ASSEMBLY THIRD READING
AB 570 (Santiago)
As Amended May 24, 2021
Majority vote

SUMMARY

Requires an individual health care service plan (health plan) contract or health insurance policy issued, amended, or renewed on or after January 1, 2022, that provides dependent coverage to make dependent coverage available to a parent or stepparent who meets the definition of a qualifying relative under specified federal law and who lives or resides within the health plan or insurer's service area.

COMMENTS

Enacted in March 2010, the federal Patient Protection Affordable Care Act (ACA) provides the framework, policies, regulations and guidelines for the implementation of comprehensive health care reform by the states. The ACA expands access to quality, affordable insurance and health care. As of January 1, 2014, insurers are no longer able to deny coverage or charge higher premiums based on preexisting conditions (under rules referred to as guaranteed issue and modified community rating, respectively). These aspects of the ACA, along with tax credits for low and middle income people buying insurance on their own in new health benefit exchanges, make it easier for people with preexisting conditions to gain insurance coverage.

Before the ACA, many health plans and issuers could remove adult children from their parents' coverage because of their age, whether or not they were a student or where they lived. The ACA requires plans and issuers that offer dependent child coverage to make the coverage available until the adult child reaches the age of 26. Many parents and their children who worried about losing health coverage after they graduated from college no longer have to worry.

According to the California Health Benefits Review Program (CHBRP), for health insurance, a dependent is typically a child or other individual for whom a parent, relative, or other person may claim a personal exemption tax deduction. Plans and policies regulated by the Department of Managed Health Care (DMHC) and California Department of Insurance (CDI) do not currently include parents or stepparents as eligible dependents. Enrollment is almost uniformly limited to the employee or policyholder, any spouse/domestic partner and any children under age 26.

According to a recent University of California (UC) Berkeley Labor Center publication, even after the federal American Rescue Plan (ARP) substantially increased premium subsidies for health insurance coverage purchased through Covered California, large inequities remain in who has access to affordable coverage. Nearly 3.2 million Californians will remain uninsured in 2022, or about 9.5% of the population age 0-64 years, according to their projections. The highest uninsured rates will be among undocumented Californians (65%) and those eligible only for insurance through Covered California (28%). These projections, using the California Simulation of Insurance Markets model, take into account the projected economy in 2022 as the state recovers from the pandemic and recession and the associated impacts on coverage eligibility. Undocumented Californians make up the largest group of the uninsured, with nearly 1.3 million individuals under the age of 65 projected to be uninsured, plus an additional 30,000 undocumented seniors age 65+ not included in our modeling. Although fewer than one out of 10

of all Californians are projected to lack insurance in 2022, nearly two out of three (65%) undocumented Californians age 0-64 will be uninsured. Undocumented residents are excluded from federal ACA subsidy and Medicaid eligibility as well as the additional help available through the ARP. Additionally, non-citizens without a green card have much lower rates of job-based coverage than their citizen counterparts because they are more likely to work in industries and occupations that do not offer health insurance. (In California, low-income undocumented children and young adults are eligible for Medi-Cal under state policy, and those who have not enrolled are included in the Medi-Cal eligible uninsured group.) The other eligibility group with a particularly high-uninsured rate (28%) are the 800,000 Californians who are not eligible for Medi-Cal or employer-sponsored insurance but are eligible to purchase coverage through Covered California.

AB 1996 (Thomson), Chapter 795, Statutes of 2002, requests the UC to assess legislation proposing a mandated benefit or service and prepare a written analysis with relevant data on the medical, economic, and public health impacts of proposed health plan and health insurance benefit mandate legislation. CHBRP was created in response to AB 1996. SB 125 (Hernandez), Chapter 9, Statutes of 2015, added an impact assessment on essential health benefits, and legislation that impacts health insurance benefit designs, cost sharing, premiums, and other health insurance topics. CHBRP states the following in its analysis of a previous version of this bill that included the individual and group market:

1) *Enrollees covered.* This bill would impose specific requirements for enrollment of dependent parents and stepparents, thereby limiting the eligibility of such individuals. In particular, the individual must meet federal Internal Revenue Service requirements, including that the head of household provided more than 50% of the person's total support. CHBRP projects that the enrollees in CDI and DMHC regulated plans and policies would increase by 20,000 to 80,000, as dependent parents and stepparents became newly enrolled or switched from other plans or policies (those not regulated by the CDI and DMHC).

