

Health Care Affordability

Coverage Mandates Increase Health Care Coverage Costs

Health care coverage affordability is a concern that plagues most, if not all, Californians. Many state residents are enrolled in an employer-sponsored health plan, meaning annual premium increases are of the utmost concern. The causes of premium increases, as well as the cost of overall health care is likely to be a component of legislation backed by health care advocates in the upcoming legislative session.

HEALTH CARE COVERAGE PREMIUMS ARE BURDENSOME

According to the California Health Care Foundation (CHCF), in 2020, California health insurers covered 33.8 million enrollees — 28.2 million were enrolled in commercial coverage or public managed care, and 5.6 million were enrolled through administrative services only (ASO) arrangements for self-insured employers. Commercial enrollment consists of small group, large group, and individual enrollment.

Furthermore, CHCF's 2020 survey found that the average monthly health insurance premium in California, including the employer contribution, was \$653 for single coverage and \$1,717 for family coverage. The average annual premiums were \$7,838 for single coverage and \$20,602 for family coverage.

GOVERNMENT-IMPOSED COVERAGE MANDATES CAUSE PREMIUMS TO INCREASE

When health plans and insurers are required to cover new services or to waive or limit cost-sharing requirements for certain services, premiums for all enrollees and purchasers go up. This is true even though only some enrollees will utilize the mandated product or services, or benefit from the reduction in cost-sharing. This legislated coverage is known as a mandate.

According to the California Health Benefits Review Program (CHBRP), the California Legislature introduced 18

bills in 2022 that, if signed into law, would have increased California employer premiums by \$831.397 million. From a premium impact perspective, the largest mandate in 2022 was AB 2029 (Wicks; D-Oakland), which would have increased employer premiums \$497.821 million. This bill intended to mandate health plans and insurers to cover in vitro fertilization treatment. Additionally, the cost impact of AB 1400 (Klara; D-San Jose) — an attempt to create a state government-run, single-payer health care system ([see Single-Payer Business Issue article](#) on page 29) — was not included in the CHBRP figure but would have cost employers at least \$200 billion annually while upending the entire health care model.

When looking at many of the coverage mandates in isolation, their cost implications may seem tolerable; that is, a single mandate may increase premiums by only a nominal amount. As the CHBRP analysis illustrated, however, if all coverage mandates proposed in 2022 had gone into effect, state legislators would have been responsible for increasing state employer premiums by nearly \$1 billion — not including the cost of AB 1400.

GOVERNMENT MANDATES LARGELY UNNECESSARY

The Affordable Care Act requires nongrandfathered health plans in the individual and small group markets to cover essential health benefits (EHB) in 10 separate categories, which include: (1) ambulatory patient services; (2) emergency services; (3) hospitalization; (4) maternity and newborn care; (5) mental health and substance use disorder services, including behavioral health treatment; (6) prescription drugs; (7) rehabilitative and habilitative services and devices; (8) laboratory services; (9) preventive and wellness services and chronic disease management; and (10) pediatric services, including oral and vision care.

The EHB requirement does not extend to large group and self-insured plans; those plans, however, offer comprehensive coverage that can exceed EHB requirements. If a large group or self-funded plan covers any specific category of EHBs, then that plan cannot place an annual or lifetime dollar limit on

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that type of coverage. In addition, a state cannot mandate how a self-insured plan is administered because these plans are regulated at the federal level by the Employee Retirement Income Security Act (ERISA).

Small and large group health care plans offer a breadth and scope of coverage that extends to a vast majority of care settings and treatment situations. Benefit design and enrollment choices made by employers should be respected and remain unfringed. Although new mandates for health care services usually are intended to address a perceived shortcoming in access to a particular service, the mandates wind up

increasing health care costs for all enrollees even though only some will utilize the expensive new service.

CALCHAMBER POSITION

Californians need to have access to affordable, quality health care. If affordability is the goal of the California Legislature, they should avoid mandating new, expensive coverage. The California Chamber of Commerce will continue to oppose these mandates while supporting legislation and regulatory action that allows health plans to offer a variety of benefit design options to employers for their employees.



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