AB 2347 (Wood) & SB 65 (Pan): Improving Access and Lowering Costs for Consumers in Covered California

While California has made progress in increasing affordability and expanding coverage for low- and middle-income Californians, many continue to face barriers to care due to costs, particularly through co-pays and deductibles. The state can do more to help Californians afford their health coverage.

California took unprecedented action in last year's budget to provide additional affordability assistance to nearly one million Californians enrolled in Covered California health plans. These new state subsidies augmented existing federal premium subsidies for Covered California enrollees with incomes between 200% to 400% of the Federal Poverty Level (FPL), along with first-in-the-nation premium assistance for middle-class consumers between 400% to 600% FPL.

While many Californians received help in last year's budget, no state-funded subsidies went to individuals between 138% to 200% FPL, or to help those who face barriers accessing coverage because of high deductibles, co-pays or other out-of-pocket costs. The new help for those 400% to 600% FPL still left people paying up to 18% of their income for coverage. AB 2347 (Wood) and SB 65 (Pan) would help fill these gaps.

Who is helped by AB 2347 (Wood) & SB 65 (Pan)				
FPL	Annual income for an individual, 2020	Annual income for a family of four, 2020	Proposed cost-sharing	Proposed premiums, after assistance
138% – 200%	$17,237 - $24,980	$35,535 - $51,500	Existing federal help	Reduction: Scaled from 0% to 8% of income (currently 2% to 10%)
200% – 400%	$24,980 – $49,960	$51,500 - $103,000	Zero deductibles, co-pays equal to Gold tier plans	Reduction: Scaled from 0% to 8% of income (currently 2% to 10%)
400% – 600%	$49,960 – $74,940	$103,000 – $154,500	Existing Covered California tiers	Reduction: Scaled from 9% to 15% of income (currently 10% to 18%)

Last year, California also enacted a state-level "individual mandate" for coverage, replacing the penalty zeroed out by the U.S. Congress. The combination of the mandate and subsidies means more Californians are covered and seeing lower premiums.

By 2022, about 680,000 Californians in the 200% to 400% FPL range are projected to be receiving the new state subsidies, which are on top of the federal ACA affordability assistance they are already receiving. The average state subsidy will equal about $15 per month, in addition to federal subsidies that average $400 per month (for a 40-year-old enrollee). In the higher 400% to 600% FPL range, which qualifies for no federal subsidies, it is projected that about 120,000 Californians will receive state assistance equal to about $310 per month.[i]

These subsidies not only make insurance more affordable for more Californians but, coupled with the state mandate, they also improve the overall risk pool of Covered California. A healthier risk pool brings down premiums across the board for all enrollees and helps stabilize the market. As a result, over the next two years about 1.55 million Californians will be spending less on premiums, and 770,000 will avoid becoming uninsured.[ii]

Despite Progress, Barriers Remain

Even with the progress made, gaps in affordability remain a significant barrier for both enrollment and utilization of health insurance. Of the 3.5 million remaining uninsured Californians, affordability remains a top concern, regardless of income level.[iii] A recent poll from California Health Care Foundation found that over half of Californians have delayed or skipped care due to cost.[iv]

In a high cost-of living state, California needs to do more to ensure our residents can balance their health care costs alongside housing costs and other expenses. A full-time, minimum wage worker in California makes about $24,000 (200% FPL) annually. About half of Covered California enrollees, around 600,000 people, make even less than that, earning about $17,000 - $24,000 annually. People making as little as $17,000 a year may still be asked to pay several hundred dollars a year in health care premiums while those who are making $24,000 are asked to pay as much as $1,400 or more annually on health care premiums for a standard Silver plan.

Those with higher incomes received significant help from the 2019 state subsidies, but the percentage of income they are expected to pay towards premiums remains high. A person making between $49,000 and $75,000 per year is expected to pay between 10% to 18% of their income in premiums. This means that those in the higher end of that range are spending almost $13,000 annually just to maintain their coverage.

While the discussion on affordability often focuses on premiums, cost sharing, including copays, deductibles, and coinsurance are another significant burden that can prevent even those with coverage from seeking care. About four out of ten consumers in the 200% to 400% FPL range choose Bronze level plans in Covered California with a deductible of $7,000 or more per year.

Enrollees in Bronze plans get just three doctor visits before having to meet their deductible. Anything over a doctor's visit – and especially an emergency – would still come with a large out-of-pocket cost. Virtually no one living on $24,000 per year has $7,000 saved in the bank.

Lowering Premiums

AB 2347 and SB 65 will provide premium assistance to those making less than $24,000 per year (200% FPL) who were not helped by the 2019 budget affordability package. The bills will also take another step further for individuals earning $24,000 to $75,000 (200% - 400% FPL) annually who received some help from last year's package but still need more assistance to afford care.

To further reduce premiums, the proposal includes:

- Premiums for those making between $17,000 and $49,000 annually will be scaled from 0% to 8% of income (reduced from the current scale of 2% to 10% of income)
- Premiums for those making between $49,000 and $75,000 annually will be scaled from 9% to 15% of income (reduced from the current scale of 10% to 18% of income)

This would mean that many low- and middle-income Californians would pay a lower percent of their income to health coverage premiums, keeping health care costs more manageable.

Reducing Cost Sharing: Lower Copays, Zero Deductibles

AB 2347 and SB 65 will provide first-of-its-kind cost sharing reduction subsidies to individuals making $24,000 - $49,000 per year (200% - 400% FPL). These consumers would have zero deductibles, as cost sharing reduction subsidies will be equal to Gold tier plans.

Under the proposal, individuals at this income level would be able to purchase a standard Gold plan with an actuarial value of 80%.

- A standard Bronze plan has $7,000 deductible for care except for the first three doctor visits.
- A standard Silver plan has a $4,000 deductible for hospitalization and $40 copay for doctor visits.
- The standard Gold plan has zero deductible for any services and $30 copay for doctor visits.

Copays, co-insurance and other cost sharing for other services (e.g. labs, imaging, hospital stays) also varies by metal tier so the copay for service in a Silver product is always higher than the copay for a Gold or Platinum product.[v]

Covered California has been mostly successful in encouraging those who are eligible for the federal cost sharing subsidies to buy those products and minimize their cost sharing. If California provided additional state subsidies to reduce cost-sharing, Covered California could similarly ensure those eligible would benefit from them.

Conclusion

These proposals aim to make Covered California a more affordable marketplace, with subsides above and beyond what the federal ACA provides. In a high cost of living state, these new state subsidies will help ensure that people who are paying for care can actually access it in a meaningful way. These proposals will help to lower our uninsured rate even further, and continue to break down the barriers to accessing care that still remain for many Californians.

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[i] UC Berkeley Labor Center, California's Steps to Expand Health Coverage and Improve Affordability: Who Gains and Who Will Be Uninsured?, November 2019

[ii] IBID

[iii] UC Berkeley Labor Center, Towards Universal Health Coverage: California Policy Options for Improving Individual Market Affordability and Enrollment, March 2018

[iv] California Health Care Foundation, Health Care Priorities and Experiences of California Residents: Findings from the California Health Policy Survey, February 2020

[v] This is not true in most other states: California is unusual in standardizing the cost sharing in benefit designs. California does this to make it easier for consumers to compare health plans on an apples-to-apples basis and to force health plans to compete based on cost and quality, not allowing risk selection through product design.

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