

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 4150	Department Department of Managed Health Care	Priority No. 4
Budget Request Name 4150-103-BCP-BR-2016-GB		Program 3870-Health Plan Program	Subprogram

Budget Request Description
 Limitations on Cost Sharing: Family Coverage (AB 1305)

Budget Request Summary

The Department of Managed Health Care (DMHC) requests limited-term expenditure authority of \$196,000 for FY 2016-17 and \$188,000 for FY 2017-18 to meet the Department's operational needs to implement AB 1305 (Chapter 641, Statutes of 2015).

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Jennifer Clark, CFO	Date January 4, 2016	Reviewed By <i>Amanda McGehee</i>	Date 1-4-2016
<i>J. Clark</i> Department Director	Date 1/4/2016	Agency Secretary <i>Gene</i>	Date 1-6-16

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA <i>Joy N. Patel</i>	Date submitted to the Legislature JAN 07 2016
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Analysis of Problem

A. Budget Request Summary

The DMHC requests limited-term expenditure authority of \$196,000 for FY 2016-17 and \$188,000 for FY 2017-18 to meet the Department's operational needs to implement AB 1305 (Chapter 641, Statutes of 2015).

B. Background/History

Resource History (Dollars in thousands)

Program Budget	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15
Authorized Expenditures	There are no AB 1305 authorized expenditures to date.				
Actual Expenditures					
Revenues					
Authorized Positions					
Filled Positions					
Vacancies					

Workload History

Workload Measure	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
N/A						

The DMHC regulates health plans under the provisions of the Knox Keene Health Care Service Plan Act of 1975, as amended (Knox Keene Act). As enacted by SB 639 (Chapter 316, Statutes of 2013), the Knox Keene Act requires non-grandfathered health plan contracts issued on or after January 1, 2015 in the small group market to include the annual out-of-pocket limit on Essential Health Benefits (EHB) described in the Affordable Care Act (ACA) and subsequent rules, regulations, or guidance. The Knox Keene Act also aligns the out-of-pocket cost limit for covered benefits that are EHB to this federal limit for non-grandfathered health plan contracts issued on or after January 1, 2015, in the large group market, to the extent that this limit does not conflict with federal law or guidance.

AB 1305 amends Health and Safety Code Sections 1367.006 and 1367.007, making two changes to existing law. First, for non-grandfathered family coverage, AB 1305 prohibits a health plan from imposing a maximum out-of-pocket limit for an individual within a family that is greater than the maximum out-of-pocket limit for individual coverage for that product. This provision aligns with and exceeds federal requirements.

AB 1305 also requires that if a non-grandfathered health plan contract for family coverage includes a deductible, an individual within a family shall not have a deductible that is greater than the deductible for individual coverage for that product, except for a high deductible health plan (HDHP). The requirement would apply to non-grandfathered family coverage in the small group market beginning January 1, 2016, and in the large group market beginning January 1, 2017. This provision eliminates health plan contracts with aggregated family deductibles, in which an individual with a family HDHP must meet the family deductible before the plan covers any services, other than preventive services, for that individual.

In the case of HDHPs, the bill includes an exception to allow individuals to continue to qualify for Health Savings Accounts (HSA). Under federal law, an individual may qualify for an HSA only if the individual is covered under an HDHP. A family HDHP is an HDHP covering an eligible individual and at least one other individual. As explained in Internal Revenue Service (IRS) Publication 969, if either the deductible for the family as a whole or the deductible for an individual family member is less than the minimum annual deductible for family coverage, the plan does not qualify as an HDHP. For calendar year 2015, the minimum annual deductible is \$1,300 for self-only coverage and \$2,600 for family coverage. Thus, in 2015, a family HDHP must have an individual deductible of at least \$2,600 or the plan does not qualify as an HDHP. (Specific deductible amounts change in subsequent years.) A

Analysis of Problem

family HDHP with an individual deductible below \$2,600 would cause individuals to lose HSA tax savings.

Accordingly, AB 1305 provides that, in the case of a health plan contract meeting the federal definition of an HDHP, the deductible shall be the greater of either of the following: 1) the deductible for individual coverage under the plan contract, or 2) the amount required under federal law to qualify for an HSA, as updated by the IRS annually as indexed for inflation. This language prevents, in the case of a family HDHP, the individual deductible from being lower than the amount required under federal law for an individual to qualify for an HSA.

C. State Level Considerations

According to information published in July 2014 by America's Health Insurance Plans, only 2.9 percent of individuals in California with private coverage had an HSA-qualified HDHP.

AB 1305 is unlikely to have a significant impact on another state department.

D. Justification

The DMHC licenses and regulates health plans that provide full-service and specialty services to more than 25 million Californians. To meet its' mission of protecting consumer health care rights and ensuring a stable health care delivery system, the DMHC resolves grievances; conducts onsite medical surveys and financial exams; and reviews and approves plan contracts, disclosures, and vendor arrangements.

