FACTSHEET

AB 1305 (Bonta) Limitations on Cost Sharing: Family Coverage

Fairness and Affordability for Families Facing Serious Illness

AB 1305 (Bonta) will ensure that no individual in a family would have more out-of-pocket medical costs than the *individual* limit of $6,600. This change will make cost sharing more reasonable and fair for families that have one or more family members facing serious illness.

The Need for AB 1305

Public policy shouldn't discriminate against anyone, including Californians who are part of a family. Right now some plans unfairly penalize individuals in family plans that are dealing with serious illness by exposing them to higher out-of-pocket costs than Californians in individual plans. The family out-of-pocket maximum is $13,200, but any one individual shouldn't have to bear more than $6,600 in out-of-pocket costs.

New Federal regulations are helpful, but they do not apply to deductibles. Issued on February 27, 2015, the final regulations on cost sharing parameters clarify that the out-of-pocket limit for individual coverage should apply to *all* individuals, regardless of whether the individual is covered by an individual or a family plan. These federal regulations do not apply, however, to deductibles. Subsequent federal guidance, issued on May 8, 2015, clarified that the earlier regulations apply to embedded out-of-pocket limits in family plans.

Dad Gets Cancer…

Let's say dad gets cancer, but the rest of the family is healthy. With all of dad's treatment (radiation, surgery, chemotherapy, etc.), it won't take long for the family to hit its out-of-pocket maximum of $13,200—based on dad's out-of-pocket expenses alone. With AB 1305, the family would have dad's out-of-pocket expenses limited to $6,600, only facing added costs if other family members incur them.

Under AB 1305, each member of the family will have his or her own out-of pocket maximum of $6,600. This hypothetical family and other real families like it could save as much as $6,600 in out-of-pocket expenses, a big help for those experiencing a serious, potentially life threatening illness.

Points in Favor of AB 1305

- **An issue of basic fairness**: Studies have shown that increased cost sharing disproportionately shifts financial risk to the very sick.[i] The ACA includes certain protections against unfair cost sharing based on income—but it and recent federal guidance have gaps on financial protections for individuals and families experiencing serious illness—AB 1305 is designed to close one of these gaps by assuring that no Californian has a deductible or out of pocket limit that's higher than the individual limit.

- **AB 1305 is better for health care spending overall.** For people with chronic conditions, undue cost sharing burdens can result in higher expenditures for hospitalization and use of emergency rooms.[ii]

- **AB 1305 helps middle class families manage out-of-pocket expenses.** A recent Kaiser Family Foundation study shows the median non-poor households has only $4,560 in liquid assets.[iii] The proposed limit will help families who are living paycheck-to-paycheck and would therefore face financial calamity from any added cost-sharing

- **AB 1305 is pro-family**: This bill will protect Californians by assuring that no individual with family coverage will face higher medical costs –simply because they belong to a family.

- **Building on Covered California's success and role as an active purchaser exchange**. In its May Board meeting, Covered CA adopted the policy proposed in AB 1305 for its 2016 plan designs. AB 1305 builds on Covered California's success as an active purchaser exchange, extending these protections market-wide.

The Bottom Line

The Affordable Care Act is designed to make coverage and care affordable—but for individuals facing serious illness, the protection of the individual out-of-pocket maximum does not apply if they are enrolled in a family plan AB 1305 would extend these important protections to each member of every California family.

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[i] Katherine Swartz, Cost-Sharing: Effects on Spending and Outcomes, Robert Wood Johnson Foundation, December 2010. http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2010/rwjf402103/subassets/rwjf402103_1.

[ii] Ibid.

[iii] Gary Claxton, Matthew Rae, and Nirmita Panchal, Consumer Assets and Patient Cost Sharing, Kaiser Family Foundation, February 2015. http://files.kff.org/attachment/issue-brief-consumer-assets-and-patient-cost-sharing.