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February 10, 2016

The Honorable Ed Hernandez  
Chair, Senate Public Health &  
Developmental Services Committee  
State Capitol, Room 2080  
Sacramento, CA 95814

The Honorable Rob Bonta  
Chair, Assembly Public Health &  
Developmental Services Committee  
State Capitol, Room 6005  
Sacramento, CA 95814

Dear Senator Hernandez & Assemblymember Bonta:

The California Association of Health Plans (CAHP) represents 48 public and private organizations that collectively provide health care coverage to over 25 million Californians, including over 10 million beneficiaries in Medi-Cal managed care. Federal funding is critical for meeting the needs of California's growing Medi-Cal population.

CAHP supports SBx2 15 (Hernandez) and ABx2 20 (Bonta). These measures would enact a new Managed Care Organization (MCO) tax designed to meet the standards of federal Medicaid regulations. The bills also offer needed tax relief for employers and individuals purchasing health coverage.

CAHP has worked tirelessly with the Administration and the Legislature over the past 14 months to find a replacement for our current MCO tax, which the federal government nullified. The federal Medicaid agency is requiring states to develop a new tax structure that would be broadly applied across the entire health coverage market. Two priorities for health plans have been to keep Medi-Cal revenue funding intact while also protecting the affordability of private health coverage for individuals, families and employers.

Finding a solution has been a complex task and we appreciate the Administration's willingness to consider our concerns. While each individual health plan is impacted differently, CAHP supports these bills as they represent the best balance in achieving our shared goals.

The MCO tax bills include two tax relief provisions that eliminate current taxes on health plans and insurers. These tax cuts, coupled with other safeguards, protect the affordability of health care coverage.

The bills also include language that provide health plans and consumers with needed administrative safeguards, including a sunset on the tax. The language directs MCO tax revenues to Medi-Cal and specifically requires the state to provide the Legislature with a reconciliation of how the revenues are allocated.

Thank you for considering our position on these important bills.

Sincerely,

A handwritten signature in black ink that reads "Nick Louizos".

Nicholas Louizos  
Vice President of Legislative Affairs