

ASSEMBLY BILL

No. 1305

Introduced by Assembly Member Bonta

February 27, 2015

An act to amend Section 1367.006 of the Health and Safety Code, and to amend Section 10112.28 of the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 1305, as introduced, Bonta. Limitations on cost sharing: family coverage.

Existing federal law, the federal Patient Protection and Affordable Care Act (PPACA), enacts various health care coverage market reforms that take effect January 1, 2014. Among other things, PPACA establishes annual limits on specified forms of cost sharing, including deductibles, on all essential health benefits for nongrandfathered individual and group health insurance coverage.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance. Existing law requires, for nongrandfathered products in the individual or small group markets, a health care service plan contract or health insurance policy, except a specialized health insurance policy, that is issued, amended, or renewed on or after January 1, 2015, to provide for a limit on annual out-of-pocket expenses for all covered benefits that meet the definition of essential health benefits, and requires the plan contract or policy, for nongrandfathered products in the large group market, to provide that

limit for covered benefits to the extent that the limit does not conflict with federal law or guidance, as specified. Existing law prohibits this limit from exceeding the limit described in a specified provision of federal law.

This bill would require, for family coverage, the above-described limit on annual out-of-pocket expenses to include a maximum out-of-pocket limit for each individual covered by the plan contract or policy that is less than or equal to the maximum out-of-pocket limit for individual coverage under the plan contract or policy. Because a willful violation of these requirements by a health care service plan would be a crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1367.006 of the Health and Safety Code
2 is amended to read:

3 1367.006. (a) This section shall apply to nongrandfathered
4 individual and group health care service plan contracts that provide
5 coverage for essential health benefits, as defined in Section
6 1367.005, and that are issued, amended, or renewed on or after
7 January 1, 2015.

8 (b) (1) For nongrandfathered health care service plan contracts
9 in the individual or small group markets, a health care service plan
10 contract, except a specialized health care service plan contract,
11 that is issued, amended, or renewed on or after January 1, 2015,
12 shall provide for a limit on annual out-of-pocket expenses for all
13 covered benefits that meet the definition of essential health benefits
14 in Section 1367.005, including out-of-network emergency care
15 consistent with Section 1371.4.

16 (2) For nongrandfathered health care service plan contracts in
17 the large group market, a health care service plan contract, except
18 a specialized health care service plan contract, that is issued,
19 amended, or renewed on or after January 1, 2015, shall provide

1 for a limit on annual out-of-pocket expenses for covered benefits,
2 including out-of-network emergency care consistent with Section
3 1371.4. This limit shall only apply to essential health benefits, as
4 defined in Section 1367.005, that are covered under the plan to
5 the extent that this provision does not conflict with federal law or
6 guidance on out-of-pocket maximums for nongrandfathered health
7 care service plan contracts in the large group market.

8 (c) (1) The limit described in subdivision (b) shall not exceed
9 the limit described in Section 1302(c) of PPACA, and any
10 subsequent rules, regulations, or guidance issued under that section.

11 (2) The limit described in subdivision (b) shall result in a total
12 maximum out-of-pocket limit for all covered essential health
13 benefits equal to the dollar amounts in effect under Section
14 223(c)(2)(A)(ii) of the Internal Revenue Code of 1986 with the
15 dollar amounts adjusted as specified in Section 1302(c)(1)(B) of
16 PPACA.

17 (3) *For family coverage, the limit described in subdivision (b)*
18 *shall include a maximum out-of-pocket limit for each individual*
19 *covered by the plan that is less than or equal to the maximum*
20 *out-of-pocket limit for individual coverage under the plan contract.*

21 (d) Nothing in this section shall be construed to affect the
22 reduction in cost sharing for eligible enrollees described in Section
23 1402 of PPACA, and any subsequent rules, regulations, or guidance
24 issued under that section.

25 (e) If an essential health benefit is offered or provided by a
26 specialized health care service plan, the total annual out-of-pocket
27 maximum for all covered essential benefits shall not exceed the
28 limit in subdivision (b). This section shall not apply to a specialized
29 health care service plan that does not offer an essential health
30 benefit as defined in Section 1367.005.

31 (f) The maximum out-of-pocket limit shall apply to any
32 copayment, coinsurance, deductible, and any other form of cost
33 sharing for all covered benefits that meet the definition of essential
34 health benefits in Section 1367.005.

35 (g) *If a health care service plan contract for family coverage*
36 *includes a deductible, the plan contract shall include a deductible*
37 *for each individual covered by the plan that is less than or equal*
38 *to the deductible for individual coverage under the plan contract.*

39 ~~(g)~~

1 (h) For nongrandfathered health plan contracts in the group
2 market, “plan year” has the meaning set forth in Section 144.103
3 of Title 45 of the Code of Federal Regulations. For
4 nongrandfathered health plan contracts sold in the individual
5 market, “plan year” means the calendar year.

