

Date of Hearing: May 21, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 955 (Alvarez) – As Amended April 28, 2025

Policy Committee: Health

Vote: 16 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill allows a Mexican health plan that is licensed by the Department of Managed Health Care (DMHC) to provide employer-sponsored group coverage to individuals legally employed in San Diego and Imperial counties and their dependents, if the employer also provides alternative health care coverage through either a full-service health plan or health insurer that is not a Mexican health plan. This bill also increases to \$2.3 million the amount of tangible net equity a Mexican health plan must maintain.

FISCAL EFFECT:

DMHC estimates costs to the Managed Care Fund as follows:

- \$336,000 in fiscal year (FY) 2025-26.
- \$822,000 in FY 2026-27.
- \$1.08 million in FY 2027-28.
- \$1.28 million in FY 2028-29.
- \$1.27 million in FY 2029-30 and annually thereafter.

DMHC anticipates significant increases in workload for plan licensing, financial review, plan monitoring, and enforcement, among other activities. In developing its cost estimate, DMHC assumed at least six entities would seek licensure to offer Mexican health plan products over the first three years.

COMMENTS:

- 1) **Purpose.** This bill is sponsored by SIMNSA, a Mexican prepaid health plan. According to the author:

AB 955 is a significant legislative proposal that seeks to expand access to healthcare 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 Department of Managed Health Care in Mexico, this bill opens the door for all

employees in these regions. This inclusive approach not only facilitates greater healthcare access for a broader segment of the workforce but also acknowledges the unique needs of the local community. With healthcare facilities like those operated by SIMNSA open seven days a week, AB 955 promises to enhance healthcare 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 DMHC under the Knox-Keene Act to offer group coverage to California employers in San Diego or Imperial counties for employees who are Mexican nationals (and their dependents) for health care services provided or delivered wholly in Mexico, except for emergency and urgent care services provided out of area.

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 US and offers employer-based group coverage 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 be subject to the Knox-Keene Act and the rules adopted by the DMHC director as determined by the director 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.

- 3) **Concerns.** As noted in the Assembly Health Committee analysis, because Mexican health plans only offer a limited scope of services in this country, enrollees with severe or chronic conditions requiring on-going access to primary and specialist care providers, laboratories, and pharmacies may be less willing to travel to Mexico to receive ongoing care. This disincentive for sicker people to choose a Mexican health plan could affect the insurance risk pool of US-based plans. Sharp HealthCare argues that this bill's possible effects on risk pools could also lead to higher premiums for California-based plans that are not exempt from Knox-Keene requirements.