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John A. Norwood
Counselor at Law

Erin Norwood
Publisher

Contributor
Alex MacIlraith
Brittany Trudeau

Contact Us
info@nalobby.net

Capitol Place
915 L Street, Suite 1110
Sacramento, CA 95814

(916) 447-5053
(916) 447-7516 fax

California Links

State Senate

State Assembly

**Department of
Insurance**

Health Bill Advances

The California Assembly approved a bill this past Monday that attempts to resolve confusion surrounding new hire waiting periods before health insurance coverage goes into effect. SB 1034, authored by Senator Bill Monning, would prohibit health plans and health insurance policies in the group market from imposing a waiting or affiliation period. While state law provides a 60-day waiting period on health plans and insurance policies, the Affordable Care Act (ACA) allows a 90-day waiting period to provide employers with sufficient time to gage a new-hire's ability to perform the job duties before offering health insurance coverage. This bill would eliminate the state's 60 day waiting period to create consistency within state and federal law to establish that no waiting period may be applied by an insurance provider for new enrollments aside from the waiting period that employers may utilize under the ACA.

Proponents of the measure argue that since the ACA now requires guaranteed issue of health coverage and no preexisting condition exclusions, there is no reason for health insurance providers to apply a waiting period prior to coverage going into effect. The bill is supported by insurance agents, brokers, labor, and health groups. There is no opposition to the measure. This consumer-oriented bill was approved by the Assembly on Monday following a 77-0 vote and moves back to the Senate for concurrence.

Lawmakers Host Hearing on Prop 45

The Assembly and Senate Health Committees held a Joint Legislative Hearing this past Wednesday to discuss an initiative that will appear on the November ballot which would require regulatory approval of a health insurance rate change prior to going into effect. Under Proposition 45, the Insurance Commissioner would be authorized to approve or reject health insurance rate changes that are deemed excessive or unreasonable. The measure essentially takes the framework of Proposition 103 (1988), which identified the primary factors in establishing automobile insurance rates and allowed the Insurance Commissioner to reject excessive hikes, and applies it to health insurance.

Insurance Commissioner Dave Jones testified at the hearing in support of the initiative, claiming that the mandate in Proposition 45 is the missing piece to the Affordable Care Act. Jones argued that 35 states already have the jurisdiction that is encompassed within Prop 45 and that currently the Department of Insurance and the Department of Managed Health Care – the two agencies with regulatory roles relating to health insurance rates – lack

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the authority to challenge increases. Jamie Court of Consumer Watchdog also provided testimony, arguing that the effectiveness of Proposition 103 can easily translate to the health insurance market. The California Public Interest Research Group also provided insight to a report they published that claims health insurers implemented 14 rate increases in California that were considered excessive by regulators, impacting approximately 923,000 Californians. Although proponents suggest that the measure would help keep prices low while stimulating competition, opponents take issue with the language of the measure.

The health insurance industry and some public policy makers oppose Proposition 45 and contend the initiative would fundamentally undermine the reforms of the Affordable Care Act (ACA). Under the ACA, the state health insurance exchange has the ability to negotiate rates with insurance providers. Opponents also believe that the proposal would allow outside interest groups to challenge any rate increases and create delays that could result in no approved rate during the open enrollment period. Some even argue that the language of the measure is intentionally ambiguous and could permit the Insurance Commissioner to make changes to health plan benefits, co-payments, and deductibles. Peter Lee, the Executive Director of Covered California, testified before the Committees and suggested the initiative could diminish Covered California's authority to negotiate with health plans regarding rates. Furthermore, if negotiations are impacted, it could result in insurers leaving the California marketplace. The measure will be thoroughly debated in the ensuing months before Californians vote on the initiative on November 4.

