



July 23, 2013

TO: Members, Assembly Health Committee

FROM: Julianne Broyles, California Association of Health Underwriters
Shari McHugh, National Association of Insurance and Financial Advisors of California
John Norwood, Independent Insurance Agents and Brokers of California

SUBJECT: **SB 639 (HERNANDEZ)--HEALTH PLANS: STANDARDIZATION
MANDATE - OPPOSE**

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) are **OPPOSED** to **SB 639** (Hernandez), as amended May 28, 2013. **SB 639** eliminates health insurance consumer choice placing unnecessary limits on deductibles and mandating “standardization” of individual plans – thereby making it illegal to sell any individual plan that does not mirror what is offered within Covered California.

Our organizations represent California’s licensed health insurance agents. Our licensed members provide reliable insurance advice, act as the consumer’s advocate when dealing with carriers and provide a number of essential services relating to the individual and group insurance coverage and obligations post-enrollment. Our members also act as a trusted and effective marketing and distribution channel for health insurance information for all consumers and potential consumers of health care insurance coverage.

SB 639, as amended, does a number of things, including placing new limits on deductibles on individual and small group plans. **SB 639** also proposes to limit or “standardize” all individual plans offered in the state to plans that mirror what is offered in California’s government-run exchanges. “Our organizations are concerned that ‘standardization’ as proposed by the bill eliminates both choice and competition for California’s health care consumers.

Our organizations believe that “standardization” as proposed in both Sections 4 and 8 of the bill eliminate both choice and competition. Our organizations believe the language containing “standardization” language should be stricken from the bill in all sections in which it appears. Currently, the Health and Safety Code 1366.6, subsection (c) (and duplicated in Insurance Code Section 10112.3) allows for choice and competition by permitting:

“plans participating in the Exchange that sell any products outside the Exchange shall do both of the following:

(A) Fairly and affirmatively offer, market, and sell all products made available to individuals in the Exchange to individuals purchasing coverage outside the Exchange.

(B) Fairly and affirmatively offer, market, and sell all products made available to small employers in the Exchange to small employers purchasing coverage outside the Exchange.”

Those same sections go further and provide that:

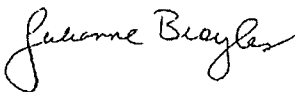
Commencing January 1, 2014, a health care service plan that does not participate in the Exchange shall, with respect to plan contracts that cover hospital, medical, or surgical benefits, offer at least one standardized product that has been designated by the Exchange in each of the four levels of coverage contained in subdivision (d) of Section 1302 of the federal act.

Our three organizations are concerned **SB 639** takes away choice and competition through the bill's proposed new Health and Safety Code Section 1367.008 and new proposed Insurance Code 10112.295 that mandate throughout those sections that "No product shall be offered at this level of coverage unless it is a standardized product consistent..." with either Section 1366.6 (that covers all DMHC plans) or Insurance Code Section 10112.3 (that covers Department of Insurance regulated health insurance plans), depending on the type of regulated plans. **SB 639** also unreasonably interferes with the insurance marketplace by barring the sale of most any catastrophic plan outside the Covered California individual exchange. These catastrophic plans may only be used if very narrow conditions are met.

Our members are very concerned that **SB 639** will eliminate necessary incentives for innovative plans to be developed and tested in the California marketplace--plans that could save California health care consumer premiums dollars in the long term. Policymakers should be concerned that **SB 639** may even damage the exchanges in California, as consumers look toward other options-- none of which would have the same protections of the individual marketplace in the state exchanges.

In conclusion, our organizations believe it is important, as we fast approach the state Exchange start up, to put all of our resources toward implementing the ACA in a way that ensures a smooth start and easy transition. **SB 639** goes in the opposite direction by placing additional and unnecessary requirements on insurers without any demonstrable benefit to healthcare consumers.

For these reasons and more, our organizations urge a "NO" vote on **SB 639 (Hernandez)** 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 or Shane LaVigne (IIABCal) at (916) 447-5053, or Shari McHugh (NAIFA California) at (916) 930-1993.



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cc: The Honorable Ed Hernandez
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Peter Anderson & Kevin Hanley, Assembly Republican Caucus