
SENATE COMMITTEE ON HEALTH

Senator Dr. Richard Pan, Chair

BILL NO: AB 570
AUTHOR: Santiago
VERSION: June 16, 2021
HEARING DATE: June 23, 2021
CONSULTANT: Teri Boughton

SUBJECT: Dependent parent health care coverage

SUMMARY: Requires health plan contracts and health insurance policies that cover dependents to also cover a parent or stepparent who is also a qualifying relative who lives or resides with the plan or insurer's service area.

Existing law:

- 1) Establishes the Department of Managed Health Care (DMHC) to regulate health plans under the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene Act); California Department of Insurance (CDI) to regulate health and other insurance; and, the Department of Health Care Services (DHCS) to administer the Medi-Cal program. [HSC §1340, et seq., INS §106, et seq., and WIC §14000, et seq.]
- 2) Defines "dependent" as the spouse or registered domestic partner, or child of an individual applying for coverage, subject to applicable terms of the health plan contract or health insurance policy covering the eligible individual. [HSC §1399.845 and INS §10965]
- 3) Requires a plan or insurer to fairly and affirmatively offer, market, and sell all of the plans or policies that are sold in the individual market to all individuals and dependents in each service area in which the plan provides or arranges for health care services. Requires a plan to limit enrollment to open enrollment periods, annual enrollment periods, and special enrollment periods, as specified. [HSC §1399.848 and INS § 10965.3]
- 4) Defines "qualifying relative" for purposes of the Internal Revenue Code, as a low-income individual (gross income is below exemption level) with a relationship to the taxpayer, where the taxpayer provides over one-half the individual's support for the calendar year, who is not a qualifying child, as specified.[26 U.S.C §152(d)]

This bill: Requires an individual 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 federal law and who lives or resides within the health plan's or insurer's service area.

FISCAL EFFECT: According to the Assembly Appropriations Committee, and according to the California Health Benefits Review Program (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).

PRIOR VOTES:

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|------------------------------------|---------|
| Assembly Floor: | 58 - 16 |
| Assembly Appropriations Committee: | 12 - 4 |
| Assembly Health Committee: | 10 - 2 |

COMMENTS:

- 1) *Author's statement.* According to the author, healthcare access for seniors was already an issue before the COVID-19 pandemic, but now we see an even more urgent need. Prior to COVID-19, an estimated three million Californians did not have healthcare coverage. Due to the pandemic Californians have lost healthcare coverage due to historic unemployment rates. This bill will provide health coverage to more Californians by ensuring dependent parents, including undocumented immigrants, are covered. By allowing adult children to add their dependent parents to their individual healthcare coverage, working families will save a significant amount each year on healthcare costs.
- 2) *CHBRP analysis.* AB 1996 (Thomson, Chapter 795, Statutes of 2002) requests the University of California 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, and reviewed this bill. In addition to the information in the fiscal effect of this analysis, key findings include:
 - a) Oregon includes elderly parents as dependents and a few other states extend adult child coverage to age 30;
 - b) TRICARE Plus provides some primary care and drug coverage for parents and in-laws dependent upon an active service member;
 - c) Using Tax Year 2017 Internal Revenue Service (IRS) Data, CHBRP estimates for California roughly 400,000 individuals were reported as dependent parents;
 - d) CHBRP's low enrollment scenario assumes most Medicare-eligible people would remain on Medicare, and those with low-income would also be on Medi-Cal with little to no cost sharing;
 - e) CHBRP's high enrollment scenario assumes adding a parent to individual coverage assumes many dependent parents who are eligible for Medicare may prefer coverage through this dependent parent option as premiums and/or cost sharing and out of pocket maximums could be better; however, there may be some risks in terms of lifetime penalties if Medicare enrollment is delayed;
 - f) Parents eligible for Medi-Cal may prefer this dependent parent option if they have broader network choices or a broader formulary through private insurance;

