



September 5, 2025

NOTICE OF PROPOSED RULEMAKING

CALIFORNIA CODE OF REGULATIONS, TITLE 10, CHAPTER 12, ARTICLE 6 AMEND SECTIONS 6520 and 6522

The California Health Benefit Exchange/Covered California (the Exchange) Board proposes to adopt the regulations described below after considering all comments, objections, and recommendations regarding the proposed action.

PUBLIC HEARING

The Exchange has not scheduled a public hearing on this proposed action. However, the Exchange will hold a hearing if it receives a written request for a public hearing, pursuant to Government Code Section 11346.8(a), from any interested person, or such person's duly authorized representative, no later than 15 days before the close of the written comment period.

WRITTEN COMMENT PERIOD

Any interested person, or such person's duly authorized representative, may submit written statements, arguments, or contentions (hereafter referred to as comments) relevant to the proposed regulatory action to the Exchange. The written comment period closes on **October 20, 2025**. The Exchange will consider only comments received at the Exchange's office by that time. Submit written comments to:

Jameson Mitchell
Regulations Analyst
California Health Benefit Exchange
1601 Exposition Blvd.
Sacramento, CA 95815

Comments may also be submitted by e-mail to regulations@covered.ca.gov.

AUTHORITY AND REFERENCE

Government Code Section 100504(a)(6) authorizes the California Health Benefit Exchange/Covered California (the Exchange) Board to adopt rules and regulations, as necessary. The proposed regulations implement, interpret, and make specific Title 10, California Code of Regulations, Chapter 12, Article 6, Sections 6520 and 6522. They also implement, interpret, and make specific the policies and requirements of the federal

Patient Protection and Affordable Care Act of 2010 (Pub. Law 111-148), as amended by the federal Health Care and Education Reconciliation Act (Pub. Law 111-152) and Title 45, Code of Federal Regulations (CFR) Section 155.700 and following.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Summary of Existing Laws and Regulations

Under the federal Patient Protection and Affordable Care Act (PPACA), each state is required, by January 1, 2014, to establish an American Health Benefit Exchange that makes available qualified health plans to qualified individuals and small employers. Existing state law, the California Patient Protection and Affordable Care Act (Gov. Code, § 100500 et seq.), established the California Health Benefit Exchange within state government, and it specifies the powers and duties of the executive board of the Exchange, also referred to as Covered California. Within the Exchange, California established its own Small Business Health Options Program (SHOP) or “CCSB.”

Government Code Section 100504(a) authorizes the Exchange to adopt rules and regulations, as necessary to execute the requirements under the PPACA. The Exchange implemented regulations in the California Code of Regulations, Title 10, Section 6400 and following. These regulations include the policies and procedures related to eligibility, verification, and enrollment of individuals and small business employees. Additionally, Title 45, Section 155.700 et seq. of the Code of Federal Regulations requires states establishing a SHOP to provide policies and procedures for eligibility determination and redetermination, enrollment in qualified health plans, and verification of information processes for the SHOP.

The Exchange is proposing to amend the regulations in Title 10, California Code of Regulations, Sections 6520 and 6522 to implement and clarify the eligibility requirements and verification process related to enrollment for coverage through CCSB for small business employers, employees, and their dependents.

Objectives and Anticipated Benefits of the Proposed Rulemaking

The broad objectives of this proposed regulatory action are to:

- Provide clarity to small employers of what information is required to apply for and provide health coverage through CCSB to their employees and their dependents;
- Reduce administrative burdens for qualified small employers enrolling or re-enrolling qualified employees and their dependents for coverage through CCSB;
- Provide clarity to participating small employers of the minimum participation requirements to maintain eligibility for coverage through CCSB; and
- Ensure consistency with federal and state law.

Anticipated benefits of the proposed action include non-monetary benefits to the protection of public health and safety, worker safety, the environment, the prevention of discrimination, or the promotion of fairness or social equity. This includes:

- Providing small employers and the public with clear guidelines on how qualified employees who waive health coverage through CCSB will be counted when determining whether the employer meets the minimum participation rules.
- Simplifying the verification process for eligibility determinations through CCSB.
- Providing structure for the Exchange to give predictable and clear standards to the public and qualified employers now and into the future.
- Establishing clear guidelines for the public regarding eligibility, enrollment, and verification of SHOP coverage.
- Aligning California's regulations with federal law and complying with state law.
- Reducing health care costs for Californians.
- Providing increased health care access to the public in California; and
- Ultimately, helping to save lives and increase the health of the public in California.

