



## ASSEMBLYMEMBER TIM GRAYSON AB 2434: HEALTH CARE COVERAGE: MULTIPLE EMPLOYER WELFARE ARRANGEMENTS

### **Summary:**

AB 2434 permits the American Council of Engineering Companies (ACEC) Life/Health Trust (LHT) to continue offering large group health insurance policies to employees of small group employers (ACEC California member firms) beyond 2024.

### **Background:**

ACEC California represents California's engineering, land surveying, and design firms and exists in a federation with ACEC chapters in every state and under the national ACEC parent organization. Nearly 88% of ACEC membership consists of small businesses with fewer than 100 employees. In 1965, ACEC created the LHT, which provides a way for ACEC's small business members to secure high value, high quality healthcare.

The Affordable Care Act (ACA) was signed into law in 2010 and its major provisions went into effect in 2014. In 2018, the Trump Administration's Department of Labor (DOL) lessened the requirements under which an Association Health Plan (AHP) could form, allowing newly created AHPs to evade ACA consumer protections. These regulations resulted in an increase in the number of LHTs, a number of which offered coverage and engaged in practices that did not meet the ACA requirements.

In response, SB 1375 (Hernández, 2018) was signed into law, clarifying that ACA rules apply even if individuals or small employers join together in an AHP. The Department of Managed Health Care (DMHC) was additionally tasked with phasing out AHP's ability to offer healthcare coverage to small businesses in the state, of which four AHPs were granted exemptions. In 2021, two additional exemptions were signed into law for the biomedical via AB 718 (Bates, 2021) and film industries via SB 255 (Portantino, 2021).

In December 2023, DOL under the Biden Administration began a rulemaking to repeal the above Trump-era DOL regulation.

### **Problem:**

Although in existence since 1965, the LHT was not grandfathered in at the time of SB 1375 (Hernández, 2018). As such, the LHT will no longer be allowed to offer coverage to California employees of firms with under 100 employees beyond 2024. Beginning January 1, 2025, the vast majority of the over 10,000 Californians receiving their health insurance via the LHT will have to look for coverage elsewhere.

This will have a profound impact on each individual LHT enrollee's healthcare expenses – monthly premiums for those affected will rise between 20% and 128% depending on factors including firm size and risk attributes (such as the average age of each small business's employee pool). Additionally, small design firms will be put at a competitive disadvantage to large firms – which can more easily negotiate with insurers for quality coverage at an affordable rate – both when bidding on public works projects and also when attracting talent.

### **Solution:**

AB 2434 will create a specific exemption for the LHT akin to those granted in 2021, allowing the LHT to continue serving small businesses beyond 2024. The exemption will include certain guardrails, ensuring that the coverage provided to these small member firms is in line with the ACA requirements.

### **Support:**

American Council of Engineering Companies, California (ACEC California) (Sponsor)

### **Staff Contact:**

Samantha Yturralde  
[Samantha.Yturralde@asm.ca.gov](mailto:Samantha.Yturralde@asm.ca.gov)  
916-319-2015