



Individual Mandate CA SB 78

California's Reinstatement of the Individual Mandate and Penalty

On June 27, 2019, California Governor Gavin Newsom signed California Senate Bill (SB) 78 into law. The law implements changes to the 2019-2020 budget and assists California in reinstating the individual mandate and penalty. SB 78 does this with a three-pronged approach.

1. This bill establishes the Minimum Essential Coverage (MEC) Individual Mandate which requires an individual who is a California resident to ensure that the individual, and any spouse or dependent of the individual, is enrolled in and maintains minimum essential coverage for each month beginning on and after January 1, 2020.
2. Allows exemptions for hardships and religious conscience reasons as determined by Covered California (The Exchange). In addition, incarcerated individuals, individuals overseas, and individuals who are not citizens or nationals of the United States are exempt from having MEC for the month they are approved.
3. Imposes an Individual Shared Responsibility Penalty (also known as the individual mandate penalty) on individuals who fail to maintain minimum essential coverage.

In addition, SB 78 works in tandem with California Assembly Bill (AB) 414, which serves to address the reporting aspect of the individual mandate penalty.

Minimum Essential Coverage

Minimum Essential Coverage means: coverage under an eligible employer-sponsored plan, including grandfathered plans and policies. "Eligible employer-sponsored plan" means a group health plan offered in connection with employment to an employee or related individuals, including a governmental plan within the meaning of Section 2791 (d)(8) of the federal Public Health Service Act (42 U.S.C. Sec. 201 et seq.) or any other plan, group health care service plan contract, or group health insurance policy offered in the small or large group market within the state.

Minimum Essential Coverage can also be:

- Coverage under the Medicare Program
- Full Scope Coverage under the Medi-Cal program
- The Medicaid program
- The CHIP program
- Refugee Medical Assistance
- The UC Student Health Insurance Plan & the UC Voluntary Dependent Plan



- Coverage under an individual health care service plan or health insurance policy.
- (Full List of Minimum Essential Coverage listed in Section 1345.5 of the Health and Safety Code)

Health insurance plans and QHPs that do not qualify as MEC are incomprehensive and act just as a supplement to a health insurance plan. These plans include, but are not limited to the following:

- Coverage only for accident or disability income insurance, or a combination of the two.
- Coverage issued as a supplement to liability insurance.
- Liability insurance, including general liability insurance and automobile liability insurance.
- Workers' compensation or similar insurance.
- Automobile medical payment insurance.
- Credit-only insurance.
- Coverage for onsite medical clinics.
- Other similar health coverage, under which benefits for medical care are secondary or incidental to other health benefits.

Individual Shared Responsibility Penalty

The Individual Shared Responsibility Penalty is a tax penalty paid by an individual or their dependents who fail to maintain MEC during any month. The penalty is similar to the federal tax penalty and is paid as part of the individual's state tax return.

The penalty is \$695 per adult and \$347.50 per child under the age of 18 or 2.5% of one's annual household income, whichever is greater. It will be effective January 1, 2020.