Evaluation Regarding Inconsistency/Incompatibility with Existing State Regulations

After an evaluation of current regulations, the Exchange has determined that these proposed regulations are not inconsistent or incompatible with any existing state regulations. This Evaluation included a review of the laws that regulate the Exchange and specifically those statutes and regulations related to health insurance. Exchange staff also conducted an internet search of other state agency regulations.

Several California statutes and regulations govern health insurance and notably include provisions affecting the Exchange in the Government Code, the Health and Safety Code, and the Insurance Code. The Exchange has made its best effort to conform its regulations to State law and does not know of any State statutes or regulations conflicting with these proposed regulations.

DOCUMENTS TO BE INCORPORATED BY REFERENCE

None.

DISCLOSURES REGARDING THE PROPOSED ACTION

The Executive Director of the California Health Benefit Exchange has made the following initial determinations:

Matters Prescribed by Statute Applicable to the Agency or to Any Specific Regulation or Class of Regulations

None.

Mandate on Local Agencies or School Districts

None. The Executive Director of the California Health Benefit Exchange has determined that this proposed regulatory action does not impose a mandate on local agencies or school districts.

Cost to Any Local Agency or School District Which Must Be Reimbursed in Accordance with Government Code Sections 17500 through 17630

None. This proposal does not impose costs on any local agency or school district for which reimbursement would be required pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code.

Costs or Savings to State Agencies

The proposal results in additional costs to the California Health Benefit Exchange, which is currently financially self-sustaining. The proposal does not result in any costs or savings to any other state agency.

Costs or Savings in Federal Funding to the State

The proposal results in additional costs to the California Health Benefit Exchange, which is currently financially self-sustaining and is not funded by federal grant money. There is no other impact on federal funding to the state as a result of these regulations.

Other Nondiscretionary Costs or Savings Imposed on Local Agencies

None.

Significant Effect on Housing Costs

None.

Effect on Small Business

The proposal results in an effect on participating small businesses with 1-100 employees statewide by clarifying the verification and eligibility procedures for applying for coverage and enrolling employees and their dependents in qualified health plans in the small business marketplace for health insurance through the Exchange. The proposed regulations would not impose any financial burden on small businesses or create new requirements for enrollment. The proposed regulations do not create or expand small businesses within the State of California. There are no jobs created or eliminated from this proposal. The proposed regulations do not create or expand the operations of any small businesses.

Significant, Statewide Adverse Economic Impact Directly Affecting Business, Including the Ability of California Businesses to Compete with Businesses in Other States

None.

Known Cost Impacts on a Representative Private Person or Business

The Exchange is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Business Reporting Requirement

None.

RESULTS OF THE ECONOMIC IMPACT ASSESSMENT/ANALYSIS

The Exchange concludes regarding the proposed regulations:

- (1) They are **unlikely** to create or eliminate jobs in the State;
- (2) They are **unlikely** to create or eliminate businesses in the State;
- (3) They are **unlikely** to impact the expansion of businesses currently doing business in California;
- (4) They are **likely** to provide benefits to the health and welfare of California residents; and
- (5) They are **unlikely** to provide benefits to worker safety and the state's environment.

Benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency

The proposed regulations will benefit California employees and their dependents who apply for health benefits through the Exchange. The proposed regulations will benefit small employers with 1-100 employees by reducing verification burdens for eligibility determinations. It will benefit the public by clarifying the criteria and process for eligibility determinations, enrollment, and the verification process through CCSB. It will make quality health care available to all Californians and provide the public with clear standards and eligibility requirements to apply for and enroll in qualified health plans through the Exchange. It will increase access to affordable health coverage, which will help save lives and improve the health of the public in California. This proposed regulatory action will not affect worker safety and the state's environment.

