



June 15, 2015

TO Members, Senate Health Committee

FROM: Julianne Broyles, California Association of Health Underwriters  
Shari McHugh, National Association of Insurance and Financial Advisors of California  
John Norwood, Independent Insurance Agents and Brokers of California and California Association of Small Employer Health Plans

**SUBJECT: AB 248 (HERNANDEZ)—HEALTH INSURANCE: MINIMUM VALUE:  
LARGE GROUP MARKET POLICIES – OPPOSE  
SENATE HEALTH COMMITTEE  
SET FOR HEARING: JUNE 17, 2015**

The California Association of Health Underwriters (CAHU), the Independent Insurance Agents and Brokers of California (IIABCal), the National Association of Insurance and Financial Advisors of California (NAIFA California), and the California Association of Small Employer Health Plans (CASEHP) regret that we must **OPPOSE AB 248 (Hernandez)**, as amended June 10, 2015, that would unnecessarily bar employers from combining health care insurance products to create a health benefit package for their workers unless the core plan meets at least 60 percent minimum value requirements of the Patient Protection and Affordable Care Act (ACA).

**AB 248** would prohibit insurers from selling and large employers with 50 or more employees from purchasing health coverage that does not meet at least the 60 percent minimum value cost of medical services. It needs to be noted that Governor Brown vetoed similar legislation last session. We have also spoken with the author and sponsor to try and find a path that all could agree to follow on this issue. However, the author and sponsor response was to add amendments that harm businesses with 50 or more employees and agents more than before.

Providing health care is expensive. Medical costs continue to increase. Nothing yet enacted seems to drive down the cost of providing health care benefits to employees. Our organizations believe that **AB 248** would make providing health care even more expensive for large employers by insisting the employer-plan hit 60 percent minimum value before other products can be added. New amendments added also prohibit a federally approved health reimbursement accounts, which are part of the IRS actuarial value calculator, from being used to calculate minimum value in California. Similar employers in other states can utilize this process. We believe California employers should retain that ability as well. **AB 248** would also negatively impact employers with multi-state operations as they would have to have a different health plan for one state versus all 49 other states.

Today, large employers (those with over 50 full-time or full-time equivalent workers) may face ACA tax penalties of up to \$3000 per worker if their plan does not offer employees “affordable” coverage with an actuarial value of 60%, meaning the employee does not have to pay more than 40% of the costs of benefits under the plan. This cost calculation focuses on four core benefits including physician care; hospital and emergency room care; pharmacy benefits; and lab/imaging services.

Senate Health Committee  
**AB 248 (Hernandez) –OPPOSE**  
June 15, 2015  
Page 2

However, it is important to note that nothing in the ACA dictates just how a large employer may construct their health benefit package in order to reach the 60 percent minimum value. There are a number of health care products of varying types that can be placed together to create a health care package that meets the minimum value requirements of the ACA. **AB 248** inappropriately attempts to stop large employers from using legally permissible building blocks of coverage because the first building block is not a 60 percent minimum value plan.

CAHU, NAIFA, IIABCal and CASEHP all believe that the policymakers should not put up unnecessary barriers to large employers doing their best to provide affordable care to their employees. Taking ACA and IRS permitted tools away from California employers is not the right path towards ensuring affordable employee health care coverage.

It is also important to note that the recent amendments would require licensed insurance agents to send documentation to the Department of Insurance regarding transactions with large group purchasers. This new requirement is unprecedented and it simply adds unnecessary administrative cost and burden for the DOI and insurance agents while providing absolutely no value whatsoever to the purchasers, the DOI or the licensed agents.

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.

For these reasons, our organizations must respectfully ask for a **"NO"** vote **AB 248 (Hernandez)** when it comes before you for consideration.

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

cc: The Honorable Roger Hernandez  
Office of Governor Brown  
Teri Boughton, Senate Health Committee  
Joe Parra and Tim Conaghan, Senate Republican Caucus