

Covered California

In 2010 California created the first Affordable Insurance Marketplace, called Covered California. Starting in 2014 Covered California will help individuals and small businesses to compare health plans, get answers to questions, find out if they are eligible for tax credits for private insurance or health programs and enroll in a health plan that meets their needs. For small employers, Covered California aims to level the playing field and offer better choices at lower costs.

Covered California makes health care easier and faster

Covered California has two separate programs: the Individual Marketplace and the Small Business Health Options Program (SHOP). Think of the SHOP as a hub that aggregates plans and acts as your advocate and negotiator with insurance companies. It organizes qualified health plans, gets information on their prices and benefits, enrolls your employees and consolidates billing. Employers choose how much of the share of the premium to pay and can offer plans from several insurance companies while receiving a single bill and writing a single check.

In 2014 the SHOP will serve businesses with 2-50 employees and potentially up to 100 employees, depending on actions by the Legislature. In 2017 all employers with 100 or fewer employees may join. States may allow businesses with more than 100 employees to participate after 2017.

More Advantages of Covered California:

- It will qualify health plans offering coverage through it – (certifying, recertifying and decertifying).
- It will rate each plan offered through it on the basis of relative quality and price.
- It will standardize consumer information on qualified health plans.
- It will provide an electronic calculator so businesses can determine the cost of coverage after applying for premium tax credits and cost-sharing reductions.
- It will operate a website and toll-free telephone hotline so businesses can compare information on qualified health plans and can apply for and purchase coverage.

Why it's Better

How the SHOP serves small businesses

Purchasing Power

Small businesses will be able to band together to create a large purchasing pool that gives small business owners the same clout and protections that large employers have enjoyed for decades.

Apples to Apples

For the first time, employers can compare plans side by side or “apples to apples.”

- **Administrative Streamlining Lightens the Load**

Most small businesses do not have human resources departments or easy access to critical information on health care costs or options. Covered California streamlines the health care benefit management processes and insurance options through a simple and concise web portal.

- **More Choice, More Flexibility**

Instead of just PPO or HMO options, employers who participate in Covered California may be able to offer their employees a choice from all plans offered (see below)

- **Bottom Line Protection, Guaranteed**

Covered California aims to help California's small businesses curtail runaway health care costs by:

- Offering tax credits up to 50 percent of employer's contribution to health coverage for eligible businesses.
- Hosting competition among health care plans to drive down costs.
- Requiring plans to spend at least 85 percent of insurance premium dollars for large group plans and 80 percent for small employer and individual plans on care rather than administration.
- Allowing employees to pay more if they opt for a more comprehensive plan.
- Keeping employees healthier – reducing absenteeism, improving productivity and cutting businesses' health care costs.

How it Works

The Coverage Is Better

The health care law established broad benefit categories of typical coverage, including ambulatory patient services, emergency services, maternity and newborn care, mental health services, prescription drugs, preventive and wellness services and many more. The State of California will be working with the U.S. Department of Health and Human Services to determine the specifics of these “essential benefits” in 2013.

The Decision Process Is Easier With Four Coverage Values

Covered California will provide a choice of four levels of coverage, each offering essential minimum benefits mentioned above. The employer will decide what level of coverage to offer, and employees may pick any plan offered within the exchange at that level. The four levels are based on the specified percentage of costs the plan will cover:

- Bronze – 60 percent of the benefit costs of the plan covered. This represents minimum affordable coverage.
- Silver – 70 percent of the benefit costs of the plan covered.
- Gold – 80 percent of the benefit costs of the plan covered.
- Platinum – 90 percent of the benefit costs of the plan covered

Participating plans in Covered California must offer at least one plan in all four categories.

All of these coverage levels will also limit cost-sharing:

- Out-of-pocket costs can't exceed Health Spending Account (HSA) limits.
- Annual deductibles are limited to \$2,000 for individuals and \$4,000 for families in the small group market.
- No cost-sharing for preventive services.
- No annual or lifetime caps on the dollar value of services.

When it Takes Effect

Timeline for Implementing Covered California

- 2010: California adopted AB 900 and SB 1602 to create Covered California.
- 2011: The Covered California board was created to include two members appointed by the governor; one by the Senate Rules Committee; and one by the speaker of the Assembly.
 - The Secretary of the Health and Human Services Agency or another designee serves as an ex-officio voting member of the board.
 - Appointed members serve four year terms.
- 2013: The U.S. Department of Health and Human Services (HHS) certifies that individual states are prepared to run exchanges – otherwise, HHS will run them.
- 2014: The state exchanges open on Jan. 1, at the same time as many other provisions in the law take effect.

Buying from Covered California will not be mandatory, but “off-exchange plans” will be subject to most of the same requirements as plans sold through Covered California, and employers may prefer the comparison tools and administrative services of Covered California.