



University of California
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May 27, 2015

Assemblymember Rob Bonta
Chair, Assembly Committee on Health
California State Assembly
Sacramento, CA

Via email only: Kelly.Green@asm.ca.gov

Dear Assemblymember Bonta:

The California Health Benefits Review Program (CHBRP)¹ is pleased to provide the Assembly Health Committee with a qualitative analysis of May 5, 2015 amendments to AB 1305 (Bonta) on cost sharing limitations.

In our original analysis of AB 1305, CHBRP assumed that health insurers would set deductible levels for both self-only and families at the minimum level required for *family* HDHPs: \$2,600 in order to ensure that these products remained HDHP-compliant per IRS rules. Because AB 1305 requires the per-person embedded deductible to be equivalent to the self-only deductible – in essence linking the two – the self-only deductible would also be \$2,600, whereas without AB 1305, self-only HDHP coverage deductibles are compliant at \$1,300.

Amendments to AB 1305 would delink the deductible levels for family and single HDHPs, allowing deductibles for single coverage to remain at the HDHP-compliant \$1,300 level. For family HDHPs, deductibles would be the IRS minimum (\$2,600 in 2015) or the equivalent of the per-person deductible, whichever is higher. The result is that AB 1305 would allow a single person with single coverage to have a lower deductible than a single person with family coverage.

CHBRP is unable to provide an updated quantitative estimate for AB 1305 because health insurance carriers previously indicated to CHBRP that they were unable to discern which enrollees have self-only coverage and which enrollees have family coverage. As a consequence, CHBRP is also unable to de-couple premium and out-of-pocket expenses related to single coverage and family coverage. In lieu of the quantitative analysis, CHBRP is providing the following information based on our knowledge of the insurance market.

The effects of the amended AB 1305 on total expenditures could play out in two opposing ways, depending on how health insurance carriers respond to the bill:

- **Total Expenditures Could Increase:** Per-person deductibles for family coverage, as required by AB 1305, would result in more generous coverage because enrollees with family coverage would be meeting a lower deductible than previously. This would result in an increase in overall expenditures that would be spread through the entire enrollee population with slightly higher premiums. However, enrollees with family coverage would experience a decrease in out-of-

¹CHBRP, established by the California Health and Safety Code, Section 127660-127665, at the University of California, responds to requests from the State Legislature to provide independent analyses of the medical effectiveness, financial impacts, and public health impacts of proposed health insurance benefit mandates and repeals.

pocket costs. (Deductible levels for self-only HDHPs could remain at premandate levels, eg. \$1,300, and not be required to meet the federal minimum of \$2,600).

- **Total Expenditures Could Decrease:** Health insurers may choose to maintain the typical 1:2 ratio between the per-person deductible and the family deductible, even though AB 1305 allows HDHPs for single coverage to be different than the per-person deductible within family coverage. Therefore, rather than \$1,300, self-only deductibles would match the family per-person deductible minimum of at least \$2,600. This result would mirror CHBRP's original analysis, where total expenditures decreased.

Please feel free to contact CHBRP with any additional questions.

Sincerely,



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