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PERATA AND NUÑEZ MERGE HEALTH CARE REFORM BILLS

(SACRAMENTO) –Assembly Speaker Fabian Núñez (D-Los Angeles) and Senate President pro Tem Don Perata (D-Oakland) announced today they have combined their health care reform bills into a single piece of legislation, AB 8.

The measure would extend health insurance to millions of Californians who have none and institute fundamental reforms to expand coverage and rein in spiraling medical costs. It features shared responsibility among employers, individuals, reinvested state dollars, and new federal funds.

This merging of separate bills by Perata and Núñez into one measure represents the latest step in the Legislature’s year-long effort to develop a comprehensive, bipartisan plan to fix California’s broken health care system.

“At every step in this process, we have proved the critics wrong. We are showing that we can tackle a problem as big and complex as health care – and improve the lives of millions of Californians,” Perata said. “I look forward to finishing what we have started and delivering to the Governor meaningful health care reform.”

“Our unified stance will no doubt disappoint those who were thinking differences between the Assembly and Senate might delay or derail our chances of enacting health care reform,” Núñez said. “We’ve put together the vehicle to fix health care in California. We just got it tuned up. Now the governor needs to decide if he’s willing to get on board.”

AB 8 by Núñez passed the Assembly on June 7 and is scheduled to receive a hearing in the Senate Health Committee on July 11. Details of how the measure differs from SB 48 by Perata and the previous version of AB 8 are below.

For more information on the legislation, go to the websites of Perata and Núñez at: www.sen.ca.gov/Perata and www.assembly.ca.gov/nunez/legislation.htm.

MERGING PROVISIONS OF AB 8 (NUÑEZ) AND SB 48 (PERATA)

Summary of Key Compromises

1. GUARANTEED ISSUE & INDIVIDUAL MANDATE

AB 8

- No individual mandate.
- Individual market: Managed Risk Medical Insurance Board (MRMIB) to create a list of high risk conditions, individuals with those conditions go to high risk pool.
- Linked to AB 2 (Dymally) which restructures and fully funds the high risk pool by a broad assessment on all health plans.
- Guaranteed issue of all other products in the individual market

SB 48

- Individual mandate for individuals above 400% of the federal poverty level unless their share of premium exceeds 5% of family income.
- High risk pool or reinsurance model for individuals under 400% of FPL not subject to the individual mandate with serious medical conditions.
- High risk pool/reinsurance funded by a broad assessment on all health plans.
- Guaranteed issue of all products with some phase in based on the effectiveness of the individual mandate.

COMPROMISE: Guaranteed issue for everyone in the individual market *without* serious medical conditions. High risk pool for individuals with serious medical conditions, funded by a broad assessment on health plans. No individual mandate.

2. AFFORDABILITY

- SB 48 requires MRMIB to ensure that premiums for employees under 300% of FPL in the purchasing pool do not exceed 5% of family income after taking into account tax savings.
- AB 8 does not.

COMPROMISE: Senate Version

3. EFFECTIVE DATE OF PURCHASING POOL AND EMPLOYER FEE

- AB 8: 2009
- SB 48: 2011

COMPROMISE: 2010

4. PREMIUM ASSISTANCE

- AB 8 provides assistance to families and children under 300% of FPL that are offered employer-sponsored insurance by subsidizing their premiums.
- SB 48 does not.

COMPROMISE: Assembly Version

5. MINIMUM EMPLOYER SPENDING REQUIREMENT

- SB 48 gives MRMIB the authority to adjust the employer fee to ensure fiscal solvency.
- AB 8 does not.

COMPROMISE: Senate Version

6. SMALL BUSINESS EXEMPTIONS

- AB 8 contains the following exemptions for small business that:
 - a. Have less than 2 employees;
 - b. Have a payroll of \$100,000 or less; or
 - c. Are in business for 3 years or less
- SB 48 contains no exemptions for small business

COMPROMISE: Senate Version

7. MANDATORY SECTION 125 PLANS

- AB 8 requires all employers to establish Section 125 plans for purposes of sheltering employee health insurance premiums from state and federal tax.
- SB 48 requires employers that opt to pay the fee to establish Section 125 plans.

COMPROMISE: Assembly Version

8. INSURANCE MARKET REFORMS

- AB 8 extends small group rules to mid-size employers with 51-250 employees.
- SB 48 extends the small group rules to mid-size employers with 51 – 199 employees.

COMPROMISE: Assembly Version

- SB 48 phases out the rate bands established in the mid-size group market.
- AB 8 does not.

COMPROMISE: Senate Version

- AB 8 requires MRMIB to create a standardized medical underwriting form for the individual market and requires health plans to offer 3 uniform benefit designs across both the individual and group markets.
- SB 48 does not.

COMPROMISE: Assembly Version.

9. COST CONTAINMENT

- SB 48 directs MRMIB to ensure that health plans contracting with the purchasing pool use efficient practices to control costs (preventive care, chronic disease management, standardized billing, health lifestyles, etc.). SB 48 requires MRMIB to negotiate with Medi-Cal managed care plans.
- AB 8 does not.

COMPROMISE: Senate Version

- AB 8 requires the Health & Human Services Agency to develop fitness, wellness and health promotion programs; pay for performance standards in all state programs; and best practices standards for treatment of chronic diseases.
- SB 48 does not.

COMPROMISE: Assembly Version

10. REQUIRED EVALUATION

- AB 8 and SB 48 both require an evaluation on the progress of the Act, but with different required elements.

COMPROMISE: Senate Version

11. TITLE OF THE PURCHASING POOL:

- SB 48: The Connector
- AB 8 : The California Cooperative Health Insurance Purchasing Program (Cal-CHIP)

COMPROMISE: Assembly Version

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