

## **SB 368 (LIMÓN): Helping Consumers Keep Track of Their Deductibles and Maximum Out-of-Pocket Expenses**

### **“What have I spent on health care? Have I met my deductible?”**

In our current health care system, consumers are on the hook for a portion of their health care costs. Deductibles are the amount you pay for your health care services before your insurance plan kicks in. Almost ten million Californians<sup>1</sup> have deductibles. This includes about half of people who get coverage through employment and 86%<sup>2</sup> of people in Covered California. These deductibles can often be significant. Many are over \$1,000 and Covered California silver-level plans have deductibles of \$4,000 for hospital stays.<sup>3,4</sup> Consumers in the individual market may have deductibles as high as \$7,000 or even \$8,000. On top of this, every Californian with private coverage has a maximum out-of-pocket limit for covered essential health benefits. Though only a small percentage of people incur costs that put them close to their out-of-pocket limit, those that do meet this limit are the ones with the most burdensome and expensive-to-treat conditions.

Despite the significant financial impact of deductibles and maximum out-of-pocket limits, consumers are often left with little help from insurance plans in tracking their accrual towards these amounts — even while their health plans have ready access to this information. Family financial planning and cash flow, and even their ability to get care, could depend on the knowledge of how close they are to the deductible and/or out-of-pocket limit.

### **Californians Fend for Themselves in Tracking Their Accruals**

There are no state laws requiring plans or insurers to inform consumers about how close they are to meeting their deductible. A recent federal rule requires insurers to tell consumers but only if the consumer knows to ask.<sup>5</sup> Most people do not know that this is even an option. While some health insurers provide “EOBs,” (evidence of benefits), not all health plans do this for consumers — and no state law requires it. In contrast, Medicare Advantage plans provide regular updates on accrual of the deductible, maximum out-of-pocket and other cost sharing, sending these updates to the individual in any month in which costs are incurred.

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<sup>1</sup> [Health Insurance Coverage of the Total Population, Kaiser Family Foundation, 2019](#) shows that in 2019, 18.5 million Californians had Employer Sponsored Insurance. [California Health Care Foundation 2019 California Employer Health Benefits](#) indicated that in 2018 46% of Californians with Employer Sponsored Insurance had a deductible.

<sup>2</sup> [Covered California June 2020 Active Member Profile](#)

<sup>3</sup> <https://www.chcf.org/wp-content/uploads/2019/08/EmployerHealthBenefits2018ORG.pdf>

<sup>4</sup> [https://hbex.coveredca.com/stakeholders/plan-management/PDFs/final\\_2021-standard-benefit-plan-designs\\_certified-20200529.pdf](https://hbex.coveredca.com/stakeholders/plan-management/PDFs/final_2021-standard-benefit-plan-designs_certified-20200529.pdf)

<sup>5</sup> <https://www.govinfo.gov/content/pkg/FR-2019-11-27/pdf/2019-25011.pdf>

## FACT SHEET: SB 368 (Limón)

Under the new federal rule, even if a consumer knew that information was available, the consumer would need to repeatedly check back to monitor their amounts paid and their accruals.<sup>6</sup> Without accurate, timely, and transparent tracking, consumers are in the dark about how much more they might need to pay in terms of either deductible or maximum out-of-pocket.

While only a small percentage of people end up with health care expenses approaching the maximum limits, many more hit their deductible or come close. Major health care needs that add up quickly could include:

- Relying on MS drugs that cost over \$90,000 a year
- Someone diagnosed HIV/AIDS needing specific drugs and ongoing care
- Someone undergoing cancer treatment
- A child with an autism spectrum disorder

Pre-ACA there were countless heartbreaking stories of people who faced tens of thousands of dollars in health care costs with no limits. Even now, people with some grandfathered health plans, exempt from many consumer protections, wind up with insurmountable medical bills. A recent story in the Los Angeles Times highlights one Californian's COVID-19-related bill, and underscores the need to remain vigilant in consumer protections.<sup>7</sup>

People already experiencing significant health needs should not have to shoulder the additional burden of having to keep every receipt and track each and every cost to determine if they have reached their deductible or maximum out of pocket amounts. Especially not when that information is already readily available by the health plans. Underserved communities may particularly suffer from this lack of transparency and face additional challenges, such as language barriers and health and financial literacy, that make keeping track of their payments even more difficult.

Legislation was introduced in 2014 to fix this problem (SB 1176 – Steinberg). It did not pass, and the Department of Managed Health Care (DMHC) instead committed to finding a regulatory solution. Despite these promises, the situation remains unchanged and consumers are still responsible for tracking these deductibles and maximum out-of-pocket limits.

### SB 368 (Limón) Shifts the Burden from People to Health Plans

SB 368 (Limón) would require all health plans regulated by the Department of Managed Health Care or the Department of Insurance to:

- Track enrollee accrual towards their deductibles and maximum out-of-pocket limits, and
- Communicate accrual to enrollees monthly for any month health benefits were used.

These simple measures will go a long way towards making it easier for Californians, especially those facing the costliest health conditions, to manage their health care and stay on top of their expenses.

<sup>6</sup> <https://www.govinfo.gov/content/pkg/FR-2019-11-27/pdf/2019-25011.pdf>

<sup>7</sup> <https://www.latimes.com/california/story/2021-02-08/covid-treatment-hospital-bills-health-insurance-waivers>