



June 3, 2014

TO: Members, Assembly Health Committee

FROM: Julianne Broyles, CAHU
Shari McHugh, NAIFA-CA
John A. Norwood, IABCAL

**SUBJECT: SB 1034 (MONNING)--HEALTH CARE COVERAGE:
WAITING PERIODS - SUPPORT
SCHEDULED FOR HEARING: JUNE 10, 2014**

The California Association of Health Underwriters (CAHU), the National Association of Insurance and Financial Advisors of California (NAIFA California) and the Independent Insurance Agents and Brokers of California (IABCAL) **SUPPORT SB 1034 (Monning)**, as amended April 21, 2014, which provides much needed clarification to new hire waiting period.

Late changes to legislation in 2012 inadvertently created confusion in length of waiting periods permitted in California (AB 1083, Chapter 852, Statutes of 2012) and created substantive questions as to whether or not employers could continue to use the 90-day waiting period for new hires, as set out under the federal Patient Protection and Affordable Care Act (PPACA). A chart attached to this letter illustrates the problems agents and employer's encountered with various plan interpretation of waiting period requirements post-AB 1083's enactment.

Federal 90-day waiting period regulations define "waiting period" as the time period that must elapse before coverage begins for an "otherwise eligible" employee. The federal rules also make it clear that employers may impose a new-hire waiting period before providing group health coverage. The ACA requirement was meant to work with common 90-day period many employers use for new hires to ensure the employee can cope with job duties or meeting necessary skill levels, among other conditions.

The clarification proposed by **SB 1034** became even more important with a recently proposed joint federal regulation, published February 24, 2014 by the Departments of the Treasury, Labor and Health and Human Services. Briefly, the regulations recognize a "reasonable and bona fide employment based orientation period" as a permissible substantive eligibility condition.

SB 1034 is meant to resolve the inconsistent waiting period application. Our three organizations believe that **SB 1034**, as now amended, will eliminate confusion between state and federal rules governing health care enrollment periods. **SB 1034** removes all language in the state law that currently limits waiting periods under small and large group HMO contracts and health insurance policies to a maximum of 60 days.

SB 1034's clarification will clarify that insurers and HMOs will not be able to impose a waiting or affiliation period under group coverage in the small and large-group markets that is not in compliance with the ACA or rules and regulations implementing the ACA. This will ensure California employers--

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similar to all other employers in the country--to follow the ACA's 90-day eligibility waiting periods. This ability is reinforced and supported by the intent language in **SB 1034** that states:

(a) In enacting this legislation, it is the intent of the Legislature to prohibit a health care service plan or health insurer offering group coverage from imposing a separate waiting or affiliation period in addition to any waiting period imposed by an employer for a group health plan on an otherwise eligible employee or dependent.

(b) The Legislature further intends, in enacting this legislation, to permit a health care service plan or health insurer offering group coverage to administer a waiting period imposed by a plan sponsor, as defined in Section 1002 of Title 29 of the United States Code, if consistent with Section 2708 of the federal Public Health Service Act (42 U.S.C. Sec. 300gg-7).

Our organizations represent California's 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. Agents act as advocates for policyholders and their families when coverage disputes arise. Agents also perform many functions for small employers with respect to managing their employee benefits program--at no additional cost to the employer.

For these reasons, our three organizations urge an "AYE" vote on **SB 1034 (Monning)** 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) at (916) 447-5053, or Shari McHugh (NAIFA California) at (916) 930-1993.

Attachment

cc: Lark Park, Office of Governor Brown
The Honorable William Monning
Ryan Guillen, Office of Senator Monning
Benjamin Russell, Assembly Health Committee
Peter Anderson and Kevin Haley, Assembly Republican Caucus

