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State Senate

State Assembly

**Department of
Insurance**

Single-Payer Health Care Bill Advances

This week SB 562, the controversial bill that would create a single-payer health care system in California, advanced through the Senate Health Committee on a party line vote. The bill, titled the Healthy California Act and introduced by Senator Ricardo Lara, would eliminate private health insurance in California and create a state-run health system to provide coverage to all residents of the state with no premiums, co-pays, or out-of-pocket payments. While the idea of single-payer coverage is popular among Californians at large, the bill is facing heavy opposition from the insurance and business communities, as well as questions from legislators about the financial viability of the program.

So far, the bill's authors have not provided any information on how the immense and undoubtedly expensive program would be funded. That was an issue that worried several members of the committee, including Senator Ed Hernandez who chairs the committee. "There are still questions that need to be answered and I recommend the authors look further into the funding mechanisms." Senator Lara has stated that he intends the bill to be financially sustainable, but as of yet there is no indication how that would be achieved while drastically changing the entire landscape of health insurance and coverage in California.

SB 562 has the support of the California Nurses Association and the California Federation of Teachers, as well as many other unions and grassroots organizations who have brought together vocal support from residents throughout the state. However it also faces intense opposition from health insurance companies that will essentially be pushed out of the California market entirely, as well as business groups who worry that their costs will skyrocket under higher taxes and benefits costs. It is yet unknown if the bill's populist support will be enough to overcome the many uncertainties it faces, especially as it moves forward. The bill moves next into the Senate Appropriations Committee, where it will face intense scrutiny over the costs it will incur. Stay tuned.

Moderate Democratic Leadership Shakeup

The informal group of Democrats who tend to align more closely with the business community known as the "mods" announced this week that they had changed their leadership in order to better tackle the changing issues in the Legislature. Assembly Member Adam Gray from Merced has been announced as the new leader of the mods, a loosely organized group of Democrats who do not publicize their membership but represent a

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sizeable force in the Capitol. The most recent leaders in the last two years were Assembly Member Jim Cooper and Assembly Member Rudy Salas.

In the announcement, Gray stated that he had received the support of 14 legislators as the leader of the caucus, enough to secure him the role of chairman. Gray however describes his role as that of a “convener”, and Assembly Member Salas stated that the leadership change represented a larger modification of the structure of the group itself. The caucus will now feature an executive committee with whom Gray will work on leadership decisions, a choice that Salas called “the best way moving forward.”

The mods have grown in influence in recent years, representing what Gray calls a “centrist, middle-of-the-road, fiscally conservative agenda.” He also stated that he feels it is more important than ever to represent what he calls the “silent majority” who falls in the middle of the political spectrum instead of on either highly polarized side. They have had mixed success on major legislative issues, successfully blocking a provision in a 2015 climate bill that would have drastically reduced oil consumption, but also not wielding enough influence to stop 2016’s efforts to raise the minimum wage and pass new climate legislation against the wishes of many business interests. Gray said that as the new leader of the mods he hopes that the caucus will be an active participant in “all parts of public policy,” especially in the anticipated debate over the state’s cap-and-trade program.

Senate Insurance Committee Considers Several Key Bills

On Wednesday, the Senate Insurance Committee gathered to consider several bills. The following bills were on the consent calendar.

SB 255 (Mendoza, D-Cerritos) deletes assisted living facility services from the list of required minimum services to be provided as part of a longterm policy and clarifies that those services include care in a residential care facility. Regarding SB 261 (Monning, D-Santa Cruz), the Insurance Code requires insurers to submit reports to the Legislature. The bill authorizes reports to be submitted electronically. SB 325 (Mendoza) authorizes the California Organized Investment Network through December 1, 2017. Relative to SB 425 (Mendoza), current law authorizes the Insurance Commissioner, in order to streamline the Department of Insurance’s (CDI) file review process for life and disability insurance forms, to develop procedural requirements for file submission. The bill authorizes the Commissioner to develop an expedited policy form approval application.

Also on consent, SB 430 (Insurance Committee), sponsored by the California Insurance Guarantee Association (CIGA), authorizes CIGA, to reinsure with, or transfer liabilities to, a California admitted and authorized reinsurer. Lastly, SB 569 (Monning) requires an insurer to respond and indicate whether the property is covered by a policy issued by the insurer within 30 days, and requires the Insurance Commissioner to relay information related to the insured’s property to the insured.

The following two bills were approved by the Committee with no Members opposing. SB 788 (Lara, D-Los Angeles) requires an individual taxpayer identification number if an applicant or licensee is an individual applying for or renewing an insurance production agency license. The

Pacific Association of Domestic Insurance Companies (PADIC), Association of California Health & Life Insurance Companies (ACHLIC), Personal Insurance Federation of California (PIFC), American Insurance Association (AIA) and Independent Insurance Agents and Brokers of California (IIABCal) supported the measure. CDI is inclined to support, once technical changes are worked on.

On SB 488 (Bradford, D-Inglewood), this requires insurers to report the sexual orientation of its board of directors, as well expand existing insurance company supplier diversity surveys. The author testified 80% of insurance company governing board seats are held by men and only 12% of board seats are held by persons of color. Nearly 100 insurance companies did not have any women on their governing boards, and 273 insurance companies had no persons of color on their governing boards. This bill was approved without opposition.

