

AB248 (R. Hernández) Health Insurance Minimum Value No “Junk” Health Insurance for California Workers

[AB248](#) protects California workers by holding health insurance sold to large employers to a minimum standard in terms of value. Federal and state law already hold insurance sold to small employers and individuals to a basic standard (60% actuarial value), but insurers are free to sell large employers “junk” plans. When large employers offer such subminimum plans, employees are stuck with thousands of dollars in out-of-pocket costs.

What’s worse, is that if an employee accepts an employer’s coverage, even if it is subminimum coverage, the employee is automatically ineligible for premium subsidies through Covered California—and the employer gets off the hook on the employer responsibility penalty.

The Need for AB248

The Affordable Care Act’s employer responsibility requirement, now in effect, applies to large employers whose full-time, non-seasonal employees obtain subsidized coverage through an exchange. But current federal guidance leaves a loophole allowing large employers to sidestep this requirement entirely by offering subminimum coverage. This is a problem:

- **For low-wage employees** who cannot afford to pay the cost of doctors, hospitals or prescription drugs. All it takes is one diagnosis or one emergency room visit to be saddled with medical debt or bankruptcy. When care is not affordable, people simply go without medically necessary (and cost effective) care.ⁱ
- **For the rest of the community** who pay more for their care or coverage to reflect the cost of uncompensated care. Safety net hospitals already have enough bad debt, making it difficult for them to serve the local community.
- **For large and small businesses** who *do* offer benefits that are at least as good as the minimum standard, there is a cost and for them an issue of fairness. They do the right thing by offering decent benefits to their employees, but they do not have a level playing field with large employers offering substandard coverage to typically low wage workers.
- **For Covered California and all who benefit from the ACA.** Substandard plans undermine the goals of reform and the state’s new insurance market rules. It is in the state’s overall and economic best interest to make sure the ACA works in California. Individuals covered by limited benefit plans tend to be younger and healthier than the rest of the population, and should be part of the overall risk pool.
- **For taxpayers**, too, who foot the bill for those covered by Medi-Cal decent coverage who should get from their employer.

The Bottom Line

Employer responsibility is foundational to the success of the Affordable Care Act—but this responsibility needs to be shared by employers, large and small. AB248 prevents large employers from exploiting a loophole in the ACA that leaves their workers without the guarantees that the federal law is intended to provide.

Frequently Asked Questions

Are large employers offering or tempted to offer limited benefit plans?

Apparently so. Recent power point presentations by United Healthcare clearly offer employer guidance on how to avoid ACA employer penalties by offering “junk” or subminimum plans.ⁱⁱ The consultant openly promotes junk plans as allowable thanks to the current loophole in federal law. Another employer in the Central Valley is offering an even more subminimum plan, one that covers “diabetes counseling”, “eye exams” and immunizations--but not doctors, hospitals or prescriptions.

Call to Action

Please help build the groundswell of support for AB248. Here’s what you can do now:

1. [Share stories](#) describing the need for SB248. The best stories will feature:
 - Low-income employees who are barred from using premium subsidies on Covered California.
 - Low-income workers who find that their junk benefits don’t cover the care they need at a cost they can afford.
 - Small business owners who offer decent coverage but are having trouble competing with large employers who do not.
2. Write a letter to your legislator.
3. If part of an organization, write a letter of support addressed to Assembly Member Roger Hernández.

ⁱ http://archive.ahrq.gov/chip/text/content/cost_sharing/effect-copayments.htm

ⁱⁱ <http://board.coveredca.com/meetings/2015/1-15/Innovative%20MEC.pdf>.

<http://board.coveredca.com/meetings/2015/1-15/Innovative%20Solutions%20for%20MEC.pdf>