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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair  
2021 - 2022 Regular Session

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### AB 570 (Santiago) - Dependent parent health care coverage

**Version:** June 29, 2021

**Urgency:** No

**Hearing Date:** July 15, 2021

**Policy Vote:** HEALTH 9 - 2

**Mandate:** Yes

**Consultant:** Karen French

**Bill Summary:** 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 Impact:**

- The DMHC estimates the total cost of this bill to be approximately \$22,000 MCF and 0.1 PY in FY 2021-22, \$191,000 MCF and 0.9 PYs in FY 2022-23, \$74,000 MCF and 0.3 PY in FY 2023-24 and the same amount annually thereafter (see details in Staff Comments below)
- CDI costs are minor and absorbable (Insurance Fund).
- Non State costs of \$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.

**Background:** *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.

This bill is sponsored by the California Insurance Commissioner. 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.

**Proposed Law:** This bill:

- 1) 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.
- 2) Provides that, if a prospective applicant is seeking to add to their contract a dependent parent or stepparent who is eligible for or enrolled in Medicare, at the time of solicitation and on the application:
  - a) Requires a health care service plan to provide written notice that the Health Insurance Counseling and Advocacy Program (HICAP) provides health insurance counseling to senior California residents free of charge.
  - b) Requires a solicitor to provide the name, address, and telephone number of the local HICAP program and the statewide HICAP telephone number, 1-800-434-0222.

**.Related Legislation:** Budget Action. AB 128 (Ting) the 2021-22 Budget Act (Chapter 21, Statutes of 2021), 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.

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 pending in the Assembly Appropriations Committee.

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 is on the Suspense File in this Committee.

**Staff Comments:** The current version of this bill includes language suggested by California Health Advocates (CHA), which supports the state and federally funded Health Insurance Counseling and Advocacy Program (HICAP), which indicated 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 noted that 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.

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.

DHCS cost details:

The bill's costs would be incurred by different units within the DMHC as described below. All costs associated with this bill would be incurred by the Managed Care Fund (MCF) and covered through fees assessed on health plans.

The DMHC's Office of Legal Services (OLS) anticipates short-term workload to conduct legal research, issue legal memorandum, and promulgate a regulation to clarify the requirements set forth in AB 570. The DMHC estimates costs for OLS to be approximately \$114,000 and 0.6 PY in FY 2022-23 only.

The DMHC's Office of Plan Licensing (OPL) anticipates additional workload to review health plan documents, including Evidence of Coverage, disclosure documents, and subscriber contracts, for compliance with AB 570. The DMHC estimates costs for OPL to be approximately \$22,000 and 0.1 PY in FY 2021-22, \$23,000 and 0.1 PY in FY 2022-23, \$22,000 and 0.1 PY in FY 2023-24 and the same amount annually thereafter.

The DMHC's Office of Financial Review (OFR) anticipates additional workload to review rate filings and supporting documentation for compliance with the requirements set forth in AB 570. The DMHC estimates costs for OFR to be approximately \$54,000 and 0.2 PY in FY 2022-23, \$52,000 and 0.2 PY in FY 2023-24 and the same amount annually thereafter.

**Proposed Author Amendments:** Would delay implementation until 2023.

**Recommended Amendments:** None

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