The Office of Legal Services (OLS) conducts legislative and legal analyses for the DMHC; leads rulemaking activities, including pre-notice stakeholder engagement, research and analysis, drafts regulatory language, conducts public hearings, responds to comments, and files regulation package(s) with the Office of Administrative Law; and responds to Public Records Act and Information Practices Act requests. To address the workload resulting from AB 1305, OLS requests limited-term expenditure authority to perform short-term work from July 1, 2016, through June 30, 2018. These resources will be used to review and process legal questions related to AB 1305. Reviewing legal questions encompasses all tasks necessary to compose the final determination and presenting the information to impacted or requesting divisions, including the drafting/filing of legal memoranda. These resources will also allow the DMHC to develop and promulgate a regulation package to implement the new provisions contained in the bill.

E. Outcomes and Accountability

This proposal is intended to provide the resources necessary to ensure the DMHC can address the increased workload resulting from the passage of AB 1305.

Projected Outcomes

Workload Measure	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Conduct legal research and policy analysis. Includes reviewing legal questions, gathering data and supporting documentation, staff coordination, reviewing applicable law, gathering legal references, crafting position, drafting memos, briefing management, and presenting final determination to impacted staff.	0	4	4	0	0	0
Promulgation of one regulation package. Includes conducting stakeholder meetings, capturing feedback, research and analyze policy concerns, draft proposed regulation, draft APA	0	0	1	0	0	0

Analysis of Problem

documents, hold public hearings, summarize comments, analyze and respond to comments, and process regulation through formal rulemaking process.						
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F. Analysis of All Feasible Alternatives

Alternative 1: Approve DMHC's request for limited-term expenditure authority of \$196,000 for FY 2016-17 and \$188,000 for FY 2017-18 to meet the Department's operational needs to implement AB 1305 (Chapter 641, Statutes of 2015).

Pros:

- The Department will have the necessary resources to implement the provisions of AB 1305.

Cons:

- Increases State expenditures.

Alternative 2: Approve the request at a lower level. Less funding would result in the redirection of staff resources in order to accomplish the necessary tasks/activities associated with AB 1305.

Pros:

- Provides minimal resources to meet all the provisions of AB 1305.

Cons:

- Increases State expenditures.
- Less expenditure authority would result in the redirection of current staff resources to perform the new short-term workload associated with AB 1305. However, DMHC staff is already at capacity and this would add to existing backlogs in other areas.

Alternative 3: Deny the request in which case DMHC will have to redirect existing resources in entirety.

Pros:

- Does not increase State expenditures.

Cons:

- The Department may not fulfill all requirements mandated by AB 1305.
- Will create a backlog of work in other areas of the Department's responsibilities.

G. Implementation Plan

Beginning July 1, 2016, the DMHC will use the approved resources to complete the activities described in this proposal.

H. Supplemental Information

This request will be funded through annual assessments of the health plans that are regulated by the DMHC. The fiscal impact of this request to full service health plans is less than \$0.01 per enrollee.

I. Recommendation

Alternative 1: Approve DMHC's request for limited-term expenditure authority of \$196,000 for FY 2016-17 and \$188,000 for FY 2017-18 to meet the Department's operational needs to implement AB 1305 (Chapter 641, Statutes of 2015).

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BCP Fiscal Detail Sheet

BCP Title: Limitations on Cost Sharing: Family Coverage (AB 1305)

DP Name: 4150-103-BCP-DP-2016-GB

Budget Request Summary

FY16

	CY	BY	BY+1	BY+2	BY+3	BY+4
Salaries and Wages						
Earnings - Temporary Help	0	110	110	0	0	0
Total Salaries and Wages	\$0	\$110	\$110	\$0	\$0	\$0
Total Staff Benefits	0	54	54	0	0	0
Total Personal Services	\$0	\$164	\$164	\$0	\$0	\$0
Operating Expenses and Equipment						
5301 - General Expense	0	10	2	0	0	0
5302 - Printing	0	1	1	0	0	0
5304 - Communications	0	1	1	0	0	0
5320 - Travel: In-State	0	10	10	0	0	0
5322 - Training	0	1	1	0	0	0
5324 - Facilities Operation	0	9	9	0	0	0
Total Operating Expenses and Equipment	\$0	\$32	\$24	\$0	\$0	\$0
Total Budget Request	\$0	\$196	\$188	\$0	\$0	\$0
Fund Summary						
Fund Source - State Operations						
0933 - Managed Care Fund	0	196	188	0	0	0
Total State Operations Expenditures	\$0	\$196	\$188	\$0	\$0	\$0
Total All Funds	\$0	\$196	\$188	\$0	\$0	\$0
Program Summary						
Program Funding						
3870 - Health Plan Program	0	196	188	0	0	0
Total All Programs	\$0	\$196	\$188	\$0	\$0	\$0

Personal Services Details

Salaries and Wages

	CY	BY	BY+1	BY+2	BY+3	BY+4
TH00 - Temporary Help (Eff. 07-01-2016)(LT 06-30-2018)	0	110	110	0	0	0
Total Salaries and Wages	\$0	\$110	\$110	\$0	\$0	\$0

Staff Benefits

5150350 - Health Insurance	0	18	18	0	0	0
5150500 - OASDI	0	8	8	0	0	0
5150600 - Retirement - General	0	28	28	0	0	0
Total Staff Benefits	\$0	\$54	\$54	\$0	\$0	\$0
Total Personal Services	\$0	\$164	\$164	\$0	\$0	\$0