

AB 2347 (Wood) Protecting Lower Costs for Consumers in Covered California

California took unprecedented action in the 2019-2020 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.

California also enacted a state-level “individual mandate,” reinstating the penalty for not having health care coverage zeroed out by the U.S. Congress. The combination of the mandate and subsidies means more Californians are covered and seeing lower premiums.

Last year’s budget established these state premium subsidies for three years, through 2022. However, the funding must be allocated each year for the program to continue and to ensure Californians continue to receive the assistance they need to afford coverage. Given the COVID-19 crisis and the unprecedented state budget shortfall it has caused, policymakers should safeguard the premium subsidies and ensure their continued funding so Californians get the needed help to connect to coverage and remain covered.

Protecting Premium Subsidies to Keep Californians Covered

AB 2347 will codify in statute existing premium subsidies in the Covered California marketplace to ensure they will continue beyond our current budget year. The proposal establishes zero premiums for marketplace enrollees below 138% FPL and premiums scaled based upon percentage of income for those in the 139% to 600% FPL range.

Over half a million Californians below 400% FPL, and another 32,000 between 400% to 600% FPL, are benefitting from state subsidies that go beyond the help offered federally. The subsidies are providing middle-class enrollees with an average of over \$500 per month in assistance.

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FPL	Annual income for an individual, 2020	Annual income for a family of four, 2020	Existing premium assistance
138% – 200%	\$17,237 - \$24,980	\$35,535 - \$51,500	Scaled from 2% to 10% of income
200% – 400%	\$24,980 – \$49,960	\$51,500 - \$103,000	Scaled from 2% to 10% of income
400% – 600%	\$49,960 – \$74,940	\$103,000 – \$154,500	Scaled from 10% to 18% of income

Investing in Affordability

Though the Newsom Administration’s May Revision Budget included continuation of the 2019 premium subsidies, the proposal also plans to cut \$250 million to the amount already allocated to health care affordability. Because fewer enrollees on off-exchange plans switched to subsidized plans in Covered California, less funding was needed for the subsidies than was originally estimated, and a significant amount went unspent. The May Revision indicates that the Administration plans to sweep funding totaling over \$250 million over a two-year period, which was set aside to improve affordability, back into the general fund to be used for other purposes. These dollars had been tied to a commitment in last year’s budget negotiations, to meet legislator’s intent of providing the most amount of help for those buying coverage in Covered California.

Even with the progress made in 2019, 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.ⁱ A recent poll from California Health Care Foundation found that over half of Californians have delayed or skipped care due to cost.ⁱⁱ

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 \$17,500 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, even with these state subsidies.

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. Under the current Covered California state subsidy schedule, 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.

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We must protect existing subsidies, while also keeping the commitment to do even more to improve affordability. As of May, 2020, 4 million Californians have already lost their jobs due to the recession resulting from the COVID-19 pandemic.ⁱⁱⁱ Estimates show that over 2.6 million of these Californians and their family members are at risk of losing their employer-sponsored coverage due to unemployment,^{iv} and who may experience sticker shock having to buy coverage as an individual without adequate affordability assistance. In a time when coverage matters more than ever, continuing state subsidies in Covered California will keep consumers covered, and also helps to keep premiums lower and more affordable for everyone.

Conclusion

This proposal aims to safeguard existing Covered California affordability assistance that provides subsidies above and beyond those provided in the ACA. In a high cost of living state, these state subsidies help ensure that people can afford to prioritize their health and stay covered, particularly amid a pandemic that may be long-lasting. AB 2347 will ensure Californians continue to receive the additional affordability assistance they need to connect to coverage and care.

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

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

ⁱⁱⁱ [State of California Employment Development Department](#), May 2020

^{iv} UC Berkeley Labor Center, [Health coverage of California](#), May 2020