

# CALIFORNIA ADVOCATES, INC.



May 31, 2013

The Honorable Richard Pan, Chair  
Assembly Health Committee  
State Capitol, Room 6005  
Sacramento, CA 95814

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**SUBJECT: AB 18 (PAN)—PEDIATRIC DENTAL COVERAGE: MEDICAL LOSS RATIO  
OPPOSE UNLESS AMENDED  
ASSEMBLY HEALTH COMMITTEE  
SCHEDULED FOR HEARING: JUNE 4, 2013**

Dear Dr. Pan:

The California Association of Health Underwriters regrets that we must **OPPOSE** your **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 May 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.

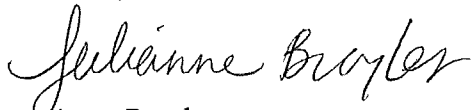
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CAHU agrees with the dental plans recommendation to see state law aligned with these federal provisions to ensure dental plans that wish to provide pediatric dental EHB policies in California's small group market have a meaningful opportunity to do 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 **OPPOSE AB 18 (Pan) UNLESS AMENDED**. We are available to discuss our concerns with you or your staff at your convenience.

Sincerely,



Julianne Broyles  
On behalf of California Association of Health Underwriters

cc: Office of Governor Brown  
Members, Assembly Health Committee  
Teri Boughton, Chief Consultant, Assembly Health Committee  
Peter Anderson, Assembly Republican Caucus