

SB 923 (Hernández): Consumers Deserve to Predictability of Cost-Sharing

Protect Patients from Frequent & Mid-Year Co-Pay Increases

When shopping for the best health coverage, consumers and other purchasers have a right to know their health plans' cost-sharing structure so that they can make the best decision, and plan and budget for the rest of the year. California's implementation of the Affordable Care Act prohibits plans and insurers from altering premiums during the plan year. However, this important patient protection does not clearly apply to cost-sharing requirements. Sponsored by Health Access, [SB 923](#) (Hernández) closes this loophole so that copays, deductibles, and other cost sharing changes only once a year, just like premiums.

Current Law

It may seem obvious that premiums should be in place for a year, but prior to the implementation of Affordable Care Act in California, health plans routinely increased premiums multiple times in a year. The Affordable Care Act as implemented in California now prevents these repeated premium increases by enacting a "rate year" so the premium is the same for an entire year, creating predictability for the 2.3 million consumers who purchase their own coverage and the 11.8 million Californians who get coverage through employment¹. SB 923 would extend this predictability and security to cost-sharing designs as well.

Cost-Sharing Design

Cost sharing design refers to what the copays or coinsurance are for a specific benefit: for example, the copay for a generic drug is \$10 or \$25, the copay for the brand name drug is \$20 or \$50 while the coinsurance for a hospital stay is 20% of the cost. If a drug goes generic, the copay would drop from the brand name copay to the generic copay but the cost sharing design would not be altered. Similarly, if the copay for an in-network provider is \$50 but the provider terminates their contract with the plan, the out-of-network cost sharing, if any, would apply: the cost to see the provider changes since the provider is no longer in-network but the design of cost sharing for the covered benefit remains the same.

Proposed Legislation: Consumers Need to Know their Cost-Sharing

Individual consumers who buy their own coverage as well as employers who buy it on behalf of their workers and dependents rely on the cost-sharing information provided by the insurer to plan and budget for their annual out-of-pocket expenses for medical services and prescription drugs. Consumers are often surprised and unprepared when cost-sharing increases in the middle of a plan year.

SB 923 (Hernández) simply prohibits a health plan or insurer from changing any cost sharing requirements during a plan year, clarifying the law that is already in place for premium increases.

For more information about this legislation, please contact Tam Ma, Health Access California, at tma@health-access.org or 916-497-0923 ex. 201.

¹ California's 2015 Health Insurance Enrollment, CHCF, May, 2016: <http://www.chcf.org/articles/2016/05/ca-2015-health-insurance-enrollment>