California Insurance Legislation

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California enacted legislation affecting group health plans. Generally, these requirements apply if the employer purchases health coverage from a health plan or health insurer regulated by California (generally, insured health plan coverage). Self-insured health plans subject to ERISA and policies written in other states (and not regulated by California) are not subject to these requirements. Discuss with carriers for further information.

Unless otherwise noted, these requirements were effective January 1, 2016.

Minimum Value Plans (AB 248)

California prohibits insurance carriers from offering, amending or renewing a large group non-grandfathered health plan that does not meet at least 60% minimum value. This requirement does not apply to grandfathered plans and limited wrap around coverage.

For a copy of the legislation, visit:

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB248.

Cost Sharing Requirements (AB 1305)

California aligns state insurance rules to mirror federal requirements under the Affordable Care Act ("ACA") with respect to maximum out-of-pocket spending on essential health benefits ("EHBs"). Specifically, for plan years beginning on or after January 1, 2016, cost sharing limits must not exceed $13,700 for family coverage and such coverage must include an individual out-of-pocket limit of no more than $6,850.

California goes even further than the requirements under the ACA and imposes requirements on health plan deductibles.

- **Small group (1-100 employees) -** For plan years beginning on or after January 1, 2016, insured small employer group health plans in California must embed an individual deductible in the family coverage that is not greater than the limit for individual coverage. For example, a small group health plan has a $1,000 deductible for self-only coverage and a $2,000 deductible for family coverage. The family coverage must include an individual deductible of $1,000 so that once an individual incurs claims to reach the

$1,000 individual deductible in the family coverage that individual's benefits are paid according to the terms of plan even though the family deductible of $2,000 is not fully satisfied. Carriers may apply for a one-year delay in the effective date.

- **Large group (101 or more employees) -** This same requirement will take effect for large group insurance contracts on January 1, 2017.

With respect to qualified High Deductible Health Plans ("HDHP"), carriers must take care to appropriately align state requirements with federal rules governing HDHPs. California generally prohibits deductibles in the small group health plan market that exceed $2,000 for single coverage and $4,000 for family coverage. Effective January 1, 2016, the indexing factor for these thresholds has changed. Specifically, a health plan that includes an embedded individual deductible in family coverage that is below the minimum family deductible required for qualified HDHP coverage ($2,600 for 2016) is not HSA qualified. The law requires the carrier to use the greater of the family HDHP minimum deductible or the deductible for individual coverage under the plan contract. Presumably, this will create a mechanism for carriers to continue to offer HSA-compatible health plans.

For a copy of the legislation, visit:

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB1305.