- g) Having one insurance policy in a household would also simplify communication with the insurer to understand issues such as network, coverage, benefits, etc.;
- h) Some eligible for the dependent parent option may use this as secondary insurance; and,
- i) CHBRP also raises risks of medical tourism (where a qualifying parent living elsewhere may obtain dependent coverage for medical care in California). However, the bill was amended to require the parent to live or reside in the plan's service area.
- 3) *Covered California eligibility.* Under the Affordable Care Act (ACA), insurance on exchanges and premium tax credits are only available for people who are U.S. citizens or U.S. nationals. Covered California is California's health benefit exchange created as part of California's implementation of the ACA. Plans participating in Covered California are required to make identical health plan and insurance products available in the health insurance market outside of Covered California. There are also carriers not operating in Covered California that have products available in the individual market outside of Covered California. It appears that any family that would otherwise qualify for a plan or premium tax credits through Covered California could add a dependent parent under this bill if the dependent parent otherwise qualifies to have coverage in Covered California. If however, the dependent would not be eligible for Covered California coverage, a family could switch during appropriate enrollment opportunities to coverage outside of Covered California, forgoing premium tax credits, if eligible, and add a dependent parent or parent(s) under this bill. Alternatively, as would be the case without this bill, an individual policy outside of Covered California could be purchased for a dependent parent.
- 4) *Deductibles and out of pocket maximum limits.* According to an August 2020 CHBRP report, enrollee cost sharing is the portion that enrollees are responsible for paying out-of-pocket directly to the provider for a covered health care service or treatment. Common cost-sharing mechanisms include copayments, coinsurance, and deductibles. Deductibles can range from a \$100 or less to \$2,500 or more and each enrollee or insured may have an individual deductible with an overall family deductible cap. Annual out of pocket maximum limits cap an enrollee or insured's cost sharing obligation in a one-year period. In 2020, the annual out of pocket maximum allowed through Covered California plans was \$4,500 for an individual and \$9,000 for family coverage. Grandfathered plans (before the ACA) could have higher annual out of pocket maximums.
- 5) *Medicare and Covered California.* Medicare is a federal health insurance program for people who are 65 or older, certain younger people with disabilities, and people with permanent kidney failure. Covered California does not sell Medicare plans. If a Covered California enrollee becomes eligible for or is enrolled in Medicare, the enrollee may need to take action to avoid financial penalties and transition from Covered California to Medicare. There are important dates and deadlines to avoid unwanted consequences. In general, people who are eligible for Medicare, even if they do not enroll in it, are not eligible to receive federal premium tax credits available through the ACA, to lower the cost of a Covered California health plan. People who are eligible for Medicare must report their Medicare eligibility to Covered California within 30 days and will usually need to cancel their Covered California coverage. A person eligible for Medicare who keeps Covered California coverage may:
- Have to pay back all or some premium tax credits to the IRS;
 - Experience a delay in the Medicare coverage start date. When an individual does not sign up for Medicare Part B (medical insurance) during their initial enrollment period, they

will have to wait for the general open enrollment period (Jan.1 to March 31), and then coverage would not begin until July of that year; and,

- Have to pay lifetime penalties for late enrollment in Medicare causing premiums to increase by 10% or more.

There is an exception for people eligible for premium Part A (hospital). If an individual is required to pay for Medicare Part A, they may purchase a Covered California health plan *instead of* enrolling in Medicare Part A and may qualify for premium tax credits. However, the individual could still face a permanent late enrollment penalty for Part B if they do not sign up during their initial enrollment period. Also, people with a plan through Covered California who have been determined disabled by the Social Security Administration will be automatically enrolled in Medicare within two years of receiving Social Security Disability Insurance (SSDI) income, and can purchase health coverage through Covered California during their two-year waiting period, and may qualify for premium tax credits to lower the cost of Covered California coverage, or get low-cost or no-cost Medi-Cal.

