

AB 1246 (Limon): Creating a Level Playing Field for Health Insurance: Extending Benefit Standards & Prescription Drug Protections

AB 1246 would “level up” the playing field to ensure California consumers with state-regulated coverage have the same comprehensive benefits and consumer protections, no matter which department regulates their coverage. AB 1246 would protect consumers with coverage sold to large employers and regulated under the Insurance Code by extending the Knox-Keene Act “basic health care services” definitions and medically necessary prescription drugs protections into the Insurance Code for the large employer coverage.

Many Insured Californians Still Face Gaps in Consumer Protections and Benefits

There are 700,000 Californiansⁱ with large employer coverage regulated under the Department of Insurance (CDI) who do not have the same consumer protections and benefits as other Californians whose coverage is regulated under the Department of Managed Health Care (DMHC). Since 1975, consumers with coverage regulated under the Knox-Keene Act by the DMHC have been guaranteed that their coverage provides medically necessary care, defined as “basic health care services” that includes doctors, hospitals, lab, imaging and hospice. Though the original Knox-Keene Act did not require coverage of medically necessary prescription drugs, later legislation, SB 842 (Speier, 2002) added a requirement that if prescription drugs are covered by health plans, then all medically necessary drugs must be covered.

California implemented the Affordable Care Act (ACA) robustly, and often went beyond the minimum requirements of the Act to ensure consumers have comprehensive, affordable, and quality health care. With ACA implementation, these same benefit standards and prescription drug protections were extended to the Californians with individual or small employer coverage regulated under the Insurance Code. Specifically, the Legislature enacted SB 951 (Chapter 866, 2012) on essential health benefits extending the definition of “basic health care services” and “medically necessary prescription drug requirements” for ACA plans offered in the individual and small employer markets regulated by DMHC and CDI. Large employer coverage regulated by the DMHC also has to meet such standards. But Californians with large employer coverage under CDI still do not have these same consumer protections.

FACT SHEET: AB 1246 (Limon)

What are Basic Health Care Services?

The Knox-Keene Act requires health plans to cover care that includes “basic health care services” and “medically necessary prescription drugs”. “Basic health care services” are definedⁱⁱ to include all of the following:

- doctor services, including consultation and referral;
- hospital inpatient services and ambulatory care service;
- diagnostic laboratory and diagnostic and therapeutic radiologic services;
- home health services;
- preventive health services; and
- emergency health care services, including ambulance and ambulance transport services and out-of-area coverage.

The definitions that detail the benefits and protections in the Health and Safety Code by the Knox-Keene Act do not exist in the Insurance Code. Large employer coverage regulated by the Department of Insurance does not have to provide the same level of benefits or consumer protections. Instead, large employer coverage only has to meet the “minimum value” threshold under the federal rules. “Minimum value” coverage permits visit limits, while not dollar limits. This could mean hospitalization is covered but coverage is limited to 3 or 5 days. This is a problem because it creates gaps in benefits and protections for some Californians with large employer coverage regulated by the Insurance Code.

AB 1246 (Limon) Levels the Playing Field, Ensuring All Consumers Have the Same Coverage Benefits and Protections

AB 1246 would align existing benefit standards and consumer protections to hundreds of thousands more Californians that are already available to nearly 12.5 million Californians. The bill would also codify important consumer protections into state law. This guarantees that your coverage is not reduced into sub-standard, junk coverage if the Trump Administration changes or rolls back federal ACA protections.

ⁱ CHCF, [California Health Insurers, Enrollment, February 2018, California](#) Health Care Almanac Quick Reference.

ⁱⁱ HSC 1345(b)