



April 30, 2014

The Honorable Roger Hernandez
Member, California State Assembly
State Capitol, Room 4146
Sacramento, California

SUBJECT: **AB 2088 (HERNANDEZ)--SUPPLEMENTAL HEALTH POLICIES:
UNREASONABLE BARRIERS – OPPOSE
ASSEMBLY APPROPRIATIONS COMMITTEE**

Dear Assembly Member Hernandez:

The California Association of Health Underwriters (CAHU), the Independent Insurance Agents and Brokers of California (IIABCal) and the National Association of Insurance and Financial Advisors of California (NAIFA California) regret that we must **OPPOSE** your **AB 2088 (Hernandez)**, as amended April 21, 2014, which will reduce options and increase costs for employers by removing choice in coverage options.

Our organizations represent California's licensed health insurance agents. Our licensed members provide reliable insurance advice, act as the consumer's advocate when dealing with carriers and provide a number of essential services relating to the individual and group insurance coverage and obligations post-enrollment. Our members also act as a trusted and effective marketing and distribution channel for health insurance information for all consumers and potential consumers of health care insurance coverage.

As amended, **AB 2088** prohibits insurers from selling supplemental policies to employers with 50 or more employees unless the employer already purchases primary coverage that meets the bronze level of coverage under the federal Affordable Care Act (ACA). Bronze level plans are defined as those that have a 60% actuarial value and cover minimum essential health benefits. **AB 2088** describes anything having less than a 60% actuarial value medical plan as a "supplemental plan" that does not meet Minimum Essential Coverage (MEC) standards and therefore cannot be offered, purchased, amended or renewed.

The bill goes on to mandate insurance carriers must notify all affected employers that their plans are non-compliant "supplemental plans" and do not meet **AB 2088** proposed standards.

Agents believe that **AB 2088** is an unreasonable attempt to further control what types of plans carriers may sell to employers with 50 or more employees in California. Many grandfathered plans still qualify under the ACA as plans that are viable health insurance alternatives to the Minimum Essential Coverage. These grandfathered plans also meet the Internal Revenue Service (IRS) definition of being an acceptable plan for ACA purposes – which raises questions on how **AB 2088** mandates will impact the tax issues for those who have purchased those plans?

It is important to note that if an employer has a high deductible plan that is at the 40th percentile, that grandfathered plan still meets the definition under the ACA – and President Obama has made it clear on a

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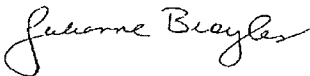
number of occasions that employers could keep their plans. Proponents have not provided data that insurers or employers are inappropriately offering or marketing minimum value plans as a substitute for minimum essential coverage. The fact of the matter is that **AB 2088** is an effort to eliminate grandfathered plans, and will only confuse individuals and businesses that have these plans available to them.

The ACA allows employers to opt out of having compliant coverage and simply pay the tax penalty. **AB 2088** tries to wipe out this ability by barring certain supplemental market options for large employers. Agents believe that California should instead ensure that employers of 50 or more employees are allowed to continue to be a grandfathered plan to provide what works for their business as a cost effective solution --regardless if it is ACA compliant coverage or not.


For these reasons, our organizations must respectfully **OPPOSE AB 2088 (Hernandez)**.

Please do not hesitate to contact us if you require further information: Juli Broyles (CAHU) at 916-441-5050; John Norwood (IIABCal) at (916) 447-5053, or Shari McHugh (NAIFA California) at (916) 930-1993.

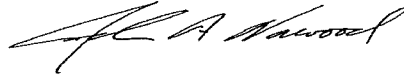
Sincerely,



Julianne Broyles
CAHU



Shari McHugh
NAIFA-CA



John A. Norwood
IIABCal

cc: Office of Governor Brown
Members, Assembly Appropriations Committee