

Date of Hearing: April 22, 2025

ASSEMBLY COMMITTEE ON HEALTH

Mia Bonta, Chair

AB 955 (Alvarez) – As Amended April 10, 2025

**SUBJECT:** Mexican prepaid health plans.

**SUMMARY:** Expands the population that a Mexican health plan that is licensed by the Department of Managed Health Care (DMHC) can provide employer-sponsored group coverage to include individuals legally employed in San Diego and Imperial counties and for their dependents, but only if an employer also provides alternative health care coverage through either a full-service health plan or health insurer that is not a Mexican health plan. Mexican health plans cover the delivery of health care services wholly in Mexico, except for delivery of emergency and urgent care services provided out of area. Under existing law, Mexican health plans can only offer this employer-based coverage to legally employed employees who are Mexican nationals in those two counties, and their dependents.

**EXISTING LAW:**

- 1) Requires, if a prepaid health plan operating lawfully under the laws of Mexico elects to operate a health plan in California, the plan to apply for licensure as a health care service plan under the Knox-Keene Health Care Service Plan Act by filing an application for licensure in the form prescribed by DMHC and verified by an authorized representative of the applicant. [Health and Safety Code (HSC) § 1351.2]
- 2) Requires the prepaid health plan to be subject to the Knox-Keene Act and the rules adopted by the DMHC director as determined by the director to be applicable. [*Ibid.*]
- 3) Requires the application to be accompanied by a fee prescribed by existing law, and the plan to demonstrate compliance with specified requirements, including:
  - a) The prepaid health plan is constituted and operating lawfully under the laws of Mexico and, if required by Mexican law, is authorized as an Insurance Institution Specializing in Health by the Mexican Insurance Commission.
  - b) The prepaid health plan offers and sells in this state only employer-sponsored group plan contracts exclusively for the benefit of Mexican nationals legally employed in the Imperial and San Diego Counties, and for the benefit of their dependents regardless of nationality, that pays for, reimburses the cost of, or arranges for the provision or delivery of health care services that are to be provided or delivered wholly in Mexico, except for the provision or delivery of emergency and urgent care services provided out of area. Defines “out of area” to mean coverage while an enrollee is anywhere outside the service area of the plan, and to also include coverage for urgently needed services to prevent serious deterioration of an enrollee’s health resulting from unforeseen illness or injury for which treatment cannot be delayed until the enrollee returns to the plan’s service area.
  - c) Solicitation of plan contracts in California is made only through insurance brokers and agents licensed in this state or a third-party administrator licensed in California, each of which is authorized to offer and sell plan group contracts.

- d) Group contracts provide, through a contract of insurance between the prepaid health plan and an insurer admitted in this state, for the reimbursement of emergency and urgent care services provided out of area, as required by a specified provision of existing law.
- e) All advertising, solicitation material, disclosure statements, evidences of coverage, and contracts are in compliance with the appropriate provisions of the Knox-Keene Act and the rules or orders of the director. Requires the DMHC director to require that each of these documents contain a legend in 10-point type, in both English and Spanish, declaring that the health care service plan contract provided by the prepaid health plan may be limited as to benefits, rights, and remedies under state and federal law.
- f) All funds received by the prepaid health plan from a subscriber are deposited in an account of a bank organized under California law or in an account of a national bank located in California.
- g) The prepaid health plan maintains a tangible net equity (TNE) as required by the Knox-Keene Act and the rules of the DMHC director, as calculated under United States generally accepted accounting principles, of at least \$1 million. Permits, in lieu of an amount in excess of the minimum TNE of \$1 million, the prepaid health plan to demonstrate a reasonable acceptable alternative reimbursement arrangement that the director may, accept.
- h) Requires the prepaid health plan to also maintain a fidelity bond and a surety bond as required by a specified provision of existing law and the rules of the DMHC director.
- i) The prepaid health plan agrees to make all of its books and records, including the books and records of health care providers in Mexico, available to the DMHC director in the form and at the time and place requested by the director.
- j) The prepaid health plan files a consent to service of process with the director and agrees to be subject to the laws of this state and the United States in any investigation, examination, dispute, or other matter arising from the advertising, solicitation, or offer and sale of a plan contract, or the management or provision of health care services in this state or throughout the United States. Requires the prepaid health plan to agree that in the event of conflict of laws in any action arising out of the license, the laws of California and the United States are required to apply.
- k) The prepaid health plan agrees that disputes arising from the group contracts involving group contract holders and providers of health care services in the United States are subject to the jurisdiction of the courts of California and the United States.
- l) The prepaid health plan employs or designates a medical director who holds an unrestricted license to practice medicine in this state issued by the Medical Board of California or the Osteopathic Medical Board for urgent and emergency out of area health care services. Permits the prepaid health plan, for health care services that are to be provided or delivered wholly in Mexico, to employ or designate a medical director operating under the laws of Mexico. [HSC § 1345 and § 1351.2]

