Covered California Cost-Sharing Help & Safeguarding Individual Mandate Penalty Revenue

More Californians than ever are using Covered California as their means of access and affording health care coverage. Our state's exchange is a key entry point for nearly 2 million Californians to enroll in coverage at a reduced cost, using federal subsidies enacted through the Inflation Reduction Act. Yet even with the current federal affordability help, many California consumers still struggle to pay for health care and coverage, for both premiums and cost sharing. Many Californians avoid or delay care due to cost or forgo insurance all together. At the same time, the state has since 2020 been collecting revenue from our individual mandate penalty. This money should and could be used to make care more affordable and encourage more people to enroll. By lowering out-of-pocket costs such as copays and deductibles using the revenue generated the individual mandate, policymakers can build on our progress implementing and improving the Affordable Care Act, reducing the uninsured rate and ensuring enrollees can afford to use their coverage to get the care they need.

Health Access proposes to:

- Safeguard revenue from our state's individual mandate penalty to ensure it is used to increase affordability of care.
- Direct Covered California to provide state subsidies to lower co-pays and deductibles, for as long as the enhanced federal premium affordability assistance through the Inflation Reduction Act continues.

Affordability Remains a Major Barrier to Care, Even for Californians with Coverage

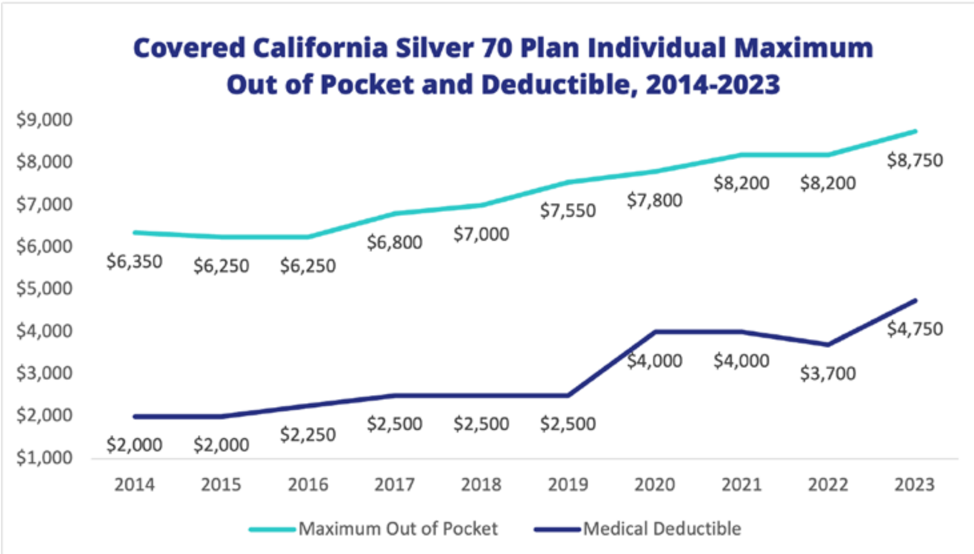
Sixty percent of Californians report feeling worried about out-of-pocket costs when using health insurance--a greater percentage than those worried about the cost of housing, utilities, or groceries. Half of Californians skipped or delayed care in the past year as a result of costs; for low-income Californians, that percentage increases to a staggering two-thirds.[i]

How Much Does Care Cost?	
Single individual monthly income	**$2,694**
Covered California Plan	**Silver 70**
Annual check-up	Free
Follow-up lab work	$40
Follow-up primary care visit	$35
Monthly Rx (preferred brand)	$55
Total out of pocket costs & % of monthly income:	**$130 & 4.8% of income**

Source: UC Berkeley Labor Center. Affordability of Out-of-Pocket Expenses in Covered California. Covered CA AB 133 Workgroup Report, October 2021

Both co-pays and deductibles keep care out of reach for many in Covered California. Even what are considered routine visits can quickly add up to substantial portions of income. For example, a standard Silver plan enrollee who goes in for an annual check-up, resulting in basic bloodwork, follow up, and a prescription, could easily spend almost 5% of their monthly income on this routine sequence of care. In addition to co-pays, Covered California deductibles equal one, two, or even three months wages depending on the plan a consumer chooses and their income.

While Covered California Silver plan deductibles only apply for inpatient hospital and skilled nursing care stays, coverage for that hospital bill doesn't kick in until paying over $4,750. Over the past decade, medical deductibles for Covered California standard Silver plan enrollees have more than doubled, and maximum out of pocket costs have increased to almost $9,000.



Individual Mandate Penalty Revenue Should Keep Care Affordable

In 2019, California passed a state-specific individual mandate to purchase coverage, with the intent that it help raise revenues that would then be used as state subsidies to improve affordability for Covered California enrollees. At the time, the State Budget and the Newsom Administration stated the intent for this revenue was that it be used to support the companion proposal to provide premium subsidies to Californians who earn up to 600% of the poverty level.[ii] In 2022 the passage of the Inflation Reduction Act meant that additional federal premium assistance will supplant state subsidies through at least 2025. Now legislators and advocates have urged that the revenue raised from the mandate penalty continue to go affordability assistance outside of premiums, in order to reduce ever-increasing cost-sharing.

In just the first three years of the state's individual mandate (2020-2022), about $1.3 billion has been generated from Californians lacking health coverage and paying the penalty (about $400 million annually).[iii] None of this funding has been used to lower cost-sharing for those in Covered California. The Governor's 2023-2024 budget again proposes to sweep this revenue into the General Fund for this year and going forward through 2025. Instead, Health Access proposes safeguarding individual mandate penalty revenue to be used by Covered California to improve affordability and reduce cost sharing.

The Solution: Safeguard the Individual Mandate Penalty Revenue to Ensure it is Used to Lower Health Costs

California continues generating revenue by penalizing those who are uninsured, who find coverage unaffordable. California should use those dollars to address the affordability issue it reveals for those in Covered California. Our proposal will require revenue from the individual mandate penalty be deposited to the Health Care Affordability Reserve, which we propose locating within Covered California's Health Trust Fund. **This will ensure that all future revenue generated from the penalty will be expressly used to lower costs.**

The hundreds of millions generated from our state's mandate penalty would allow Covered California to:

- Eliminate deductibles for Covered California enrollees in standard silver plans up to 600% FPL ($76,000/annual individual)
- Dramatically reduce co-pays for silver plan enrollees who earn up to 600% FPL

This assistance would provide real, concrete relief to Californians and encourage more to sign up for coverage and not be dissuaded by a high deductible. This would also reduce financial obstacles to getting needed care and remove a major barrier for families to seek hospital care, and to prevent those who do get hospitalized from having such a financial hit that it would wipe out their savings.

i. California Health Care Foundation. The 2022 CHCF California Health Policy Survey. January 2022.
ii. CA State Budget, 2019-2020.
iii. California Healthline. California Stockpiles Penalties From Uninsured Residents Instead of Lowering Care Costs. November 2022.

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