## UNIVERSITY OF CALIFORNIA

BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE • SAN DIEGO • SAN FRANCISCO



SANTA BARBARA • SANTA CRUZ

OFFICE OF THE PRESIDENT

DANIEL M. DOOLEY
Senior Vice President – External Relations

June 6, 2013

Office of State Governmental Relations 1130 K Street, Suite 340 Sacramento, California 95814 (916) 445-9924 Steve Juarez, Associate Vice President and Director

The Honorable Ed Hernandez, Chair Senate Health Committee State Capitol, Room 2191 Sacramento, CA 95814

**RE:** AB 314 (Pan) as Amended, April 9, 2013

Scheduled for Hearing in the Senate Health Committee on June 12, 2013

Position: Concern

## Dear Senator Hernandez:

The University of California (UC) has reviewed AB 314 and has concerns that the provisions of the bill, as amended on April 9, 2013, would place more stringent requirements on California college and university student and employee self-funded health benefit plans than what is required for all other entities under the federal Affordable Care Act (ACA). AB 314 would prohibit a lifetime or annual dollar limit on any health benefit for any participant or beneficiary of a health plan directly operated by a public or private college or university that directly provides health care services only to its students, faculty, staff, administration, and their respective dependents.

Under the ACA, lifetime and annual limits on most covered health benefits are prohibited in any health plan or insurance policy. However, the ACA does not prohibit any and all annual and lifetime dollar limits on spending for health care services and does allow for some limits on services that are not considered "essential health benefits." Essential health benefits must include, but are not limited to, items and services such as: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health and substance use disorder services, and prescription drugs. Essential health benefits would not include services such as fertility treatments or medical evacuation and repatriation costs, and therefore a dollar limit could be placed on this type of a benefit. AB 314 however, appears to prohibit dollar value limits on any and all benefits, not merely essential health benefits, which places additional costly requirements on colleges and universities in California who choose to directly provide health care services to their students, faculty and staff via self-funded programs.

UC provides a self-funded health insurance benefit plan and fully-insured dental and vision coverage to its students and their dependents. The University of California Student Health Insurance Plan (UC SHIP) already voluntarily complied with benefit levels and consumer protections required of group and individual health plans under the ACA, including coverage of all essential health benefits. Further, at a May 1 meeting, the chancellors of the ten UC campuses agreed unanimously with an advisory committee's recommendations to eliminate the lifetime maximum and other caps on essential health benefits for the upcoming plan year to coincide with the ACA requirement that these limits be eliminated by 2014.

The Honorable Ed Hernandez Page 2 June 6, 2013

Additionally, UC currently offers several competitive health and welfare benefits options to its employees and their dependents, including two self-funded plans. As part of its continuing commitment to controlling employee health benefit costs UC is currently developing UC Care, a new strategic health plan being designed by UC that will potentially be offered to all UC eligible employees effective January 1, 2014. The UC Care plan will be a self-funded, ACA compliant, health plan incentivizing employees via plan design to use UC facilities and providers. In instances where services are not available at a nearby UC facility or medical group, employees will be able to access other providers for covered services in a preferred provider network. The plan will also include an activity based wellness program promoting preventive care among employees with monetary incentives. Long term, the UC Care plan model provides UC with the ability to more pro-actively manage healthcare costs and aims for better population health. However, because AB 314 as currently drafted appears to apply to this type of employee health plan, the bill could undermine the sustainability of this and other UC-sponsored health plans because it would impose coverage limitations on benefits outside of those which are considered essential health benefits under the ACA.

The self-funded health plans that UC offers to its students and faculty will be in accordance with annual and lifetime maximums under the ACA when these requirements go into effect in 2014. As such, UC questions if this legislation is needed. Further, the University is concerned that under AB 314 it will have to remove any and all benefit level limits for these self-funded student and employee benefit plans which will likely increase both the employer and employee share of health benefit costs. Given UC's concerns with the bill, if the legislature believes that the bill is still needed, UC requests that it be amended to ensure that the requirements placed on colleges and universities align with the requirement placed on other employers by the ACA, federal regulations, and state law. UC notes that the bill as introduced on February 12, 2013 achieved this goal.

Thank you for your consideration of the University's views. Should you have any questions on the University's position on AB 314, please do not hesitate to contact me at (916) 445-9924.

Sincerely,

Angela Gilliard, JD Legislative Director

cc: Assembly Member Richard Pan

angela M. Hilliard

Vice Chair and Members. Senate Health Committee

President Mark G. Yudof Provost Aimée Dorr

Senior Vice President John Stobo

Senior Vice President Daniel Dooley

Associate Vice President and Director Steve Juarez