

CALIFORNIA ADVOCATES, INC.



April 9, 2015

The Honorable Mark Leno
Member, California State Senate
State Capitol, Room 5100
Sacramento, CA 95814

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SUBJECT: **SB 546 (LENO) RATE REGULATION: LARGE EMPLOYERS – OPPOSE**
SENATE HEALTH COMMITTEE
SET FOR HEARING: APRIL 15, 2015

Dear Senator Leno:

California Association of Health Underwriters regrets we must **OPPOSE** your **SB 546**, as introduced, which would require rate review, modification and approval for large group care service plans and health insurers by the Department of Managed Health Care (DMHC) and the Department of Insurance (CDI).

In November, 2014, California voters resoundingly rejected Prop 45 that proposed an expansive health insurance rate review rate regulation for California. **SB 546** would go against the voter's opinion of rate regulation and would give both regulatory agencies the authority to review large group rates in more detail, and to modify or reject rate increases similar to provisions in the failed Prop 45.

Large employers typically design specific health care options in cooperation with their health plan/insurer and set up a drug formulary, cost-sharing requirements, and deductibles to help control utilization and costs. It is important to note that the Affordable Care Act purposefully left out the large group market, as it has, and continues to be, a stable market.

Under SB 546, rate review would be required by DMHC or CDI any time the proposed premium of the new or revised plan increases by more than the average annual premium increase in Covered California plans or a CalPERS plans; or if the employer requests a rate review if or the change would trigger the excise tax provisions of the Affordable Care Act. The rate review would happen regardless of the fact that the requesting employer specifically negotiated the plan at issue. Even in that instance, the health plans and insurers would have to submit all pertinent information to the regulator for review, and await their approval before selling the plan or policy.

As with prior legislation, CAHU remains concerned that rate review legislation, such as SB 546 still ignores the fact that this review does nothing to drive down the real cost driver of health care: medical treatment costs. SB 546 would instead raise the cost of health care by requiring the establishment of a costly new rate review bureaucracy.

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

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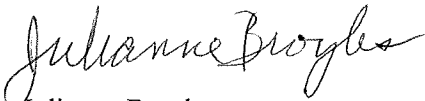
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care coverage plans, resulting in greater health and financial security. CAHU agents and brokers also act as advocates for policyholders and their families when coverage disputes arise. CAHU agents and brokers also perform many functions for small employers with respect to managing their employee benefits program--at no additional cost to the small employer.

For these reasons and more, CAHU must **OPPOSE SB 546 (Leno)**. 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: Members, Senate Health Committee
Teri Boughton, Consultant
Joe Parra, Republican Consultant