CONSIDERATION OF ALTERNATIVES

In accordance with Government Code Section 11346.5, subdivision (a)(13), the Exchange must determine that no reasonable alternative it considered or that has otherwise been identified and brought to the attention of the Exchange would be more effective in carrying out the purpose for which the action is proposed, or would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The Exchange invites interested persons to present statements or arguments with respect to alternatives to the proposed regulations at the scheduled hearing or during the written comment period.

CONTACT PERSONS

Inquiries concerning the proposed administrative action may be directed to:

Jameson Mitchell
Regulations Analyst
California Health Benefit Exchange
1601 Exposition Blvd.
Sacramento, CA 95815
Telephone: (916) 954-3372

The back-up contact person for inquiries concerning the proposed administrative action may be directed to:

Crystal Hirst
Attorney III
California Health Benefit Exchange
1601 Exposition Blvd.
Sacramento, CA 95815
Telephone: (916) 228-8313

Please direct questions regarding the proposed text of the regulations, the Initial Statement of Reasons, the modified text of the regulations, if any, or other information upon which the rulemaking is based to Jameson Mitchell at the above contact information.

AVAILABILITY OF INITIAL STATEMENT OF REASONS, TEXT OF PROPOSED REGULATIONS AND RULEMAKING FILE

The Exchange will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at its office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of this notice, the proposed text of the regulation, and the Initial Statement of Reasons. Copies may be obtained by contacting Jameson Mitchell at the address or phone number listed above.

AVAILABILITY OF CHANGED OR MODIFIED TEXT

After the hearing, if one is held, and after considering all timely and relevant comments received, the Exchange may adopt the proposed regulations substantially as described in this notice. If the Exchange makes modifications that are sufficiently related to the originally proposed text, it will make the modified text available to the public at least 15 days before the Exchange adopts the regulations as revised. Please send requests for copies of any modified regulations to the attention of Jameson Mitchell at the address indicated above. The Exchange will accept written comments on the modified regulations for 15 days after the date on which they are made available.

AVAILABILITY OF THE FINAL STATEMENT OF REASONS

Upon its completion, copies of the Final Statement of Reasons may be obtained by contacting Jameson Mitchell at the above address.

AVAILABILITY OF DOCUMENTS ON THE INTERNET

Copies of the Notice of Proposed Rulemaking, the Initial Statement of Reasons, and the proposed text of the regulations in underline and strikeout can be accessed through our website at <http://hbex.coveredca.com/regulations/>



INITIAL STATEMENT OF REASONS

CALIFORNIA CODE OF REGULATIONS, TITLE 10, CHAPTER 12, ARTICLE 6 AMEND SECTIONS 6520 AND 6522

The Administrative Procedure Act (“APA”) requires that an Initial Statement of Reasons be available to the public upon request when a permanent rulemaking action is undertaken. The following information required by the APA pertains to this particular rulemaking action:

INTRODUCTION

On August 22, 2024, the Exchange adopted permanent regulations in Title 10, California Code of Regulations, Chapter 12, Article 6, Sections 6520, 6522, 6524, 6526, 6528, 6530, 6532, 6534, 6536, 6538, 6542, 6544, 6548, and 6550. These regulations are now in effect, and they clarify the criteria and process for eligibility determinations for qualified small employers and qualified employees and their dependents, enrollment and disenrollment in Qualified Health Plans (QHPs), and appeals through the Small Business Health Options Program (SHOP).

The Exchange is now proposing to amend these permanent regulations in Title 10, California Code of Regulations, Chapter 12, Article 6, Sections 6520 and 6522. The changes will clarify requirements for acceptable documentation to verify the size of small businesses. The changes will also amend the minimum participation requirement related to eligibility determinations and enrollment of qualified employers’ qualified employees and their dependents.

State law specifies the powers and duties of the executive board of the Exchange. Government Code section 100504, subdivision (a)(6) authorizes the Exchange’s Board of Directors to adopt rules and regulations, as necessary. The Exchange proposes this permanent rulemaking in furtherance of its rulemaking authority to implement, interpret, and make specific state and federal laws.

