
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2021 - 2022 Regular Session

AB 2530 (Wood) - California Health Benefit Exchange: financial assistance

Version: August 1, 2022

Urgency: No

Hearing Date: August 8, 2022

Policy Vote: HEALTH 8 - 2

Mandate: No

Consultant: Agnes Lee

Bill Summary: AB 2530 would require Covered California to provide financial assistance, upon appropriation by the Legislature, to ensure an individual who has lost coverage from an employer or joint labor management trust fund as a result of a strike, lockout, or other labor dispute such that any household income above 138% of the federal poverty level (FPL) is not taken into account, coverage is equivalent to 94% actuarial value (AV) with zero deductibles, and any strike benefits, lockout benefits, or unemployment compensation is also excluded from income.

Fiscal Impact:

- Covered California indicates unknown costs to provide the financial assistance. Costs would depend on the number of enrollees participating and the cost per enrollee.
- Covered California estimates \$1.4 million (health plan assessment funds) in operational costs.

Background: Existing law establishes Covered California as an independent entity in state government not affiliated with any state agency or department, governed by a five-member board. Covered California uses a competitive process to select participating carriers and other contractors, to make health insurance available to individuals and small businesses as authorized under the federal Affordable Care Act (ACA).

Under the ACA, there are metal tiers of coverage that vary by AV, or the average amount of a member's health care cost that is paid by the health plan. The remaining cost is paid by the member in the form of deductibles, copays, and coinsurance, which is referred to as member cost-sharing. Plans with a lower AV generally have lower monthly premiums but higher cost-sharing. To purchase coverage through Covered California, individuals must meet federal eligibility requirements for citizenship or immigration status and state residency. Eligible individuals who do not have affordable coverage through an employer, Medicaid, Medicare, or another qualifying program receive income-based financial help to lower their monthly premiums and cost-sharing. Federal premium assistance is available to individuals with incomes above Medicaid eligibility levels, and it takes the form of an income-based tax credit that can be taken in advance of tax filing to lower monthly premiums. Enrollees make a monthly required contribution toward their premium costs that ranges from zero to 8.5% of their income. The premium tax credits cover the remaining cost of the premium for a benchmark "silver" plan.

The ACA also requires insurance carriers with certain products available through marketplaces, like Covered California, to reduce out-of-pocket maximums and cost-sharing amounts for consumers with incomes at or below 250% FPL. Enrollees' access these benefits by enrolling in what are known as cost-sharing reduction plans built on silver-level coverage. For the lowest-income enrollees, cost sharing reduction plans provide coverage near or above the platinum level for highly subsidized silver premium prices.

Proposed Law: Specific provisions of the bill would:

- Require, beginning July 1, 2023, Covered California to administer a program of financial assistance to help Californians obtain and maintain health benefits through Covered California if they lose employer-provided health care coverage as a result of a labor dispute.
- Make, if specified eligibility requirements are met, an individual who has lost minimum essential coverage (insurance that meets ACA requirements) from an employer or joint labor management trust fund as a result of a strike, lockout, or other labor dispute a prospective Covered California enrollee for purposes of financial assistance, including premium assistance and cost-sharing reduction subsidies. The bill would prohibit any household income of the prospective enrollee above 138% of the federal poverty level (FPL) for a family of the prospective enrollee's size from being taken into account for the prospective enrollee and the members of their tax household.
- Require the cost-sharing reductions to use a standard benefit design that has an actuarial value (AV) of 94% or greater, and effective January 1, 2024, the program design to have zero deductibles for any covered benefit if the standard benefit design for this income has zero deductibles.
- Require Covered California to maximize federal affordability assistance for an individual enrolled pursuant to this bill and to use state affordability assistance funds for financial assistance not otherwise available under federal law.
- Provide that financial assistance pursuant to the bill shall be funded upon appropriation by the Legislature.

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