the Health Needs of the Nation.

Lee's father was a professor of medicine at USC and raised his family in Pasadena, a few houses from the former Wrigley mansion.

Lee often joined his father when he visited patients on weekends at L.A. County-USC Medical Center.

During the annual Rose Bowl parade, his parents served homemade chili to politicians and dignitaries. For one summer vacation, the family visited former California governor and Supreme Court Chief Justice Earl Warren at his home in Washington — and borrowed his car to see the eternal flame for John F. Kennedy.

When Kennedy pushed for Medicare legislation, Philip and the elder Peter Lee were among a handful of doctors nationwide to speak publicly in support. The American Medical Assn. and other physician groups were adamantly opposed, fearing it would result in inferior care and too much government control.

In 1962, Philip Lee stood with Kennedy in the White House Rose Garden to press for more doctors to back the bill. That same year, leaders of the Los Angeles County Medical Assn. complained about his brother's vocal support of Medicare and called for his ouster from USC.

"A group of USC medical alumni went to the dean asking that I be fired for supporting socialized medicine," said Peter Lee, the 90-year-old father. The dean refused, so the doctors took their demand to the university president. The university defended his right to free speech.

Philip Lee, now 89, endured a similar backlash after squaring off in debates against other prominent doctors across the country.

"The San Francisco Medical Society called me a communist," the uncle said. "They were calling it the end of Western civilization back then. It's such a flashback to today."

In 1965, shortly after the Medicare program was enacted, Philip Lee went to Washington as assistant secretary for health and welfare to help implement the newly signed law. Some of the early obstacles he encountered are similar to what his nephew faces, including a potential shortage of medical providers as an influx of patients seek care.

Philip Lee returned for a second stint as assistant secretary for health in 1993 and served as a top advisor to President Clinton's ill-fated run at health reform.

His 54-year-old nephew also has shuttled between California and Washington. Lee attended UC Berkeley and later earned a USC law degree. His honors thesis at Berkeley explored the extent of gay political power.

By the mid-1980s, the AIDS epidemic was starting to touch some of his closest friends. The 1986 death of Bill Kraus, an aide to Harvey Milk and mentor to Lee, was a major turning point.

He joined the National AIDS Network in Washington and assisted people who were struggling to get care from insurers and government programs. A few years later, he returned to Los Angeles and established one of the first hotlines for consumer questions at the Center for Health Care Rights.

After years as a consumer advocate, Lee switched to representing big employers in health insurance negotiations in 2000, becoming chief executive of the Pacific Business Group on Health.

During his tenure there, he tried to create a California insurance exchange for small businesses. But it shut down in 2006, hurt by a lack of insurers and dwindling enrollment that caused rates to spiral up. Lee says that experience showed him how crucial it will be to enroll young, healthy people now to offset the higher costs from older, sicker customers.

Three months after the federal healthcare law passed in 2010, Lee joined the Obama administration to pursue new ways to deliver high-quality care at a lower cost. One of his colleagues there, former Pennsylvania Insurance Commissioner Joel Ario, said Lee was an influential voice in policy debates.

"Health reform is in his bones," Ario said. "The only problem we had is we both like to talk. We both had a tendency of talking over people and interrupting them."

In 2011, weary of the partisan bickering in Washington, Lee jumped at the opportunity to build California's health exchange from scratch. Backed with about \$900 million in federal grant money, Lee created a new state agency and hired 850 workers. He set uniform benefits to help consumers comparison shop and negotiated rates with 12 insurers. Lee's state salary is \$257,500.

In May, Lee grabbed national headlines with his announcement of lower-than-expected premiums for Covered California. At a June event in San Jose, Obama joined Lee on stage and held up California as an example that his healthcare law was delivering on its promise of affordable insurance.

Some industry experts and insurance agents called the victory lap premature. They criticized Lee for painting too rosy a picture of what individuals might pay by comparing their premiums against the relatively high rates often paid by small businesses.

It was "dishonest and total spin," said Michael Cannon, director of health policy studies at the Cato Institute, a libertarian think tank. "Peter is a reputable guy who has worked in healthcare a long time, but he stepped over an important line."

Lee stands by that comparison and says independent reviews of California's rates have shown they are far lower than previously expected.

Some supporters of the healthcare law have been disappointed as well.

Consumer groups are unhappy that health plans' quality ratings won't be available when Californians first start shopping for coverage in the coming months. California Insurance Commissioner Dave Jones has faulted the exchange for a lack of health plans in some areas and questioned whether it will do enough to protect consumers from potential fraud.

Heading into Tuesday's launch, it remains to be seen whether the state's newly built computer system can handle a rush of online shoppers. The state is also behind on training thousands of enrollment counselors.

To drum up support for the health overhaul, Lee plays the dual role of salesman and health-policy professor at town hall meetings across the state. Looking tan in a dark suit with salt-and-pepper hair, Lee rolls through PowerPoint slides for his audience and fields questions for nearly an hour at every stop. Afterward, he pulls out a little black book to jot down questions and ideas he wants to follow up on.

Lee tries to evoke a sense of history in seeking the public's participation.

"This is the first time we as a nation have said healthcare is a right for all Americans, not just a privilege," Lee said, echoing his uncle's comments in a 1962 debate over Medicare. "We aren't government insurance. We aren't government doctors. We aren't socialized medicine."

In his answers, he often mixes wonky details with a dollop of homespun humor. He reminds people they can sign up for private insurance plans in the exchange only during a six-month period starting Oct. 1.

"If you think you can wait until you get hit by a bus, you will be in deep doo-doo," Lee said at one stop, pausing for effect. "That's the technical term," he added.

After a town hall this month in Long Beach, Lee drove to a retirement home in Pasadena where his parents, now divorced, both live. He relaxed with a game of pingpong with his 84-year-old mother, Sharon. A few weeks earlier, Lee squeezed in one final trip before the healthcare rollout, visiting the Galapagos Islands and hiking to the ancient ruins of Machu Picchu in Peru.

"Peter has a very tough job and in many ways tougher than Pete or I had," said his uncle, Philip. "He's applying in a very big way what we have been interested in for a long time. He's taking it the next step."