Federal law requires states to establish a SHOP designed to assist qualified small employers in enrolling their employees in qualified health plans in the small group market. (42 U.S.C. § 18031(b)(1)(B).) The California enabling legislation requires the Exchange to establish a SHOP (also known as Covered California for Small Business (CCSB)) and administer all tasks necessary to offer qualified health plans to qualified employers’ employees and their dependents, including collecting premiums. (Gov. Code, §§ 100502(m), 100503(w).) It further requires the Exchange to establish the criteria and process for eligibility determination, enrollment, and disenrollment of

enrollees and potential enrollees in the Exchange's SHOP. (Gov. Code, § 100503, subd. (a).) The eligibility determination, enrollment, disenrollment, and appeals procedures are not only required by federal and State law, but they are necessary to administer the Exchange. Without such regulations, the Exchange and the SHOP could not function.

Government Code Section 100503(a) requires the Exchange to establish the criteria and process for eligibility and enrollment in the SHOP. Government Code Section 100503(w) requires the SHOP to collect premiums and administer all other necessary tasks relating to enrollment and plan payment. These sections do not provide any further guidance on what the policies and procedures required to operate the SHOP must be. Federal regulations establish some policies and procedures through which small business employers can purchase coverage for their employees and their dependents, but largely leave most policy and procedures to the discretion of the Exchange. (45 CFR § 155.700 et seq.)

PROBLEM STATEMENT

After promulgating the regulation in Title 10, California Code of Regulations, Chapter 12, Article 6, Section 6520 in 2024, the Exchange determined that current industry practice allows small business employers who were previously insured outside of CCSB with three or more qualified employees enrolling in coverage to submit proof of prior coverage to verify whether the employer is a small employer. The current regulation allows employers who were previously insured outside of CCSB to provide proof of prior coverage to verify the number of employees, but only on a case-by-case basis. The proposed amendments to Title 10, California Code of Regulations, Chapter 12, Article 6, Section 6520, seek to align Exchange regulations with standard industry practice and provide clarity to qualified employers on the acceptable documents they must submit to verify their eligibility and offer health coverage through CCSB.

After promulgating the regulations in Title 10, California Code of Regulations, Chapter 12, Article 6, Section 6522 in 2024, the Exchange determined that the method for counting qualified employees who waive CCSB coverage for the purposes of the minimum participation requirement made it more challenging for small business employers to meet the minimum participation requirements than intended. The Exchange also determined that the current methodology does not align with federal regulations. The proposed amendment to Title 10, California Code of Regulations, Chapter 12, Article 6, Section 6522 seeks to revise the method for counting qualified employees who waive CCSB coverage to ensure that qualified employees who waive coverage due to having other health coverage do not prevent other qualified employees and their dependents from enrolling in coverage through CCSB in a timely manner.

ANTICIPATED BENEFITS

The regulations have several benefits that are tied to the Exchange's overall mission. The Exchange is committed to improving the experience of obtaining health insurance. The proposed regulations ensure that small employers have more options for acceptable documents used to verify the number of employees. This reduces the

administrative burden on small employers as it is generally faster and simpler to provide proof of prior coverage than a Quarterly Contribution Return and Report of Wages (Form DE-9C) or payroll records.

The Exchange is also committed to increasing the number of insured Californians. The regulations revise the method for counting qualified employees who waive coverage because they already have other specified health coverage, making it easier for more small employers to meet the minimum participation requirement. The revised methodology ensures that more uninsured qualified employees and their dependents will be able to enroll in health coverage through CCSB.

Anticipated benefits of this proposed regulatory action include:

- Providing small employers and the public with clear guidelines on how qualified employees who waive health coverage through CCSB will be counted when determining whether the employer meets the minimum participation rules.
- Simplifying the verification process for eligibility determinations through CCSB.
- Making quality health care available to all Californians.
- Aligning California's regulations with federal regulations.
- Providing structure for the Exchange to give predictable and clear standards to the public and qualified employers now and into the future.
- Establishing clear guidelines for the public regarding eligibility, enrollment, and verification of SHOP coverage.
- Reducing health care costs for Californians.
- Providing increased health care access to the public in California; and
- Ultimately, helping to save lives and increase the health of the public in California.

PURPOSE AND NECESSITY

The purpose of these proposed regulations is to clarify the Exchange's policies and procedures for health insurance eligibility determinations through CCSB, including acceptable documents to verify the size of the small employer during the application process and the minimum participation rules. This regulatory action will enable the Exchange to provide health insurance coverage to eligible employees of qualified small businesses and their dependents, to improve the eligibility determination process for small employers, and to increase access to quality health insurance coverage.

