

AB248 Health Insurance Minimum Value (R. Hernández) “Junk” Health Insurance Has No Place in California

[AB248](#) protects California workers by holding health insurance sold to large employers to a minimum standard in terms of value. Federal and state law already hold insurance sold to small employers and individuals to a basic standard (60% actuarial value), but insurers are free to sell large employers “junk” plans. When large employers offer such plans employees are stuck between a rock and hard place: with unmanageable costs for benefits that are not covered or thousands of dollars in out-of-pocket costs.

Here’s the rub: if an employee accepts an employer’s coverage, even if it is subminimum coverage, the employee is automatically ineligible for premium subsidies through Covered California—and the employer gets off the hook on the employer responsibility penalty.

The Need for AB248

The Affordable Care Act’s employer responsibility requirement, now in effect, applies to large employers whose full-time, non-seasonal employees obtain subsidized coverage through an exchange. But current federal guidance leaves a loophole allowing large employers to sidestep this requirement entirely by offering subminimum coverage. This is a problem...

- **For low-wage employees** who cannot afford to pay the cost of doctors, hospitals or prescription drugs. All it takes is one diagnosis to be saddled with medical debt or bankruptcy. When care is not affordable, people simply go without medically necessary (and cost effective) care.¹
- **For the rest of the community** who pay more for their care or coverage to reflect the cost of uncompensated care. Safety net hospitals already have enough bad debt, making it difficult for them to serve the local community. **For large and small businesses** who *do* offer benefits that are at least as good as the minimum standard, there is a cost and for them an issue of fairness. They are doing the right thing by offering decent benefits to their employees, but they do not have a level playing field with large employers offering substandard coverage to typically low wage employees.
- **For Covered California and all who benefit from the ACA in California.** Substandard plans undermine the goals of reform and the delicate dynamics of the state’s new marketplaces for reform. It is in the state’s overall and economic best interest to make sure the ACA works in California. Individuals covered by limited benefit plans tend to be younger and healthier than the rest of the population, and this is why they should be part of the risk pools if they can be.
- **For taxpayers**, too, who foot the bill for those covered by Medi-Cal.

The Bottom Line

Where the ACA falls short, as it does on employer responsibility requirements, California has proven it can improve on the ACA. Employer responsibility is foundational to the success of the Affordable Care Act—but this responsibility needs to be shared by employers, large and small. That is the purpose of AB248.

Frequently Asked Questions

Didn't Covered California already address junk benefit plans?

Not yet: Health Access has asked Covered California to assert its active purchaser power on this issue, but our proposal is still under consideration. AB248 goes deeper and applies to the marketplace as a whole—to insurers inside and outside Covered California, including health plans and insurers that don't contract with Covered California —thus leveling the playing field for insurers who do the right thing by offering decent benefits to large employers for their workers.

Are large employers offering or tempted to offer limited benefit plans?

Apparently so. Recent power point presentations by United Healthcare clearly offer employer guidance on how to avoid ACA employer penalties by offering “junk” or subminimum plans.ⁱⁱ The consultant openly promotes junk plans as allowable thanks to the current loophole in federal law. Another employer in the Central Valley is offering an even more junky plan, one that covers “diabetes counseling”, “eye exams” and immunizations but not doctors, hospitals or prescriptions.

Call to Action

This campaign is about to move very fast. Please help build the groundswell of support for AB248. Here's what you can do now:

1. [Share stories](#) describing the need for SB248. The best stories will feature:
 - Low-income employees who are barred from using premium subsidies on Covered California.
 - Low-income workers who find that their junk benefits don't cover the care they need at a cost they can afford.
 - Small business owners who offer decent coverage but are having trouble competing with large employers who do not.

If you have a story, please call (916) 497-0923 or email: jhilman@health-access.org.

2. Write a letter to your legislator.
3. If part of an organization, write a letter of support addressed to Assembly Member Roger Hernández.

ⁱ http://archive.ahrq.gov/chip/text/content/cost_sharing/effect-copayments.htm

ⁱⁱ <http://board.coveredca.com/meetings/2015/1-15/Innovative%20MEC.pdf>.

<http://board.coveredca.com/meetings/2015/1-15/Innovative%20Solutions%20for%20MEC.pdf>