



Why AB 2589 Is Important

What is AB 2589?

AB 2589—the California Broker Compensation Disclosure Reporting for Public Agencies— is legislation that requires health plans and insurers to annually disclose broker compensation information to the governing board of any public entity that they contract with, including school districts. The law specifically requires that the health plan or insurer disclose the name of, and any amount paid to, any agent, broker or individual to whom the plan paid fees, commissions or bonuses related to the group contract.

In addition to monetary fees or commissions related to the contract, the health plan or insurer must report the value of any other gifts or prizes awarded to the agent, broker, or individual if those items were based on placement or retention of business related to the group. This could include sporting event or concert tickets, trips, gift cards and any other non-cash items of tangible value.

Why should I care?

If company X is offering an agent or broker a commission *and* a trip to Hawaii in order to deliver your business, how likely is it that that agent or broker will have your best interests in heart when recommending a health plan to you? We at CECHCR believe that commissions and fees associated with placement or retention of your business do not encourage agents or brokers to recommend the most favorable rates and coverage available.

We have come across at least one situation where a district was told that plan X was the best option available to them and later found out their agent hadn't even explored other options. In another situation an insurance carrier was paying the broker \$1 for each and every prescription that was filled. In still another situation the broker told the district and its unions that only one carrier wanted them, and it was later discovered that carrier was paying that broker large sums of money annually to bring in business. That district went on to save many millions of dollars when they switched to another health benefits provider.

HBCs and bargaining units should have this information in hand as they review their healthcare options. Are these fees being included in the healthcare premiums the district is paying to the insurance carriers? Are these payments considered when reviewing the fees the agent or broker charges the district for its services?

If your District uses an agent or broker and your school board is not already receiving this information on an annual basis, you may request it using the letter provided on our website: <http://www.ccscenter.org/cechcr/Resources>

Are commissions and fees a given?

No! CECHCR and our partners receive NO COMPENSATION from the health plans we recommend. Our overarching goal is to help California school districts and their unions identify the highest quality, lowest cost health care options available to them. Our fees are based on the amount of money we believe we can save for your district and the amount of work it will take to do so.