Detailed Discussion of the Specific Purpose, Rationale, and Problems Addressed for Each Proposed Amendment:

Pursuant to its authorities, the Exchange proposes to amend Title 10, California Code of Regulations, Chapter 12, Article 6, Sections 6520 and 6522. The detailed discussion of the specific purpose, rationale, problems addressed, and statement of reasons for each amendment is as follows:

Section 6520. Employer and Employee Application Requirements

Section 6520, in its entirety, clarifies and makes specific all the required information and declarations that the applicant must provide in the application for the SHOP to determine the applicant's eligibility for enrollment in a QHP.

Section 6520(c)(14): The amended regulation specifies and clarifies that qualified employers who were previously insured outside of CCSB with three or more qualified employees who are enrolling in coverage must submit proof of prior coverage to verify the number of qualified employees employed by the qualified employer. For qualified employees who are not listed in the proof of coverage, the qualifying employer must submit either their most recent Quarterly Contribution Return and Report of Wages (Form DE-9C) or payroll records for 30 days. This is necessary to reduce the administrative burdens for small employers in completing and verifying application information for enrollment of qualified employees and their dependents in coverage through CCSB. This is necessary to provide the employer groups and the public with clear standards and guidelines on how to complete and submit an application for coverage through CCSB. This is also necessary to comply with the federal requirement specified in 45 CFR Section 155.731(b)(2) that requires the SHOP application to collect information sufficient to confirm that employer is a small employer and aligns with the federal regulations under 45 CFR Section 155.716(c)(1) that allows the SHOP to adopt additional methods to verify the information provided by the applicant.

Section 6522. Eligibility Requirements for Enrollment in the SHOP

Section 6522, in its entirety, clarifies and makes specific employer eligibility requirements for the SHOP.

Section 6522(a)(4)(B): The current regulation specifies that qualified employees are not counted in calculating compliance with minimum participation rules if the qualified employee waives coverage through CCSB because the qualified employee is enrolled in other specified health coverage. The amended regulation specifies and clarifies that employees who waive coverage through CCSB because they are enrolled in other qualifying coverage, as specified, are counted with qualified employees who enroll in coverage through CCSB in calculating compliance with the minimum participation requirement. This is necessary to ensure that qualified employees who already have other minimum essential coverage do not prevent qualified employees and their dependents who need health coverage from accessing health coverage through CCSB. This is necessary to ensure that a qualified employer may offer their qualified employees health coverage through the SHOP, despite some qualified employees already having other coverage through alternative programs. This is also necessary to

provide clarity to qualified employers on the minimum participation requirements and to align with federal regulations under 45 CFR Section 155.706(b)(10)(i).

The Exchange made the following non-substantive amendments:

- Subdivision (c)(12) of section 6520 was amended to strike “and” to ensure consistency with the rest of the regulation text.
- Subdivision (c)(13) of section 6520 was amended to strike the period and add “; and” to ensure consistency with the rest of the regulation text.

DOCUMENTS RELIED UPON

None.

ECONOMIC IMPACT ANALYSIS/ASSESSMENT (EIA)

Potential Costs to Businesses Resulting from the Proposed Amendment

The proposed regulations seek to clarify and make specific some of the Exchange’s policies and procedures for eligibility determination and redetermination, enrollment in qualified health plans, and the verification process for CCSB. The proposed regulatory package (1) specifies additional documents that may be used for verification, and (2) clarifies policies relating to minimum participation standards. The proposed regulations have been circulated to and reviewed by affected parties, including businesses and qualified health plans. No comments regarding the economic impact of the proposal were received.

Although the proposed action will directly affect businesses statewide, including small businesses and Certified Representatives statewide, the Exchange concludes that the economic impact, including the ability of California businesses to compete with businesses in other states, will not be significant.

Certified Representatives already assist employers with verifying eligibility information for health coverage through CCSB, and entities that employ Certified Representatives will not need to create or eliminate jobs to comply with these proposed amendments. The amended requirements are anticipated to have minimal training needs for Certified Representatives and are expected to reduce the time employers spend gathering and submitting documentation for health coverage through CCSB. The revised methodology ensures that more uninsured qualified employees and their dependents will be able to enroll in health coverage through CCSB without imposing significant burdens on businesses. These provisions will have no substantial impact on the operation of these entities, and thus, the proposed regulation is not expected to have a significant adverse economic impact on businesses.

