SENATE THIRD READING
SB 1244 (Allen)
As Amended August 19, 2026
Majority vote

SUMMARY

Requires a covered service provider, including brokers, agents, and consultants, to disclose to a public agency or its group health plan the direct and indirect compensation it expects to receive for providing brokerage or consulting services before it enters into, extends, renews, or materially amends a contract or arrangement for brokerage services or consulting services with the public agency or its plan. Requires a covered service provider to disclose compensation and material financial interests related to a covered health care benefits arrangement that the covered service provider recommends, places, renews, services, or materially influences for the public agency or its group health plan, as specified.

Major Provisions

COMMENTS

Brokers and agents are licensed professionals who offer insurance products. They can service individuals seeking coverage or employers looking for group insurance. Public agencies, including school districts, cities, counties, community colleges, and special districts, spend billions annually on employee health benefits. Just like private employers, public agencies often rely on brokers and consultants to recommend insurance carriers, negotiate rates, and select vendors for benefits. These brokers generally receive compensation directly from the carriers. The fact that they are being compensated is usually disclosed; however, the exact amount of compensation is not.

Federal disclosure requirements. The No Surprises Act, part of the 2021 Consolidated Appropriations Act, added several provisions regarding health plan cost transparency, including requiring disclosures of covered service provider compensation. Specifically, section 202(a) requires disclosure of direct and indirect compensation before an employer-sponsored health plan enters into a contract or arrangement for services. Section 202(a) became effective December 27, 2021, for contracts entered, renewed, or extended on or after the effective date. These provisions apply to private employer sponsored small and large group health plans and require the employer-sponsored health plans to obtain written disclosure of compensation for broker and consulting services from their broker and/or consultant prior to entering a contract to assess the reasonableness of the compensation to be paid to such broker and/or consultant and any potential conflicts of interest. Under the federal law, disclosures are required for arrangements that are expected to result in $1,000 or more in compensation, including non-monetary compensation. The covered service provider is required to make the disclosure regarding direct and indirect compensation to the group health plan or its fiduciary in a timely manner. The employer-sponsored health plan is required to review broker compensation for reasonableness and any potential conflicts of interest prior to entering the contract.
This bill is intended to ensure that public agencies receive similar transparent disclosures of compensation and potential conflicts of interest on a reasonable timeframe to inform procurement and renewal decisions regarding health care benefits and benefits-related services.

According to the Author
Health care premiums have more than tripled over the past 20 years. The author states that public agencies have been grappling with these rising prices that are, in some cases, compounded by compensation paid to insurance intermediaries who advise employers on health care options to select for their employees' benefits package. The author notes that private employers receive compensation disclosures from these intermediaries, which can help guide decisions on which benefits to select and which intermediaries to contact with. Public agencies, however, currently receive no such transparency, and thus have to make large financial decisions with less information available to them. The author concludes that this bill will close this gap in the law and help public agencies make more fiscally sound decisions when selecting employee benefits options by requiring insurance intermediaries to proactively disclose the compensation they earn for advising these agencies to select certain health care options.

Arguments in Support
A coalition of labor groups representing public sector workers support this bill, stating that public entities spend billions of dollars annually on employee health benefits and rely on insurance brokers, agents, and consultants to recommend carriers and negotiate rates. However, the supporters note that these intermediaries often receive compensation from insurers and third parties that public agencies never see. The supporters continue that it is common for the service contracts between public agencies and intermediaries to contain a vague disclosure that the broker may receive indirect compensation. The supporters argue that these opaque arrangements create a clear conflict of interest, which potentially steers local agencies toward more expensive vendors simply because the broker's compensation is higher for those options. The supporters state that the stakes for their members are significant. Commissions can be as high as 50% of the premium for some supplemental products, while base commissions for entire health plans often range from 3% - 6% of the total premium. With insurance costs having tripled over the last 20 years, the supporters argue that these hidden costs compound the affordability crisis facing local government employers and their workforce. The supporters conclude that their members deserve to know that their health care dollars are being spent on care, not on undisclosed incentives for intermediaries.

Arguments in Opposition
A coalition of associations representing insurance agents and brokers oppose this bill, stating that the bill would create significant compliance challenges and unintended consequences. To address these concerns, the opposition has suggested targeted amendments to align this bill with federal standards. The opposition notes that despite the characterization that this bill is federal parity, the bill goes well beyond the established federal structure by significantly expanding the scope of covered vendors, services, level of compensation reporting, and doesn't align with existing data reporting systems. The opposition continues that in its current form, this bill risks creating a system in which compliance is impractical, liability is misaligned, and administrative burdens may discourage qualified agents and brokers from serving public agencies. This would not be because agents are uninterested in providing transparency, but because there is no effective way of delivering the transparency that this bill requires – which simply means that agents would be putting themselves in legal jeopardy for participating in the marketplace for governmental plans. The opposition argues this could ultimately limit competition, reduce choice, and negatively impact the public entities the bill seeks to protect. The opposition notes that this bill comes at a time when securing affordable coverage for their clients has never been more critical or more difficult. As drafted, the opposition asserts that their members will be unable to comply with the overreaching complexities of the bill, and the anti-competitive nature of the legislation will

discourage competitive participation in the public entity market. The opposition requests for this bill to be amended to true federal parity which would advance transparency while remaining aligned with operational realities.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, there are no state costs.

VOTES

SENATE FLOOR: 30-0-10
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Padilla, Seyarto, Strickland, Valladares

ASM HEALTH: 12-0-4
YES: Bonta, Addis, Aguiar-Curry, Ahrens, Caloza, Carrillo, Mark González, Patel, Celeste Rodriguez, Schiavo, Sharp-Collins, Stefani
ABS, ABST OR NV: Sanchez, Jeff Gonzalez, Johnson, Patterson

ASM APPROPRIATIONS: 11-0-4
YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
ABS, ABST OR NV: Hoover, Dixon, Ta, Tangipa

UPDATED

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