

**SB 2**  
**Mandatory Health Insurance**  
**Effective 1/1/06 Employers with 200+ Employees**  
**Effective 1/1/07 Employers with 50 – 199 Employees**

Employers with less than 50 employees are exempt from this law.

Any new employer or existing employer that previously was not subject to this law shall begin complying with all applicable provisions of this part within one month of the date it became subject to the law. For example, if an employer had 45 employees and then employed 55, the employer would be required to provide health care coverage or contribute to the state program within one month of the date that 55 persons were employed.

Similarly, an employer previously subject to this law but no longer subject to the law must notify the Employment Development Department in a manner prescribed by that department within 15 days of this change before discontinuing to comply with the provisions of this law.

**Definitions**

"Dependent" means the spouse, domestic partner, minor child of a covered enrollee, or child 18 years of age and over who is dependent on the enrollee. "Dependent" does not include a dependent who is provided coverage by another employer or who is an eligible enrollee as a consequence of that dependent's employment status.

"Employee" means a person who works at least 100 hours per month for any individual employer and has worked for that employer for three months. The term includes sole proprietors or partners of a partnership, if they are actively engaged at least 100 hours per month in that business.

"Principal employer" means the employer for whom an enrollee works the greatest number of hours in any month. (It is the intent of the Legislature that workers who work on a seasonal basis, for multiple employers, or who work multiple jobs for the same employer should be afforded the opportunity to have health coverage in the same manner as those who work full-time for a single employer.

**Employers Who Do Not Provide Health Care Coverage**

The bill would require specified health benefits to be provided directly by employer-purchased health insurance programs or through the State Health Purchasing program. The bill would require the Managed Risk Medical Insurance Board to arrange health plan coverage for employers who do not provide health care coverage to employees and dependents.

Employers would be required to pay a fee for employee health coverage. Employers must contribute 80% of the program's cost and would be required to collect 20% of the cost from employees. The employer may agree to pay more than 80 percent of the fee. If an employee has wages that are less than 200% of the federal poverty guidelines for a

family of three, as specified annually by the United States Department of Health and Human Services, the applicable enrollee contribution shall not exceed 5 percent of wages and the employer would be required to contribute 95% of the costs.

The fee to be paid by each employer shall be based on the number of potential enrollees (employees), and if applicable, dependents, using the employer's own workforce on a specified date as the basis for the allocation and such other factors as may be determined in order to provide coverage that meets the standards of this law. To assist in determining the fee, each employer shall provide to the MRMI Board information as specified by the board regarding potential enrollees, and, if applicable, dependents. To the extent feasible, the board shall work with the Employment Development Department to facilitate the provision of information regarding the number of potential enrollees and dependents

If an employer fails to pay the required fee, for whatever reason, the employer shall be responsible to the fund for payment of a penalty of 200 percent of the amount of any fee that would have otherwise been paid by the employer including for the period that the enrollee and, if applicable, dependents should have received coverage but for the employer's conduct in violation of this law. A willful violation of this law is a crime. An employer's failure to collect or transmit the required contributions will not affect the employee/dependent's access to coverage.

It is unlawful for an employer to designate an employee as an independent contractor or temporary employee, reduce an employee's hours of work, or terminate and rehire an employee in order to avoid the employer's obligations under this law. An employer that violates this section of the law shall be responsible to the fund for a penalty of 200 percent of the amount of any fee that would have otherwise been paid by the employer including for the period that the employee, and, if applicable, dependents should have received coverage but for the employer's conduct in violation of this law.

An employer may not request or otherwise seek to obtain information concerning income or other eligibility requirements for public health benefit programs regarding an employee, dependent, or other family member of an employee, other than that information about the employee's employment status otherwise known to the employer. The enrolling board will make determination of any coverage provided by state agencies (such as Medicare, Healthy Families, etc.). Employees eligible for state-provided coverage will be enrolled in applicable programs where possible, utilizing the fees collected from the employer to pay for program participation.

Employers would also be required to pay an additional implementation fee to State Health Purchasing Fund. The amount (to be determined) will be collected at the same time as other fees due.

### **Employers Who Provide Health Care Coverage**

Employers who provide health care coverage directly would receive a credit against the fee. Employers who already provide health care coverage may continue with plans that comply with the law's requirements for minimum health care coverage. Minimum coverage requirements include:

- Coverage must be offered to domestic partners

- Employer payment of at least 80% of the premium. If an employee's income is less than two times the federal poverty guidelines, the employee may be required to contribute an amount not to exceed 5% of wages.. An employer may offer a second plan (such as a PPO) that requires contributions in excess of the 20% maximum for the basic health plan. In addition, an employer may require more than 20% contribution if:
  1. The coverage provided includes coverage for dependents, and
  2. The employer contributes an amount that exceeds 80% of the cost of coverage for the employee him/herself.
- Employed for at least 3 months) must be offered coverage
- Coverage must include prescription drug benefits

The MRMI Board can require eligible individuals with access to employer-based coverage to enroll themselves or their family or both in the available employer-based coverage if the board finds that enrollment in that coverage is cost-effective. In such case, the Board would reimburse an eligible individual for his or her share of premium cost under the employer-based coverage, minus any contribution that an individual would be required to pay for the state program.

### **Employer Notification Requirements**

An employer must provide information to all newly hired and existing employees regarding the availability of Medi-Cal coverage for low-and moderate-income employees, including the availability of Medi-Cal premium assistance as well as Medi-Cal coverage for persons receiving coverage through the State Health Purchasing Fund. The Employment Development Department, in consultation with the State Department of Health Services and the Managed Risk Medical Insurance Board shall develop a simple, uniform notice containing that information.