



May 28, 2013

TO: Members, California State Senate

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
SENATE THIRD READING**

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 (IIABCal) are **OPPOSED** to **SB 639** (Hernandez), as amended May 28, 2013, that eliminates choice by strictly limiting types of individual, midsize and large group health plans available to consumers and sets government mandated limits on plan deductibles that are not actuarially sound.

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 and mandating "standardization" of individual and small group plans. The first concern that our organizations have regarding **SB 639** is that the proposed deductible limits for all size non-grandfathered and individual plans are unnecessary and not actuarially sound. We believe that these limits should not be placed in statute and should be left flexible to permit easy updating as federal guidelines change or to ensure the deductibles meet actuarial standards.

Second, our organizations are opposed to **SB 639**'s new mandate to limit or "standardize" all outside exchange plans to those that only mirror what is offered in California's two government-run exchanges eliminates choice for the consumers. Moreover, we believe that "standardization" as proposed in both Sections 4 and 8 of the bill eliminate both choice and competition. Our organizations believe both sections in their entirety should be stricken from the bill.

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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.

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 consumers 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 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.

Sincerely,



Julianne Broyles
CAHU



Shari McHugh
NAIFA-CA



John A. Norwood
IIABCal

cc: The Honorable Ed Hernandez
Katie Trueworthy & Melanie Moreno, Senate Health Committee
Joe Parra, Senate Republican Caucus
Lark Park, Office of Governor Brown