2) *Impact on expenditures.* For this bill, CHBPR presented a low enrollment and a high enrollment scenario. CHBRP recognizes that new enrollees may have previously had health insurance or may have been previously uninsured. The choice to gain or switch coverage as a dependent parent or stepparent is an individualized decision that would be driven by a comparison of premium costs, cost sharing, provider network, formulary design, and other considerations. CHBRP cannot estimate what coverage (if any) dependent parents and stepparents many have had previously.

3) *Dependent coverage in other states.* The ACA applies to young adults in all states. As of 2012 (before the ACA was fully in effect), 37 states had already extended the age that young adults can remain on their parents' health insurance plan. There is considerable variation among state laws in terms of eligibility requirements. At least 30 states have extended dependent coverage, regardless of student status. Most states require that a young adult be unmarried and financially dependent on their parents in order to qualify for extended dependent coverage. Several states have more generous allowances for dependents staying on health insurance policies, and a few others have special provisions or allow for other dependent definitions. Florida allows for dependent children up to 25, who live with their parent or are a student, and up to 30 years old, who are also unmarried and have no dependent child of their own, to remain on their parents' insurance. Illinois has an exemption for veterans. Parents with dependents who are veterans can keep them on their plans up to

age 30. Missouri defines dependent as an unmarried child up to age 26. However, Missouri provides an exemption for continuing coverage of a dependent child if "the child is and continues to be both incapable of self-sustaining employment by reason of mental or physical handicap and chiefly dependent upon the enrollee for support and maintenance." New Jersey allows, at the option of the insured person, that a dependent may be covered up to the age of 31, as long as they are unmarried and have no dependents of their own. Similarly, New York allows an unmarried adult child to remain on their parent's insurance through age 29 (up to age 30) if they are a resident of New York. Oregon defines dependent as an unmarried child up to 23, elderly parents, and disabled adult children for the purpose of insurance coverage. Pennsylvania allows for an unmarried child to remain on parent's insurance up to age 30 if they have no dependents and are residents or are enrolled as full-time students. South Dakota allows for dependent full-time students up to the age of 29. Wisconsin allows for continued coverage for full-time students, regardless of age. Additionally, CHBRP is aware of a limited primary care program for "secondary dependents" in the Tricare. Tricare Plus is a primary care program that may offer primary care and prescription drugs to eligible parents and parent-in-law(s) who are dependent of an active service member/sponsor. In such scenarios, the law requires the parents to be "in fact" dependent on the service member/sponsor, and the service member's contribution must be more than one-half of monthly living expenses of the parental dependents. Documentation to prove living expenses and the service member's contribution must be provided.

According to the Author
Healthcare access for seniors was already an issue pre COVID-19, but now we see an even more urgent need. Prior to COVID-19, an estimated 3 million Californians did not have healthcare insurance. Now, millions of Californians have lost healthcare coverage due to historic unemployment rates. The author states that this bill will provide health coverage to more Californians by ensuring dependent parents, including undocumented immigrants, are covered. The author concludes that by allowing adult children to add their dependent parents to their healthcare plan, working families will save a significant amount each year on healthcare costs.