- 6) *Budget Action.* AB 128 (Ting) the 2021-22 Budget Act, includes \$48 million in the first year, growing to \$1.3 billion, to expand eligibility for full-scope Medi-Cal coverage to older adults 50 and older, regardless of immigration status. *This budget bill is pending the Governor's action.*
- 7) *Related legislation.* SB 56 (Durazo) extends eligibility for full-scope Medi-Cal benefits to undocumented adults age 60 and above who are otherwise eligible for those benefits but for their immigration status, beginning July 1, 2022. Subjects the eligibility extension to an appropriation of funds in the annual Budget Act or another statute. *SB 56 is scheduled in the Assembly Health Committee on June 22, 2021.*

AB 4 (Arambula) extends, beginning January 1, 2022, eligibility for full scope Medi-Cal benefits to anyone regardless of age, and who is otherwise eligible for those benefits but for their immigration status. *AB 4 passed the Senate Health Committee on June 16, 2021 on a vote of 8-2.*

- 8) *Support.* According to CDI, under existing law, health insurers are not required to allow dependent parents of adult children 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. But under this bill, dependent parents could be added onto their adult child's individual health insurance policy or health plan. Allowing dependent parents of adult children to be covered by the same health insurance policy or individual health plan would reduce overall health care costs for the family by pooling these costs and making coverage more affordable. Families that obtain coverage under a single individual health insurance policy or individual health plan enjoy the economic protection of a combined family out of pocket maximum limit. This means that their medical expenses are aggregated towards a maximum amount, rather than each family member having to meet a separate out of pocket maximum limit. In addition, families typically have a combined family deductible, rather than a single deductible that each family member must meet. This bill also represents a measure of equity among different types of dependent individuals for purposes of health coverage. Requiring health insurance companies and health plans to offer dependent parents to not only reduce overall health care costs but,

for some families, it may make it more likely that the dependent parents will be covered by health coverage. The California Pan Ethnic Health Network writes 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.

- 9) *Support if amended.* California Health Advocates (CHA), which supports the state and federally funded Health Insurance Counseling and Advocacy Program (HICAP), indicates that an older parent eligible for Medicare, needs help understanding benefits and whether changes to their Medicare enrollment is necessary, or might be dangerous. CHA encourages the author to consider requiring counseling through a local HICAP before implementing an application for dependent parent coverage to ensure dependent parents and their families make the best choice of coverage options for the individual.
- 10) *Opposition.* The California Association of Health Plans (CAHP) writes that they are concerned that this bill could significantly increase premiums to purchasers of health care coverage in the individual market. According to estimates from CHBRP, this bill will not only increase premiums from between \$12-\$48 million but will also increase cost-sharing paid by individuals. Taken together with the ten additional mandate bills still moving through this legislative session, CAHP has significant concerns that this bill will only further increase the cost of health care coverage, particularly for families who buy coverage outside of Covered California. Additionally, CAHP is concerned that this proposal leaves many important questions unanswered with respect to how this bill would be implemented.
- 11) *Policy comment.* Eligibility, coverage and enrollment rules through Medicare, Medi-Cal, and even Covered California can be complicated to understand, and so can private insurance. To be clear, with respect to undocumented California residents, they are not prohibited from accessing private health insurance coverage outside of Covered California, if they or their families can afford the premiums. Medicare, Medi-Cal and Covered California do have rules which can affect the extent to which an undocumented California resident can participate. Additionally, Medicare has enrollment rules and penalties for late enrollment. Medi-Cal has no premiums and little to no cost sharing and can be coordinated with Medicare in order to reduce or eliminate Medicare costs. It is unknown at this time the extent to which this dependent parent coverage option will be used, but it could be an effective way for some individuals and families to ensure coverage for their dependent parents. It will be important for these individuals, families, and parents to be well informed about all of the coverage options that are available, especially ones that could reduce individual, family, dependent parent, spending on premiums and cost sharing in the long run.

SUPPORT AND OPPOSITION:

Support: California Access Coalition
 California Insurance Commissioner Ricardo Lara
 California Pan Ethnic Health Network
 Coalition for Humane Immigrant Rights
 Estrategia, LLC
 Health Access California
 Justice in Aging
 Planned Parenthood Affiliates of California

Western Center on Law & Poverty

Oppose: Association of California Life & Health Insurance Companies
California Association of Health Plans
South Bay Association of Chambers of Commerce