BACKGROUND

Problem. In late 2017, the federal Tax Cuts and Jobs Act set the penalty associated with the individual shared responsibility requirement of the Patient Protection and Affordable Care Act (ACA, also known as the individual mandate) to zero beginning in 2019. Some analyses, including the Congressional Budget Office (CBO), conclude that the individual mandate substantially increased insurance coverage and, correspondingly, that the zero-dollar penalty will substantially reduce coverage. The CBO estimated that nationally, the zero-dollar penalty will cause average premiums in the individual market to be about 10% higher than they would have been with the mandate in most years of the decade. Researchers publishing in Health Affairs estimated that California, specifically, could see a 4% to 7% premium increase due to the zero-dollar penalty.

According to Covered California, although the consequences of this federal action within each state will vary based on a variety of factors (including the health of the state’s risk pool, carrier competition, and the strength of marketing and outreach efforts), reduced enrollment in the individual market will have direct consequences, primarily in the form of higher premiums and a sicker, costlier population. Enrollment in Covered California is expected to suffer as a direct outcome of the zero-dollar penalty, although the full impact will take months or even years to fully assess. Researchers as the University of California (UC) project 150,000 to 450,000 more Californians will be uninsured in the year 2020 because of the zero-dollar penalty. In total, approximately 1.2 million Californians will be eligible for individual market coverage but will remain or become uninsured in 2020.

In 2023, the number of uninsured is expected to grow to an additional 490,000 to 790,000, compared to the projected number for 2023 had the penalty been maintained. The most substantial enrollment changes will occur in the individual market, where enrollment is projected to decline by 10.1% in 2020 and 14.4% in 2023.

UC researchers estimate that by 2020, approximately 530,000 subsidy-eligible individuals will be uninsured with 70%, or 370,000, having an income between 201 and 400% of the federal poverty level (FPL). An additional 500,000 individuals with an income above 400% FPL but eligible to purchase coverage in the individual market will also be without coverage. In conjunction with the zero-dollar penalty, rising costs, affordability concerns, and lack of knowledge of subsidies act as deterrents to enrollment.

Enrollment in Covered California is expected to suffer as a direct outcome of the zero-dollar penalty, although the full impact will take months or even years to fully assess. Researchers as the University of California (UC) project 150,000 to 450,000 more Californians will be uninsured in the year 2020 because of the zero-dollar penalty. In total, approximately 1.2 million Californians will be eligible for individual market coverage but will remain or become uninsured in 2020.

In 2023, the number of uninsured is expected to grow to an additional 490,000 to 790,000, compared to the projected number for 2023 had the penalty been maintained. The most substantial enrollment changes will occur in the individual market, where enrollment is projected to decline by 10.1% in 2020 and 14.4% in 2023.

UC researchers estimate that by 2020, approximately 530,000 subsidy-eligible individuals will be uninsured with 70%, or 370,000, having an income between 201 and 400% of the federal poverty level (FPL). An additional 500,000 individuals with an income above 400% FPL but eligible to purchase coverage in the individual market will also be without coverage. In conjunction with the zero-dollar penalty, rising costs, affordability concerns, and lack of knowledge of subsidies act as deterrents to enrollment.

4 https://hbex.coveredca.com/data-research/library/CoveredCA_Options_To_Improve_Affordability.pdf
5 http://laborcenter.berkeley.edu/ca-coverage-gains-to-erode-without-further-state-action/
6 A person must be a citizen or lawfully present, must have qualifying income (at or below 400% of the federal poverty level (FPL), which is approximately $48,560 for a single individual and $100,400 for a family of four in 2019), and not be eligible for government programs or have affordable coverage through an employer (which is considered affordable if the premium for the employee only, not including dependents, is less than 9.86% of the employee’s household income for 2019).
Federal Individual Shared Responsibility Provision. The ACA’s individual mandate requires that individuals maintain “minimum essential coverage” or pay a penalty for noncompliance. Exemptions from the individual mandate are granted for a variety of reasons related to income, affordability of coverage, and federally defined hardship. The penalty for not maintaining minimum essential coverage is either a flat dollar amount or a percentage of household income above the annual tax-filing threshold, whichever is greater. For example, the values for the 2018 tax year are $695 per adult and $347.50 per child under 18 (up to a maximum of $2,085 per family) or 2.5% of household income above the tax-filing threshold.

The federal scale back of the individual mandate penalty payment is prompting some states to enact a state mandate to keep healthcare affordable.

Governor’s Proposals. As part of the 2019-20 Governor’s Budget, Governor Newsom proposes two policies that impact the individual health insurance market. First, the Governor proposes to create a state individual mandate with a penalty. Second, the Governor proposes to use revenues generated by the state individual mandate penalty to increase insurance subsidies for households purchasing coverage on Covered California.

BILL SUMMARY

This bill establishes requirements for California residents, including any dependents, to maintain minimum essential coverage. This bill requires Covered California to determine the penalty payment, if any, and requires the Franchise Tax Board to collect the penalty.

This bill is substantially similar to SB 175 (Pan), introduced on January 28, 2019.

STATUS

Introduced on February 7, 2019.

FOR MORE INFORMATION

Contact:

Viviana Becerra (916) 319-2018
Assemblymember Rob Bonta

Kristene Mapile (916) 319-2097
Assembly Health Committee

---


8 Any health insurance plan that meets the ACA requirement for having health coverage.