


CALIFORNIA ADVOCATES, INC.



July 11, 2014

TO: Members, Senate Appropriations Committee
FROM: Julianne Broyles 
On Behalf of California Association of Health Underwriters

SUBJECT: **AB 2088 (HERNANDEZ)--SUPPLEMENTAL HEALTH POLICIES:
UNREASONABLE BARRIERS – OPPOSE
SCHEDULED FOR HEARING: AUGUST 4, 2014**

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The California Association of Health Underwriters (CAHU) is OPPOSED to **AB 2088 (Hernandez)**, as amended July 1, 2014, because the bill reduces affordable health insurance options for large employers in California by removing choice in coverage options.

The California Association of Health Underwriters is the state's largest association of health insurance agent, 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.

CAHU supports giving employers the utmost flexibility to meet their legal requirements under the Affordable Care Act, as not all employers are the same or have the same resources. AB 2088 takes away employer choice saying insurers may not sell--and employers with 50 or more employees may not buy--a limited benefit health plan unless that plan is supplemental to coverage that meets the bronze level of coverage as defined by the federal Affordable Care Act (ACA).

CAHU **OPPOSES AB 2088** because the bill reduces options and increases costs for California employers with more than 50 workers by removing choice in coverage options. Other states do not have this restriction on large employers.

The ACA defines bronze level plans as those that have at least 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 in California.

Under the law today, if an employer has a high deductible plan that is at the 40th percentile, that grandfathered plan still meets the definition of an acceptable plan under the ACA. CAHU believes that **AB 2088** unnecessarily closes off employer choice in coverage options. California policymakers should ensure that employers of 50 or more employees are allowed to continue to use their grandfathered plan to provide coverage in a manner that works for their business as a cost effective solution --regardless if it is ACA compliant coverage or not.

AB 2088 also mandates that insurance carriers notify all affected employers that their plans are non-compliant "supplemental plans" and do not meet **AB 2088** proposed standards. CAHU would be able to support **AB 2088** if it was amended to only contain the notice/disclosure that the plans in question do not meet the California guidelines for MEC.

For these reasons, CAHU must urge a "NO" vote on **AB 2088 (Hernandez)** when it comes before you for consideration.

cc: The Honorable Roger Hernandez
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Brendan McCarthy, Senate Appropriations Committee
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