Equality California believes it can reach agreement with opponents on amendments, including protecting the privacy of board members. The Sacramento Black Chamber of Commerce, an Army veteran and small business owner, and CDI commented in support.

In earlier testimony, Senator Steven Bradford was only willing to accept the Committee bill analysis / Chair's recommendation to remove provisions resulting in the disclosure and publication of personally identifiable information. The author considered the remaining amendments endorsed by the Committee Chair too broad. They make board diversity reporting voluntary and restrict publication to aggregated form. After Committee Chair Tony Mendoza advised he would not recommend Members support, the author agreed to all Committee amendments.

ACHLIC and AIA explained concerns around personal privacy of board members as part of the sexual orientation data call. PADIC and PIFC opposed the bill for this reason.

Senator Richard Roth (D-Riverside) was at a loss for why CDI needed the board diversity information, to which Robert Herrell, CDI Legislative Director, claimed it is a form of consumer protection. And, the recent California Supreme Court case *ACIC v. Jones* reinforces the Commissioner's broad regulatory authority to act to protect consumers, said Herrell. The Commissioner believes more reporting is necessary as the voluntary system is only generating 29% return.

Regarding SB 272 (Mendoza), current law requires the State Compensation Insurance Fund (SCIF) Board of Directors to appoint various executives. This bill requires the SCIF Board to appoint additional executive and management positions, including a chief information security officer and a pricing actuary. Senator Steve Glazer (D-Antioch) said he has long had concerns whether SCIF is as accountable as other state agencies, including with regard to conflicts of interest. A SCIF representative said accountability is ensured through filing of civil servant forms. This bill was also approved without opposition.

Labor Legislation The Subject Of Assembly & Senate Committee Action

Regarding Assembly Labor Committee membership, Assembly Members Eloise Gomez Reyes (D-San Bernardino) and Sebastian Ridley Thomas (D-Los Angeles) are permanent.

Relative to legislative activity, SB 33 (Dodd, D-Vacaville) allows consumers of financial services to avoid arbitration if they allege fraud occurred. This opens up disputes to costly, class action lawsuits that result only in excessive plaintiff lawyer fees with their clients receiving nominal sums. Under state and federal law, “financial services” captures the insurance industry. While the bill has been amended, it does nothing to alleviate concerns of a wide cross section of businesses. The bill has been amended, but they do not remove any opposition.

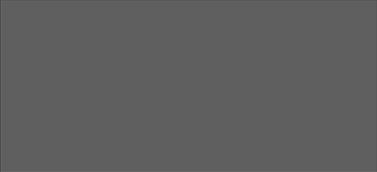
To provide some good news, AB 1008 (McCarty, D-Sacramento) is sincerely interested in considering any and all industry amendments to his bill, which prohibits disclosure of a prospective employee’s criminal history. A key amendment would prohibit inquiry only at initial interview, not all the way to conditional employment offer. Another somewhat positive area is AB 1099 (Gonzalez-Fletcher, D-San Diego), as the author wants a deal. The bill requires employees be given the opportunity to provide a tip at service checkout. It is supposed to be geared toward Uber-type services, but currently drafted is problematic because it, for example, requires a tip prompt when paying for gas at the pump and other ridiculous scenarios. There are no amendments available yet.

Concerning AB 5 (Gonzalez-Fletcher), this bill requires employers to offer an interview to existing employees before considering outside candidates. Nobody has seen amendments that are said to be worked on. It appears the author is not pressuring moderate Democrats to vote for the bill, but there is no certainty this will remain. The pilot plan in San Jose is not working well, according to the City of San Jose. It is widely believed this is really another playing to the author’s political base bill.

AB 1209 (Gonzalez-Fletcher) mandates employers publish salary data by gender and eventually have the Secretary of State make this available online. Opponents are meeting with Secretary of State staff hoping they will come up with an expensive estimate to administer. AB 168 (Eggman, D-Stockton) prohibits accessing employee salary data of job candidates. To date, opponents from last session have not changed their vote. On SB 306 (Hertzberg, D-Van Nuys), this is similar to State Budget 2017-2018 – Labor Trailer Bill legislation, so it may go by the wayside. But, the trailer bill is problematic because it authorizes the Labor Commissioner to petition superior court for injunctive relief in cases of alleged employer misconduct.

On AB 569 (Gonzalez-Fletcher), which makes it unlawful for employers to discipline employees because of use of contraception, notorious plaintiff’s lawyer Gloria Allred testified on the bill, and not all that effectively apparently. The Assembly Judiciary Committee denied her request to hold a standalone special meeting to raise the bill’s profile, but ultimately approved it by a wide margin.

Regarding AB 450 (Chiu, D-San Francisco), this bill imposes on employers the responsibility of ensuring a federal Immigration and Customs Service (ICE) warrant is in place before ICE enforcement can enter the workplace to determine immigration status of employees. Speaker Anthony Rendon has been met with and is understanding industry concerns. On AB 387 (Thurmond, D-Oakland), the healthcare industry continues to fight this bill, which



requires health industry interns to be paid. This is opposed by just about every sector that offers internships because of its precedent.