

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: August 18, 2009
POSITION: Oppose
SPONSOR: Health Access California

BILL NUMBER: AB 786
AUTHOR: D. Jones

BILL SUMMARY: Individual Health Care Coverage: Choice Categories

This bill would require the Department of Managed Health Care (DMHC) and the Department of Insurance (DOI) to develop a system to categorize all individual health care coverage and insurance products sold in the state, and to develop standard definitions and terminology for covered benefits and cost-sharing provisions for individual coverage.

The bill would cap out-of-pocket copayment, coinsurance, and deductible costs for individual health plans executed or renewed after January 1, 2011 at \$15,000 per person per year.

This bill would require the Office of Patient Advocate to develop and maintain on its website a uniform benefits matrix of all available individual health plan contracts and health insurance policies arranged by coverage choice category.

FISCAL SUMMARY

The DOI estimates one-time costs of \$510,000 to develop regulations, and ongoing costs of approximately \$1 million for additional insurance policy filing review, categorization of new insurance policy filings, and annual reporting.

The DMHC estimates first-year costs to be \$1,840,000 and 5.7 positions. Ongoing costs are estimated to be approximately \$360,000 and 3.6 positions.

COMMENTS

Finance is opposed to this bill for the following reasons:

- This bill would create significant costs for the DMHC and the DOI that would ultimately be passed on to consumers in the form of higher premiums.
Health plans and insurers may incur significant costs to provide the DMHC and the DOI with the information necessary to perform the required tasks. These costs would ultimately be passed on to consumers in the form of higher premiums.
Capping out-of-pocket copayment, coinsurance, and deductible costs for individual health plans at \$15,000 per year may prompt health plans and insurers to impose higher annual premiums on consumers.

Analyst/Principal Date Program Budget Manager Date
(0761) C. Hill Mark Hill

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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ANALYSIS

A. Programmatic Analysis

Under current law, the DMHC and the DOI are responsible for the licensure and regulation of health plans and insurers, respectively.

This bill would, by December 31, 2011, require the DMHC and the DOI to jointly develop standard definitions and terminology for covered benefits and cost-sharing, including but not limited to, copayments, coinsurance, deductibles, limitations, and exclusions applicable to all individual health care service plan contracts. Health plans and insurers would be required to submit all information required by the departments to perform this task.

This bill would require DOI and DMHC, in consultation with health care service plans, health insurers, and consumer representatives, to develop a system to categorize all individual health care service plan contracts sold after September 1, 2012. The bill provides for a maximum of 10 coverage choice categories. Health plans and insurers would be required to submit all information required by the departments to perform this task.

This bill would require all individual health care service plan contracts and health insurance policies issued or renewed after January 1, 2011 to contain a maximum annual limit of \$15,000 on out-of-pocket costs, including copayments, coinsurance, and deductibles, and would be indexed to, and increase annually with, the medical cost component of the consumer price index. These plans and insurance policies may include a separate out-of-pocket limit for prescription drugs.

This bill requires the Office of Patient Advocate to develop and maintain on its website a uniform benefits matrix of all available individual health plan contract and health insurance policies arranged by coverage choice category.

B. Fiscal Analysis

The DOI estimates one-time costs of \$510,000 to develop regulations, and ongoing costs of approximately \$1 million for additional insurance policy filing review, categorization of new insurance policy filings, and annual reporting.

The DMHC estimates first-year costs to be \$1,840,000 and 5.7 positions to promulgate new regulations, coordinate activities with DOI, develop initial guidelines, and conduct initial reviews of plan exhibits as part of compliance filings to ensure all plans make the necessary modifications. Ongoing costs are estimated to be approximately \$360,000 and 3.6 positions.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code
	LA	(Dollars in Thousands)								
	CO RV	PROP 98	FC	2009-2010 FC	FC	2010-2011 FC	FC	2011-2012 FC		
2400/MngedHltCare	SO	No	C	\$1,838	C	\$362	C	\$362	0933	
0845/Insurance	SO	No	C	\$510	C	\$1,022	C	\$1,022	0217	
<u>Fund Code</u>	<u>Title</u>									
0217	Insurance Fund									
0933	Managed Care Fund									