**FISCAL EFFECT:** Unknown. This bill has not yet been analyzed by a fiscal committee.

**COMMENTS:**

- 1) **PURPOSE OF THIS BILL.** According to the author, this bill is a significant legislative proposal that seeks to expand access to health care for employees in San Diego and Imperial Counties. By eliminating the restriction that currently allows only “Mexican nationals” to access prepaid health plans licensed by the DMHC in Mexico, this bill opens the door for all employees in these regions. This inclusive approach not only facilitates greater health care access for a broader segment of the workforce but also acknowledges the unique needs of the local community. With health care facilities like those operated by SIMNSA (SIMNSA is a Mexican health plan operating under the provisions of existing law) open seven days a week, this bill promises to enhance health care accessibility for vulnerable populations on both sides of the border, setting a precedent for a health system that truly serves the needs of all its constituents.
- 2) **BACKGROUND.** Two Mexican prepaid health plans (SIMNSA and Medi-Excel) are licensed by the DMHC under the Knox-Keene Act to offer group coverage to California employers for employees employed in San Diego or Imperial counties who are Mexican nationals (and their dependents) for health care services provided or delivered wholly in Mexico, except for the provision or delivery of emergency and urgent care services provided out of area.

SIMNSA was licensed by DMHC as a Mexican health care service plan in January 2000. SIMNSA sells employer-sponsored coverage for Mexican nationals employed in San Diego and Imperial Counties and their dependents, irrespective of the dependent’s nationality. SIMNSA’s network is in Mexico, but SIMNSA covers emergency and urgent care anywhere in the world. All non-emergency and non-urgent care must be rendered within the plan’s network in Mexico. SIMNSA’s Knox-Keene plan enrollment as of December 2023 was 59,375 individuals.

Medi-Excel received its Knox-Keene license in August 2012, and became operational on December 1, 2012, serving San Diego and Imperial Counties. The plan contracts with urgent care centers in the United States and offers employer-based group to both the large and small group markets. Medi-Excel’s Knox-Keene plan enrollment as of December 2023 was 16,258 individuals.

Existing law requires the Mexican health plans plan to be subject to the Knox-Keene Act and the rules adopted by the DMHC director as determined by the director to be applicable. Both plans operate with exemptions from certain provisions of the Knox-Keene Act and its associated regulations. DMHC indicates it reviews Knox-Keene Act provisions in terms of what applies to emergency or urgent care services received in California because DMHC has no jurisdiction over health care services provided in Mexico. DMHC indicates it generally exempts Mexican health plans from certain statutory and regulatory requirements, such as continuity of care requirements, independent medical review (IMR) processes for experimental or investigational therapies, and standing referral to specialist requirements.

The DMHC also conditionally exempts Mexican health plan licensees from certain Knox-Keene Act statutes and regulations. For example, existing law and regulation requirements for utilization management, continuity of care, referrals, readily accessible services consistent with good professional practice, telehealth, grievances, quality of care and utilization review, and IMR apply only to emergency and urgent care services. DMHC

indicates Mexican health plans must maintain policies, procedures, and systems necessary to ensure compliance with these provisions with respect to emergency and urgent care services. DMCH indicates specified geographic service area, provider network adequacy filing requirements and timely access requirements apply to plans only with respect to provision of emergency and urgent care services provided out of area, while other specified requirements do not apply. Coverage of outpatient patient prescription drugs applies with respect to urgent care services and as otherwise consistent with federal law and guidance.

Mexican health plans are offered in conjunction with US-based plans. For example, HealthNet's Salud HMO y Mas Gold plan provides coverage in the United States and in Mexico through SIMNSA's network providers in northern Mexico. The premiums and cost-sharing for stand-alone Mexican health plans are considerably cheaper than US-based plans. For example, the premium for a 35 year old in the HealthNet Salud HMO y Mas small group product is \$473.69 a month, the premium for a stand-alone small group Anthem Blue Cross Gold Priority Select HMO 30 plan for a 35 year old is \$493.56 a month, as compared to a small group MediExcel Gold 250/35 HMO plan premium of \$135.81 a month for a 35 year old.

