

# CALIFORNIA ADVOCATES, INC.



April 24, 2015

The Honorable Rob Bonta  
Chair, Assembly Health Committee  
State Capitol, Room 6005  
Sacramento, CA 95814

*Michael D. Belote*

*Dennis K. Albiani*

*Julianne A. Broyles*

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*John F. O'Malley*

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**SUBJECT: AB 1305 (BONTA)--LIMITATIONS ON COST SHARING:  
FAMILY COVERAGE - OPPOSE  
ASSEMBLY HEALTH COMMITTEE  
HEARING: APRIL 28, 2015**

Dear Chairman Bonta:

The California Association of Health Underwriters regrets we must respectfully **OPPOSE** your **AB 1305**, as introduced, that will lead to higher group premium costs for employers and employees by reducing maximum out-of-pocket limits and deductibles for individuals enrolled in family coverage.

Annual out-of-pocket maximums are limits on an enrollee's cost-sharing (copayments, coinsurance, and deductibles) obligations in a 1-year period. The Affordable Care Act (ACA) established an annual out-of-pocket maximum for all non-grandfathered plans. In 2015, the annual out-of-pocket maximum allowed under the ACA is \$6,600 for self-only coverage and \$13,200 for family coverage. Once a family spends \$13,200 on out-of-pocket expenses, including its deductible, their health insurer must pay one hundred percent of all health care costs incurred by family members for the rest of the year. It is important to note all small-group coverage in California is already subject to a deductible limit set at \$2,000 for self-only coverage, \$4,000 for family coverage, unlike the individual and large group (employers with 50 or more employees) non-grandfathered plans.

**AB 1305** imposes two new limitations on cost-sharing requirements for family coverage. First, it imposes an individual maximum out-of-pocket limit for each family member on top of the existing maximum out-of-pocket limit for the family as a whole. **AB 1305** would instead require a plan to cover 100% of an individual family member's care once the family has spent \$6600 for that individual's care, even if the \$13,200 family limit has not yet been reached.

Second, **AB 1305** imposes a limit on deductibles for individual family members separate from any comprehensive family deductible. As written, once an individual family member has met his or her individual deductible, an insurer would have start covering a portion of his or her care even if the family, as a whole, has not met its comprehensive deductible.

CAHU knows the intention behind **AB 1305** is well-intended. However capping costs on one type of deductible just shifts the costs onto other payers in the health care system. There is no doubt that health care is a high cost item in any budget, whether for an individual, a family or an employer. The problem, from CAHU's viewpoint, is that **AB 1305** does not do anything to make the overall health care delivery system more cost efficient or affordable. That is why CAHU is supporting other legislation currently moving through the Legislature to compile and report on the cost of the actual delivery medical care. These bills will ensure future policy can be based on solid data, rather than a proposed cost shift within the existing system without addressing the real system cost drivers.

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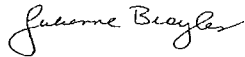
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The Honorable Rob Bonta  
**AB 1305 (BONTA) - OPPOSE**  
April 24, 2015  
Page 2

The California Association of Health Underwriters is the state's largest association of health insurance agents, brokers and other health insurance industry professionals. Our members help millions of individual Californians and businesses evaluate, select, purchase and use their health care coverage plans, resulting in greater health and financial security. CAHU agents and brokers also act as advocates for policyholders and their families when coverage disputes arise. CAHU agents and brokers also perform many functions for small employers with respect to managing their employee benefits program--at no additional cost to the small employer.

For these reasons, CAHU must **OPPOSE AB 1305 (Bonta)**. We are available to discuss our concerns with you and your staff at your convenience.

Sincerely,



Julianne Broyles  
On Behalf of California Association of Health Underwriters

cc: Members, Assembly Health Committee  
Kelly Green, Assembly Health Committee  
Peter Anderson, Assembly Republican Caucus