Creation of Jobs

These proposed regulations are not expected to create or eliminate any jobs within the State of California. The focus of the amendments is to clarify insurance eligibility

determinations through CCSB, including acceptable documents to verify the size of the small employer during the application process and minimum participation rules. By amending the acceptable documents for verifying eligibility and revising minimum participation rules, the primary impact is streamlining the application process for small businesses and allowing more qualified employees and their dependents to enroll in health coverage through CCSB. Businesses applying for coverage through CCSB are not expected to create or eliminate any jobs due to these changes

Certified Representatives already assist employers with verifying eligibility information and explaining minimum participation requirements for health coverage through CCSB. The proposed amendment will require that Certified Representatives be trained on the amended verification and minimum participation standards, but entities that employ Certified Representatives will not need to create or eliminate jobs to comply with these proposed amendments. As such, the proposed amendments are not expected to create new jobs, alter job responsibilities, or affect employment levels within the state.

Creation of Businesses

These proposed regulations are not expected to create or eliminate businesses within the State of California. The focus of the amendments is to clarify insurance eligibility and verification determinations through CCSB, including acceptable documents to verify the size of the small employer during the application process and minimum participation rules. By amending the acceptable documents for verifying eligibility determinations and the minimum participation rules, the primary impacts are streamlining the application process for small businesses and increasing the number of qualified employees and their dependents enrolled in health coverage, and not on the creation or elimination of businesses. It is unlikely that new businesses will be created due to enhanced Exchange eligibility and application requirements.

The regulations do not create conditions conducive to the establishment of new businesses, nor do they impose restrictions that would necessitate the closure of existing ones. Certified Representatives are already assisting employers with verifying eligibility information for health coverage through CCSB, so businesses will not be created or eliminated to comply with these regulations. Furthermore, the amendments are anticipated to enhance employer access to affordable health coverage options by streamlining the application process for small employers and modifying an eligibility rule.

Expansion of Businesses

These proposed regulations are not expected to expand any business currently doing business within the State of California. The focus of the amendments is to clarify insurance eligibility and verification determinations through CCSB, including acceptable documents to verify the size of the small employer during the application process and minimum participation rules. By amending the acceptable documents for verifying eligibility determinations, the primary impact is streamlining the application process for small businesses. It is not expected that small businesses will expand due to the

enhanced enrollment experience and revised minimum participation standards.

Certified Representatives already assist employers with verifying eligibility information and explaining minimum participation requirements, so businesses will not expand to comply with these regulations. These amendments are not expected to facilitate market expansion, affect operational capacities, or boost financial growth for businesses. Thus, there is no expected direct effect on the expansion of businesses due to these regulations.

Benefits

The amendments have several benefits that are tied to the Exchange's overall mission. The Exchange is committed to improving consumers' experience in obtaining health insurance. The regulations ensure that the application process for coverage through CCSB is streamlined for employers, reducing employer burdens and enhancing operational efficiency without imposing additional costs. The regulations ensure that small employers have more options for acceptable documents used to verify the number of employees. This reduces the administrative burden on small employers as it is generally faster and simpler to provide proof of prior coverage than a Quarterly Contribution Return and Report of Wages (Form DE-9C) or payroll records.

The Exchange is also committed to increasing the number of insured Californians and reducing health disparities. The amended minimum participation requirements ensure that more uninsured qualified employees and their dependents will be able to enroll in health coverage through CCSB. Additionally, the expanded list of acceptable verification documents ensures that more employers will be able to successfully complete and enroll their employees and their dependents in health coverage through CCSB.

Anticipated benefits, including nonmonetary benefits to the protection of public health and safety, worker safety, the environment, the prevention of discrimination, or the promotion of fairness or social equity, from this proposed regulatory action are:

- Providing small employers and the public with clear guidelines on how qualified employees who waive health coverage through CCSB will be counted when determining whether the employer meets the minimum participation rules.
- Simplifying the verification process for eligibility determinations through CCSB.
- Providing structure for the Exchange to give predictable and clear standards to the public and qualified employers now and into the future.
- Establishing clear guidelines for the public regarding eligibility, enrollment, and verification of SHOP coverage.
- Aligning California's regulations with federal law and complying with state law.