- 3) SUPPORT.** This bill is sponsored by SIMNSA and supported by an individual small employer, a church, the California Schools Volunteer Employee Benefits Association, and a chamber of commerce. SIMNSA argues this bill enables all employees working in San Diego and Imperial counties to access Mexican health plans, and this inclusive approach not only facilitates greater health care access for a broader segment of the workforce but also acknowledges the unique needs of the local community. SIMNSA states health care access has become a pressing issue for many residents in these counties as many employees along the border are monolingual Spanish speakers or possess limited English proficiency, which makes navigating the health care system a daunting task, and this is amplified by the necessity of using family members as interpreters.

Other supporters state the rising cost of health care in California has driven many employees throughout the San Diego and Imperial region to seek medical services across the border. In response, many employers offer prepaid Mexican health plans to their employees today. However, existing law allows only Mexican nationals working in San Diego and Imperial counties and their dependents to access licensed Mexican health plans. Supporters state this bill solves this health care access issue by removing the "Mexican nationals" restriction, allowing all employees in these counties to access prepaid, licensed health plans in both Mexico and California. Supporters conclude this bill is a practical, common-sense solution to a growing bi-national health care issue.

**4) PREVIOUS LEGISLATION.**

- a)** SB 1658 (Peace), Chapter 1025, Statutes of 1998 authorizes prepaid health plans licensed in Mexico to apply for licensure in California under Knox-Keene Act to sell Mexican health plans exclusively to Mexican citizens legally working in California, and their dependents.
- b)** SB 1347 (Ducheny), Chapter 491, Statutes of 2004, would have expanded to the ability of Mexican health plans licensed under the Knox-Keene Act to provide coverage to "persons" legally employed in California (and their dependents). The final version of SB 1347 which became law changed the population who can be served by these plans from

legally employed “Mexican citizens” to legally employed “Mexican nationals” in San Diego and Imperial counties, and their dependents.

- 5) **AMENDMENT.** Following discussions, the amount of the TNE required in existing law is proposed for an increase from the existing amount of at least \$1 million to be at least \$2.3 million. TNE is a financial requirement under the Knox-Keene Act that is a measure of a health plan’s financial solvency to ensure a health plan has enough tangible assets to cover its liabilities. The TNE requirement for a Mexican health plans is required by statute to be at least \$1 million. This amount was established in law by the original authorizing statute in 1998 and has not been increased since that time.

6) **POLICY QUESTION.**

- a) **TRADE OFF.** This bill poses a trade-off. Mexican health plans offer are a more affordable option and provide access to services in Mexico. On the one hand, this bill would allow these plans to serve more individuals, and some employees may prefer to receive a lower premium and copayment health plan option through their job-based coverage. In addition, employees who are Spanish speaking only or possess limited English proficiency may prefer receiving health care in Mexico for multiple reasons, including because the health care is more culturally competent, health care facilities are located right across the border in Tijuana, and interpreters are not needed. In addition to the benefit to individual employees, the lower premium cost of Mexican health plans could potentially force more price competition on US health plans and providers in the US-Mexico border region.

On the other hand, because Mexican health plans only offer a limited scope of services in this county, enrollees with severe or chronic conditions requiring on-going access to primary and specialist care providers, labs and pharmacies may be less willing to travel to Mexico to receive on-going care, particularly if they live in the northern parts of the two counties. This could affect the insurance risk pool of US-based plans if the expanded option to enroll in Mexican health plans results in healthier or individuals who anticipate less need for medical care enrolling in large numbers in Mexican health plans. In addition, because Mexican health plans are considerably cheaper than US plans, larger employers with 50 or more full-time employees would be to reduce their employer contribution to employee premiums while still meeting Affordable Care Act affordability requirements. Finally, offering this coverage more broadly will likely result in more border crossings to receive health care services at a time when federal immigration enforcement has tightened.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

SIMNSA (sponsor)  
 Advantage Printing Inc.  
 Belellano Insurance Services  
 California Schools Volunteer Employee Benefits Association  
 First Christian Church  
 Otay Mesa Chamber of Commerce

One individual

**Opposition**

None on file

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