


# CALIFORNIA ADVOCATES, INC.



June 28, 2013

TO: Members, Assembly Appropriations Committee

FROM: Julianne Broyles   
On behalf of California Association of Health Underwriters

SUBJECT: **AB 18 (PAN) – PEDIATRIC DENTAL COVERAGE:  
MEDICAL LOSS RATIO – OPPOSE UNLESS AMENDED  
SCHEDULED FOR HEARING: JULY 3, 2013**

*Dennis K. Albiani*

*Michael D. Belote*

*Julianne A. Broyles*

*John F. O'Malley*

*Ralph F. Simoni*

The California Association of Health Underwriters (CAHU) regrets that we must **OPPOSE AB 18 UNLESS AMENDED**, that will hurt the affordability and availability of pediatric dental essential health benefit (EHB) policies offered in the small group market both inside and outside California Health Benefit Exchange.

As set out in the June 24<sup>th</sup> version, CAHU supports a number of the provisions of **AB 18** that broaden access for health care consumers to quality dental insurance coverage. Recent amendments, however, would inappropriately place full service health plan medical loss ratio (MLR) requirements on those dental plans interested in providing pediatric dental essential health benefit policies.

CAHU believes the 75 percent MLR mandate within **AB 18** would make it impossible for dental plans to provide competitively priced products. We believe the policy goal should be to encourage quality dental plans to offer this important coverage to the consumers at a reasonable price—while not creating unnecessary barriers that likely prevent these plans from being offered at all. CAHU is concerned that **AB 18** will result in less consumer choice and lead to an unnecessary drop in continuity of dental care for many Californians.

A key concern of CAHU is that **AB 18** would establish a medical loss ratio for pediatric dental plans of 75 percent. We believe this is an inappropriate application of a medical plan concept. Applying MLR in this fashion, in effect, eliminates the ability of dental plans from offering cost-effective pediatric dental options when offered as a stand-alone program. CAHU believes the MLR requirements in **AB 18** should be removed from the bill.

What does work to protect consumers and ensure they receive good value for their premium dollars is the actuarial value (AV) of dental insurance products. The Patient Protection and Affordable Care Act (ACA) specifically refrained from applying a MLR mandate on dental plans. Instead, the ACA mandated that pediatric dental Essential Health Benefit policies sold inside the Exchange as either stand-alone or as bundled products be offered at either 70 percent AV or 85 percent AV.

What AV means in real world terms is that for every \$1 in total covered dental services consumed, the consumer is assured they will spend no more than 15 to 30 cents (depending on the plan purchased) on deductibles, copayments or coinsurance. Well-directed administrative expenses actually help dental plans obtain more dental care for every consumer dollar spent, thus the AV is a far more relevant standard for protecting the overall value of a pediatric dental plan.

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CAHU agrees with the dental plans recommendation to see state law aligned with these federal provisions to ensure dental plans that wish to provide pediatric dental EHB policies in California's small group market have a meaningful opportunity to do so and California consumers may keep their current options.

The California Association of Health Underwriters is the state's largest association of health insurance agents, brokers and other health insurance industry professionals. Our members help millions of individual Californians and businesses evaluate, select, purchase and use their health care coverage plans, resulting in greater health and financial security. CAHU agents and brokers also act as advocates for policyholders and their families when coverage disputes arise. CAHU agents and brokers perform many functions for small employers with respect to managing their employee benefits program--at no additional cost to the small employer.

For these reasons, CAHU must request a "NO" vote on **AB 18 (Pan)** when it comes before you for consideration

cc: Office of Governor Brown  
The Honorable Richard Pan  
Debra Roth, Assembly Appropriations Committee  
Anthony Archie, Assembly Republican Fiscal Office