2014 New Hire Waiting Period Guidelines

Carrier Name	Aetna	Anthem	Blue Shield	CaliforniaChoice	Health Net 2-50
When will existing business be required to comply with the new waiting period (i.e., 1/1/14 or anniversary in 2014)?	Upon their first renewal in 2014	Upon their first renewal in 2014	Upon their first renewal in 2014	Upon their first renewal in 2014	Upon their first renewal in 2014
What are your waiting period options for plans that renew on or after January 1, 2014? Examples: <ul style="list-style-type: none"> • First of the month following date of hire • First of the month following 30-day waiting period • Sixty days following date of hire (partial months to be prorated) • Date of Hire 	<p>First of the month following:</p> <ul style="list-style-type: none"> • date of hire • 30 days <p>Groups with a 15th of the month effective date: 15th of the month following:</p> <ul style="list-style-type: none"> • date of hire • 30 days 	<p>First of the month following:</p> <ul style="list-style-type: none"> • date of hire • 30-days • 60-days (with coverage effective on the 60th day) 	<p>First of the month following:</p> <ul style="list-style-type: none"> • date of hire • 30 days • 1 month • 60 days 	<p>First of the month following 30 days</p>	<p>First of the month following:</p> <ul style="list-style-type: none"> • date of hire • 30 days • 1 month • 60 days
If you are allowing a mid-month effective date, will the member be pro-rated for the premiums?	No	N/A	Yes	N/A	N/A

Please note the details above are for informational purposes and may be subject to change.

2014 New Hire Waiting Period Guidelines

Carrier Name	Aetna	Anthem	Blue Shield	CaliforniaChoice	Health Net 2-50
On existing business, what will be the default waiting period if a group doesn't notify you of their selection?	First of the month following 30 days	First of the month following 30 days	First of the month following 30 days	First of the month following 30 days	First of the month following 60 days
Do you permit mid-year changes to the waiting period?	Yes	Subject to underwriting approval	No	No	Yes, the employer would be allowed to request a waiting period longer than their current waiting period (provided a longer waiting period is available)
Will dual waiting periods be permitted when consistently applied to all employees within each class?	No	Yes	No	No	No
On existing business, what option will employees have who are currently in a waiting period longer than what is allowed upon renewal in 2014?	Employee must be given the opportunity to enroll no later than customer renewal date	Employee will have the option of either	They will be required to wait out the existing waiting period		Employee will be given the newly elected waiting period as of the renewal date (i.e. EE hired 3/1/14 with a renewal date of 4/1/14 and group elects 60-day waiting period. This EE would be eligible 5/1/14)

Please note the details above are for informational purposes and may be subject to change.

2014 New Hire Waiting Period Guidelines

Carrier Name	Kaiser	SeeChange	Sharp	UHC 2-50 & 51-99
When will existing business be required to comply with the new waiting period (i.e., 1/1/14 or anniversary in 2014)?	Upon their first renewal in 2014	Upon their first renewal in 2014	Upon their first renewal in 2014	Upon their first renewal in 2014
What are your waiting period options for plans that renew on or after January 1, 2014? Examples:	<ul style="list-style-type: none"> • First of the month following date of hire • First of the month following 30 days • 60 days after date of hire 	First of the month following: <ul style="list-style-type: none"> • date of hire • 30 days 	<ul style="list-style-type: none"> • Date of hire/rehire • First of the month following date of hire/rehire • First of the month following 30 days • 30 days from date of hire • 60 days from date of hire 	<ul style="list-style-type: none"> • First of the month following date of hire • First of the month following (#months)(#days) of employment (max 60 days) • Date of hire (no waiting period) • (#months)(#days) of employment following Date of Hire (max 60 days)
If you are allowing a mid-month effective date, will the member be pro-rated for the premiums?	Yes	N/A	No, if enrolled prior to the 15 th then entire premium will be due for the month. If hired after the 15 th then they will be billed beginning the following month.	N/A

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2014 New Hire Waiting Period Guidelines

Carrier Name	Kaiser	SeeChange	Sharp	UHC 2-50 & 51-99
On existing business, what will be the default waiting period if a group doesn't notify you of their selection?	60 days after date of hire	If currently first of the month following DOH or 1 month the default would be first of the month following DOH. If currently first of the month following 2+ months the default would be first of the month following 30 days.	Information is not available yet	1 st of the month following 30 days
Do you permit mid-year changes to the waiting period?	No	No	No	No
Will dual waiting periods be permitted when consistently applied to all employees within each class?	No	No	Information is not available yet	No
On existing business, what option will employees have who are currently in a waiting period longer than what is allowed upon renewal in 2014?	They will be required to wait out the existing waiting period			They will be required to wait out the existing waiting period

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Last revised 11/25/13