

Testimony of the California Association of Health Underwriters and the  
National Association of Insurance and Financial Advisors –California  
to the Assembly Health Committee – October 31, 2007

Mr. Chairman and Members of the Committee. My name is Alan Katz. I'm a licensed insurance agent and the Vice President of Public Affairs for the California Association of Health Underwriters. I'm also speaking today on behalf of the California chapter of the National Association of Insurance and Financial Advisors (NAIFA-California.) Together these associations represent over 7,500 insurance agents and other professionals.

As brokers, we occupy a unique place in the health care coverage system seeing firsthand what's working and what's not. We educate consumers on their health care coverage choices, help them select the most appropriate plans for their specific needs and serve as their advocate if problems arise. Health care reform is not an abstract concept for us. It's personal. When an application for coverage is denied, we're the ones looking the individual in the eye and delivering the bad news. Then we start the search for another option.

Our position allows us to see the benefits of today's system, including the health and financial security millions of Californians enjoy after we help them find and enroll in the right health plan for their unique needs. And we appreciate that Californians pay far less for individual health insurance than the vast majority of Americans – 17 percent below the national average for consumers who buy their own coverage.<sup>1</sup> This is no accident. It's the result of California's uniquely competitive insurance market offering consumers substantial choice and access to the services of independent agents.

We agree with Governor Arnold Schwarzenegger that every resident must obtain health care coverage. To make this possible, insurance carriers will need to accept all applicants regardless of their existing health conditions. A mandate to sell health care coverage, however, works only in the context of an enforceable requirement to obtain coverage. To do otherwise is to imitate New York and New Jersey where the cost of individual coverage is 350 percent more than in California. Those states have demonstrated that guarantee issue of coverage done wrong results in a health care reform tax on citizens who play by the rules. This is not a hidden tax. It's visible. It's substantial. And it's grossly unfair.

A requirement to buy coverage also means helping those for whom premiums are too expensive. We support a sliding scale of premium subsidies assisting those households earning up to 400 percent of the Federal Poverty Level. Once these subsidies are fully funded and 90 percent of California residents have obtained coverage we call for guarantee issue of all health plans in the state. Until then we recommend expanding and subsidizing the Major Risk Medical Insurance Plan to serve as the state's insurer of last resort.

There are several other elements of the Governor's plan we support. For example, health insurance premiums directly reflect the cost of medical care. The Governor's plan represents a good start at

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<sup>1</sup> From *Individual Health Insurance: A Comprehensive Survey of Affordability, Access, and Benefits* by America's Health Insurance Plan's Center for Policy and Research, August 2005.

addressing this reality by seeking to leverage technology, improve medical outcomes, promote best practices and expand wellness and prevention programs.

There are elements of the Administration's package we disagree with, however. For example, we believe regulators need to have the flexibility to assure a mandated Medical Loss Ratio does not have the unintended consequences of increasing premiums, discouraging competition in the individual market and limiting consumer choice. We believe those receiving state subsidies should not be driven into a state-run purchasing pool, but instead should have the same choices as their non-subsidized neighbors. We believe a minimum benefit package needs to be defined in legislation in order to determine the financial and market impact of the reform package.

And we believe the state must deliver on the promises it has made to the people of California before making new ones. Nearly one million Californians are eligible for, but are not enrolled in, Healthy Families and Medi-Cal. The state needs to prove it can fix this travesty *before* promising to expand these programs or creating new ones. Yet we note with regret and foreboding the roughly \$66 million targeted for this purpose that was cut from the state's 2007-2008 budget.

This hearing is an important forum in which you'll hear a great deal about what's wrong with our health care system. We agree with some of these observations, but again, we also want to point out that Californians enjoy lower premiums and more coverage choices than do many Americans. As we seek to improve the system, we need to avoid destroying a system that works for so many of your constituents.

Seeing what works – and what doesn't – in today's system, led CAHU to develop *Healthy Solutions* as a roadmap toward tomorrow's health care system. NAIFA-California supports much of this proposal as well. *Healthy Solutions* reflects our belief that health care reform must:

- ensure that all Californians have basic health care coverage;
- avoid bankrupting either California families or the state;
- provide the state's diverse population with equally diverse health care choices;
- promote ongoing and long-term innovation and experimentation that enable the state's health care system to adapt over time to the evolving needs of its citizens;
- address and constrain skyrocketing medical care costs, the real driver of insurance premiums; and
- provide consumers access to meaningful information and expert advice and counseling from licensed professionals.

*Healthy Solutions* addresses our concerns with the Administrations reform package and that passed by the Legislature in the previous session. For instance, it contains a creative and fair mechanism to assure carriers accept all applicants and all Californians obtain coverage. It describes a way to effectively increase participation in Healthy Families and Medi-Cal. We urge you to consider it's recommendations as you work toward responsible, comprehensive health care reform.

Thank you.