- Reducing health care costs for Californians.
- Providing increased health care access to the public in California; and
- Ultimately, helping to save lives and increase the health of the public in California.

This proposed regulatory action will not affect worker safety and the state's environment.

REASONABLE ALTERNATIVES TO THE REGULATION AND THE AGENCY'S REASONS FOR REJECTING THOSE ALTERNATIVES

In accordance with Government Code section 11346.5, subdivision (a)(13), the Exchange must determine that no reasonable alternative considered or otherwise identified and brought to the attention of the Exchange would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The Exchange invites interested persons to present statements or arguments with respect to alternatives to the proposed amendments at the scheduled hearing or during the written comment period.

SUPPORT FOR DETERMINATION OF NO SIGNIFICANT ADVERSE ECONOMIC IMPACT ON BUSINESS

For the reasons stated above, the Exchange has determined that the proposed rulemaking will have no significant, statewide adverse economic impact affecting businesses, either directly or indirectly, including the ability of California businesses to compete with businesses in other states. The proposed regulation clarifies verification and eligibility requirements for participation in CCSB. The amendments proposed by the Exchange do not impose any new or burdensome requirements on businesses and serve to simplify and streamline the process of accessing health coverage through CCSB.

Title 10. Investment

Chapter 12. California Health Benefit Exchange

§ 6520. Employer and Employee Application Requirements.

(a) A small employer who is eligible to purchase coverage from a Qualified Health Plan (QHP) Issuer for its eligible employees through the Small Business Health Options Program (SHOP) pursuant to Section 6522, may apply to participate in the SHOP by submitting the following information to the SHOP:

(1) General employer information: business legal name and whether the employer is doing business under a fictitious name, Federal Employer Identification Number, State Employer Identification Number, organization type (private, nonprofit, government, church/church affiliated), Standard Industry Classification (SIC) code, principal business address, and mailing address;

(2) The number of eligible employees being offered enrollment in SHOP and the total number of full-time equivalent (FTE) employees employed by the qualified employer, as calculated in accordance with Health and Safety Code Section 1357.500(k)(3) and Insurance Code Section 10753(q)(3);

(3) Whether you have employed 20 or more employees for 20 or more weeks in the current or preceding calendar year;

(4) Whether the qualified employer is offering dependent health coverage or dental coverage for spouses, registered or non-registered domestic partners and/or dependent children;

(5) The qualified employer's desired health coverage or dental coverage effective date;

- (6) Whether the qualified employer is subject to COBRA or Cal-COBRA continuation coverage regulations;
- (7) Whether the qualified employer is currently offering health coverage or dental coverage, and if so, through which issuer;
- (8) Whether the qualified employer intends to claim the Small Business Health Care Tax Credit with the IRS;
- (9) The name, primary phone number, and email address for the primary contact and business owner/authorized company officer for the qualified employer and the preferred method of communication;
- (10) Whether the qualified employer used an insurance agent and if so, the agent's name, general agency name (if applicable), CA insurance license number, the agency Federal Employer Identification Number if applicable, and whether the agent is an insurance agent certified by Covered California. If the qualified employer uses an insurance agent, the qualified employer must have that agent certify that they understand they may be subject to a civil penalty for providing false information under Health and Safety Code Section 1389.8 and Insurance Code Section 10119.3.
- (11) Information about the qualified employer's qualified employees, in the employee application in subdivision (d);
- (12) The employer's offer of health coverage or dental coverage and the reference plan or dental reference plan, which includes:
- (A) The employer's contribution rate to each of its qualified employee's health plan premiums pursuant to Section 6522(a)(5)(A);

(B) The employer's health plan premium contribution rate for spouse or non-registered domestic partner, or dependent children health coverage, if applicable; and

(C) The employer's selection for one, two contiguous, three contiguous, or four contiguous tiers of health coverage, pursuant to 45 CFR Section 156.140(b) (bronze, silver, gold, or platinum) (February 25, 2013), hereby incorporated by reference;

(D) Whether the qualified employer wishes to include infertility benefits to qualified employees;

