
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 224 (Bonta) - Health care coverage: essential health benefits

Version: July 8, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: HEALTH 10 - 0

Mandate: No

Consultant: Agnes Lee

Bill Summary: AB 224 would establish a new essential health benefits (EHB) benchmark plan, as specified.

Fiscal Impact: The California Department of Insurance (CDI) estimates costs of \$25,000 in 2025-26 and \$157,000 in 2026-27 for state administration (Insurance Fund).

Background: The Department of Managed Health Care (DMHC) regulates health plans under the Knox-Keene Act and the CDI regulates health insurance. The federal Affordable Care Act (ACA) requires individual and small group health plans and insurance policies to cover EHBs. California law requires an individual or small group health plan or insurance policy to include at a minimum, coverage for EHBs pursuant to the ACA and as outlined below:

- Health benefits within the categories identified in the ACA:
 - Ambulatory patient services;
 - Emergency services;
 - Hospitalization;
 - Maternity and newborn care;
 - Mental health and substance use disorder services;
 - Prescription drugs;
 - Rehabilitative and habilitative services and devices;
 - Laboratory services;
 - Preventive and wellness services and chronic disease management;
 - Pediatric services, including oral and vision care;
- Health benefits covered by the Kaiser Foundation Health Plan Small Group HMO 30 (Kaiser Small Group HMO), as this plan was offered during the first quarter of 2014, regardless of whether the benefits are specifically referenced in the evidence of coverage or plan contract for that plan, as specified.

Under the ACA, if California adopts a state benefit mandate for coverage that exceeds the benefits contained in its EHB benchmark plan, the state would have to defray the cost of those mandates for plans offered through Covered California. However, if the state were to revise its EHB benchmark plan and choose a benchmark plan that contains the mandated benefit, those costs for Covered California plans would be subsidized primarily through federal funds.

On May 5, 2025, the DMHC announced California applied to the federal Centers for Medicare and Medicaid Services (CMS) to update the state's current EHB benchmark

plan. If approved by CMS, the new benchmark plan would take effect January 1, 2027. California is proposing to add benefits to its EHB benchmark plan that would include coverage for:

- an annual hearing exam and one hearing aid for each ear every 3 years,
- expanded durable medical equipment (DME) benefits,
- infertility diagnosis,
- artificial insemination in vivo, and
- in vitro fertilization benefit (IVF).

Proposed Law: AB 224 would require, commencing January 1, 2027, if the United States Department of Health and Human Services approves a new EHB benchmark plan for California pursuant to submissions to the department made on behalf of the state in 2025 for this purpose, California's EHB benchmark plan must additionally include all of the following benefits:

- Services to evaluate, diagnose, and treat infertility that include all of the following:
 - Artificial insemination.
 - Three attempts to retrieve gametes.
 - Three attempts to create embryos.
 - Three rounds of pretransfer testing.
 - Cryopreservation of gametes and embryos.
 - Two years of storage for cryopreserved embryos.
 - Unlimited storage for cryopreserved gametes.
 - Unlimited embryo transfers.
 - Two vials of donor sperm.
 - Ten donor eggs.
 - Surrogacy coverage for the services described above.
 - Health testing of the surrogate for each attempted round of covered services.
- All of the following durable medical equipment:
 - Mobility devices, including, but not limited to, walkers and manual and power wheelchairs and scooters.
 - Augmented communications devices, including, but not limited to, speech generating devices, communications boards, and computer applications.
 - Continuous positive airway pressure machines.
 - Portable oxygen.
 - Hospital beds.
- An annual hearing exam and one hearing aid per ear every three years.

Related Legislation: SB 62 (Menjivar) would include the above provisions in the Health and Safety Code to apply to DMHC-regulated plans, while AB 224 would include the above provisions in the Insurance Code to apply to CDI-regulated insurance. SB 62 is currently in the Assembly Appropriations Committee.

Staff Comments: As part of the opportunity for public comment on DMHC's proposed new EHB benchmark plan, the department released a Benchmark Plan Benefit

Valuation Report prepared by the Wakely Consulting Group, LLC (“Wakely”) which estimated the marginal cost of the net benefits. The Wakely report projected the total increase of the recommended added benefits is 2.18 percent as a percent of total allowed claims relative to the current benchmark:

- Hearing Aids and Annual Exam (0.21 percent)
- Expanded DME Coverage (1.03 percent)
- Infertility Diagnosis (0.03 percent)
- Artificial Insemination in Vivo (0.03 percent)
- In Vitro Fertilization (0.87 percent)

Ultimately, the premium impact of the changes would vary based on plan pricing, cost sharing of the benefits, and changes, if any, to administrative costs due to the changes.

If the federal CMS approves California’s new EHB benchmark plan, the state would not have to defray the costs for the newly added benefits.

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