Assembly Republicans Choose New Leader

On Wednesday California Assembly Republicans announced that Kristin Olsen (R-Modesto) will become the Minority Leader of the state Assembly following the November general election. Olsen will replace Assembly Member Connie Conway (R-Tulare), who terms out later this year. After serving on the Modesto City Council between 2005-2009, she was elected to the Assembly where she currently serves as Vice Chair of the Agriculture and Education Committees while also being a member of the Accountability and Administrative Review, Higher Education, and Insurance Committees. The new Assembly Republican leader will play an instrumental role in determining which Assembly races to fund and target as this is a crucial year for Republicans to overturn the Democratic supermajority that currently exists.

Will Perez Request Recount?

After utilizing the full month legally allocated to every voter registrar's office to certify election outcomes, Lake County – the last region with uncounted ballots – released the final results this past Tuesday. The numbers indicate that Democrat and Board of Equalization member Betty Yee ousted Democrat and Assembly Speaker Emeritus John Perez by a mere 484 votes. Betty Yee now captures the Democratic nomination for State Controller and will face off against Republican Fresno Mayor Ashley Swearengin, who secured the Republican nomination weeks earlier. However, since more than four million ballots were cast in the election, the narrow margin of victory means that John Perez could challenge the results and request a recount. Experts predict that a recount is very likely, most especially after Perez commented, "Since this is one of the closest statewide elections in the history of California, we have an obligation to review and ensure that every vote cast is accurately counted." If a

recount did occur, it would likely span for another month and require Perez to pay the costs associated with the recount.

California Preparing Earthquake Zoning Maps

This week the California Geological Survey began the lengthy process of creating zoning maps based upon earthquake faults which could result in restricted enterprise development. The project began with the Santa Monica fault, which includes more than 2,000 miles of faulting that must be mapped. Although these mapping efforts came to a halt over the previous twenty years as a result of budget cuts, Governor Jerry Brown recently approved \$1.49 million to map faulting zones and allocated \$1.3 million in annual spending to continue updating the maps. Public policy makers contend that the costs of mapping will be offset by new building permit fees, which increased by about thirty-percent as a result of this funding.

Current law mandates that builders pursuing new development in a fault zone are required to perform a seismic study to demonstrate the project does not lie on an earthquake fault. However, the law becomes null if the state fails to draft these maps that inform local governments and developers of approximate fault locations.

After the Los Angeles City Council approved a project last year that geologists warned was likely on a fault zone, speculation had been raised regarding the safety of new developments and if local governments were imposing sufficient regulation. This issue was further compounded after a report by the Times that discovered more than a dozen projects on or near the Santa Monica had been approved that would have required a seismic study if the state had mapped the earthquake zones. If state maps go unmaintained, then many regions and local governments – who lack the resources to study earthquake fault zones – have a limited ability to prevent developers from building on these high-risk areas. New structures built on earthquake fault zones pose a serious safety risk as they can be completely destroyed by a significant earthquake.

The mapping project of Santa Monica will be completed in approximately nine months, where it will then transition to mapping the Whittier fault and portions of the San Andreas fault.

Poll Suggests Californians Want Action on Income Disparity

A Field Poll was released early this week that indicates voters across party lines in California believe government action must be taken to curb the growing income gap that has resulted in a shrinking middle-class. According to the poll, 81 percent of Democrats and 68 percent of independents believe the government should take more steps to reduce the income disparity that has resulted in large saturations of financial wealth within the hands of fewer individuals. Even 46 percent of Republicans agree that measures must be taken to address the growing divide. Although 45 percent of Republicans responded the government should do nothing or very little to address the gap, only 20 percent of independents and 12 percent of Democrats agreed.

Just last year the state Legislature approved a minimum wage hike that increased the minimum wage to \$9.00 per hour, but a more recent initiative that sought to further the wage increase died weeks ago in the Assembly. But the numbers indicate that a large majority of



Californians want more action to be taken. However, the legislative session is coming to a close and any meaningful reforms would likely be taken up in the 2015 session.

Summer Recess

Today marks the beginning of Summer Recess. The Legislature will reconvene on August 4th to hear all remaining bills. Stay tuned for legislative updates.