6 ~~(h)~~

7 (i) “PPACA” means the federal Patient Protection and
8 Affordable Care Act (Public Law 111-148), as amended by the
9 federal Health Care and Education Reconciliation Act of 2010
10 (Public Law 111-152), and any rules, regulations, or guidance
11 issued thereunder.

12 SEC. 2. Section 10112.28 of the Insurance Code is amended
13 to read:

14 10112.28. (a) This section shall apply to nongrandfathered
15 individual and group health insurance policies that provide
16 coverage for essential health benefits, as defined in Section
17 10112.27, and that are issued, amended, or renewed on or after
18 January 1, 2015.

19 (b) (1) For nongrandfathered health insurance policies in the
20 individual or small group markets, a health insurance policy, except
21 a specialized health insurance policy, that is issued, amended, or
22 renewed on or after January 1, 2015, shall provide for a limit on
23 annual out-of-pocket expenses for all covered benefits that meet
24 the definition of essential health benefits in Section 10112.27,
25 including out-of-network emergency care.

26 (2) For nongrandfathered health insurance policies in the large
27 group market, a health insurance policy, except a specialized health
28 insurance policy, that is issued, amended, or renewed on or after
29 January 1, 2015, shall provide for a limit on annual out-of-pocket
30 expenses for covered benefits, including out-of-network emergency
31 care. This limit shall apply only to essential health benefits, as
32 defined in Section 10112.27, that are covered under the policy to
33 the extent that this provision does not conflict with federal law or
34 guidance on out-of-pocket maximums for nongrandfathered health
35 insurance policies in the large group market.

36 (c) (1) The limit described in subdivision (b) shall not exceed
37 the limit described in Section 1302(c) of PPACA and any
38 subsequent rules, regulations, or guidance issued under that section.

39 (2) The limit described in subdivision (b) shall result in a total
40 maximum out-of-pocket limit for all covered essential health

1 benefits that shall equal the dollar amounts in effect under Section
2 223(c)(2)(A)(ii) of the Internal Revenue Code of 1986 with the
3 dollar amounts adjusted as specified in Section 1302(c)(1)(B) of
4 PPACA.

5 *(3) For family coverage, the limit described in subdivision (b)*
6 *shall include a maximum out-of-pocket limit for each individual*
7 *covered by the policy that is less than or equal to the maximum*
8 *out-of-pocket limit for individual coverage under the policy.*

9 (d) Nothing in this section shall be construed to affect the
10 reduction in cost sharing for eligible insureds described in Section
11 1402 of PPACA and any subsequent rules, regulations, or guidance
12 issued under that section.

13 (e) If an essential health benefit is offered or provided by a
14 specialized health insurance policy, the total annual out-of-pocket
15 maximum for all covered essential benefits shall not exceed the
16 limit in subdivision (b). This section shall not apply to a specialized
17 health insurance policy that does not offer an essential health
18 benefit as defined in Section 10112.27.

19 (f) The maximum out-of-pocket limit shall apply to any
20 copayment, coinsurance, deductible, and any other form of cost
21 sharing for all covered benefits that meet the definition of essential
22 health benefits, as defined in Section 10112.27.

23 *(g) If a health insurance policy for family coverage includes a*
24 *deductible, the policy shall include a deductible for each individual*
25 *covered under the policy that is less than or equal to the deductible*
26 *for individual coverage under the policy.*

27 ~~(g)~~

28 (h) For nongrandfathered health insurance policies in the group
29 market, “policy year” has the meaning set forth in Section 144.103
30 of Title 45 of the Code of Federal Regulations. For
31 nongrandfathered health insurance policies sold in the individual
32 market, “policy year” means the calendar year.

33 ~~(h)~~

34 (i) “PPACA” means the federal Patient Protection and
35 Affordable Care Act (Public Law 111-148), as amended by the
36 federal Health Care and Education Reconciliation Act of 2010
37 (Public Law 111-152), and any rules, regulations, or guidance
38 issued thereunder.

39 SEC. 3. No reimbursement is required by this act pursuant to
40 Section 6 of Article XIII B of the California Constitution because

1 the only costs that may be incurred by a local agency or school
2 district will be incurred because this act creates a new crime or
3 infraction, eliminates a crime or infraction, or changes the penalty
4 for a crime or infraction, within the meaning of Section 17556 of
5 the Government Code, or changes the definition of a crime within
6 the meaning of Section 6 of Article XIII B of the California
7 Constitution.

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