Arguments in Support
CDI, the sponsor of this bill, states (in a previous version of) this bill would increase health insurance access and affordability for older adults by enabling individuals to enroll their dependent parent(s) in their health insurance coverage. Currently, in the individual and group markets, children can be added as dependents to their parents' health insurance coverage. But, this protection does not extend to dependent parents. Under existing law today, dependent parents of adult children are not allowed to be included in the same health insurance policy, resulting in the purchase of separate policies with separate deductibles and maximum out-of-pocket limits for the adult child and their dependent parents. According to CDI, allowing dependent parents of adult children to be covered in the same health insurance policy would reduce overall health care costs for the family by pooling these costs and making coverage more affordable, especially during this COVID-19 pandemic. It also represents a measure of equity among different types of dependent individuals for purposes of health insurance. Families that obtain coverage under a single health insurance policy or certificate enjoy the economic protection of a combined family maximum out-of-pocket (MOOP) cost limit. This means that their medical expenses are aggregated towards a maximum amount, rather than each family member having to meet a separate MOOP. In addition, families typically have a combined family deductible, rather than a single deductible that each family member must meet. Requiring health insurance companies to offer dependent coverage to older adults would allow families

with dependent parents to include those parents on their health insurance policy. This will, in turn, enable the family to utilize a family deductible and cap their MOOP costs, thus reducing overall health care costs for working families and make it more likely that the dependent parents will be covered. This solution would not be based on an age requirement for the dependent parent but, rather, that the parent meets the federal definition of being a "qualifying relative." CDI writes that as California works to improve the health and well-being of older adults, this bill will continue this effort by providing increased health coverage access. Health Access California states that this bill will provide increased financial security for many older Californians by helping to bridge the gap for those who do not qualify for Medi-Cal. The unprecedented job loss associated with the COVID-19 pandemic has underscored the need to ensure affordable coverage options for that those who lose employer sponsored insurance. The California Pan-Ethnic Health Network writes that even despite the ACA, communities of color are most likely to be uninsured. This is especially true for adults who are undocumented, who are excluded from Medi-Cal. This bill would give adults a much-needed tool to ensure their dependent parent(s) have health insurance especially at a time when their health needs change and increase.

Arguments in Opposition
The California Chamber of Commerce (CCC), along with other organizations, write (in response to a previous version of this bill that included individual and group coverage) that it is anticipated this bill will cause health care costs to increase. The CCC state that while this bill is well intentioned, it is largely unnecessary. Covered California is currently offering a special enrollment period that allows individuals to sign up for health care coverage since approximately $3 billion in federal aid is being allocated towards health care subsidies. This federal aid infusion is paired with subsidies that have already been provided to low and middle-income individuals through the ACA. Covered California estimates about 2.5 million people will benefit from the new and expanded help, including about 810,000 currently uninsured people. Additionally, this bill indicates that for dependent parents and stepparents to qualify for coverage they must meet the income threshold requirement contained within Section 152(d) of Title 26 of the United States Code. However, the availability of Medi-Cal already provides health care coverage for these individuals. According to CCC, if the dependent parent or stepparent is 65 or older, they would qualify for Medicare coverage.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, and according to CHBRP, estimates of the effect of this bill on premiums statewide range depending on a variety of assumptions about factors that are difficult to predict.

1) $12 million to $48 million annually in premium increases to individuals purchasing insurance in the individual market, and additional related costs in increased cost-sharing, paid by individuals.

2) Unknown costs to the DMHC, not likely to exceed $50,000 ongoing for legal services, licensing workload and financial review (Managed Care Fund).

3) Costs to the CDI, if any, are expected to be minor and absorbable (Insurance Fund).

VOTES

ASM HEALTH: 10-2-3

YES: Wood, Aguiar-Curry, Burke, Carrillo, McCarty, Nazarian, Luz Rivas, Rodriguez, Santiago, Calderon
NO: Bigelow, Waldron
ABS, ABST OR NV: Mayes, Flora, Maienschein

ASM APPROPRIATIONS: 12-4-0
YES: Lorena Gonzalez, Calderon, Carrillo, Chau, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, Holden, Luz Rivas
NO: Bigelow, Megan Dahle, Davies, Fong

UPDATED

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