(E) Effective August 1, 2021, if the qualified employer is offering dental coverage to qualified employees, the employer must select a dental reference plan. The qualified employer must indicate its contribution rate for qualified employees' QDP premiums pursuant to Section 6522(h)(3). The qualified employer must indicate its QDP premium contribution rate for spouse's or non-registered domestic partner's, or dependent children's coverage, if applicable;

(13) New qualified employer application submissions are due five days prior to the requested effective date. Completed submissions received after this date will carry an effective date no earlier than the first of the following month unless the qualified employer submits a signed CCSB New Business Late Submission Acknowledgement Form (Rev. 1/24), hereby incorporated by reference. The CCSB New Business Late Submission Acknowledgement Form must be submitted by the 7th day of the month to retroactively effectuate enrollment to the 1st of the month. Exceptions for exceptional circumstances will be considered on a case-by-case basis.

(b) To participate in the SHOP, an employer must attest to the following:

- (1) That the business has 100 or fewer full-time or FTE employees and has a principal business address in California;
- (2) That all eligible full-time employees of this business will be offered SHOP coverage;
- (3) That the business has at least one employee who is not the owner or business partner, or the spouse of the owner or business partner;
- (4) That the employer is signing the application under penalty of perjury, which means all information contained in the qualified employer application is true and correct to the best of the qualified employer's knowledge;
- (5) That the employer knows that they may be subject to penalties under federal law if they intentionally provide false or untrue information pursuant to 45 CFR Section 155.285 (September 6, 2016), hereby incorporated by reference;
- (6) That the employer knows that the information will only be used to determine eligibility and facilitate enrollment in health coverage or dental coverage and will otherwise be kept private as required by federal and state law;
- (7) That any waiting period established by the qualified employer complies with 42 U.S.C. Section 300gg-7, 45 CFR Section 155.725 (April 18, 2017), hereby incorporated by reference, and applicable state law, and all qualified employees have complied with the qualified employer's waiting period;
- (8) That the employer has the consent from every qualified employee listed on the application to include their personally identifiable information such as dates of birth, addresses, social security numbers or tax identification numbers, phone numbers, and email addresses;

(9) That the employer understands that discrimination is prohibited on the basis of race, color, national origin, religion, sex, age, sexual orientation, marital status, gender identity, veteran status, disability, or any other type of discrimination prohibited in the Health and Safety Code and Insurance Code;

(10) That the qualified employer understands that the SHOP will not consider the qualified employer approved for health coverage or dental coverage until the SHOP has received the qualified employer's first month's total premium payment;

(11) That the qualified employer agrees to continue to make the total required monthly premium payment by the due date, and which at no time shall be less than 100 dollars less than the total amount due each month, including any premium amounts past due, to maintain eligibility for coverage in the SHOP;

(12) That the qualified employer agrees to inform its eligible employees of the availability of health coverage and dental coverage and that those declining coverage must wait until the next open enrollment period, pursuant to Section 6528, to sign up for coverage, unless that employee experiences an event that would entitle them to a special enrollment period pursuant to Section 6530;

(13) That the qualified employer understands that once coverage in a QHP is approved by the SHOP, changes to the coverage cannot be implemented until the qualified employer's annual election of coverage period pursuant to Section 6526, except to the extent the qualified employer exercises the right to change coverage with the same QHP issuer within the first 30 days of the effective date of coverage pursuant to Section 6528(f), Health and Safety Code 1357.504(d), and Insurance Code Section 10753.06.5(d);

(14) That the qualified employer understands that health coverage and dental coverage through the SHOP is subject to the applicable terms and conditions of the QHP issuer contract or policy and applicable state law, which will determine the procedures, exclusions and limitations relating to the coverage and will govern in the event of any conflict with SHOP or QHP issuer benefits comparison, summary or other description of the coverage;

(15) That the qualified employer understands that once employer and employee information is transmitted to the selected QHP Issuers, the qualified employer's coverage effective date cannot be changed nor can the qualified employer terminate coverage until after the first month of coverage;

(16) That the qualified employer agrees to inform its qualified employees of the availability of child and family dental plans and that qualified employees may choose to enroll only in a QDP even if the qualified employee does not choose to enroll in a health plan;

(17) That the qualified employer has provided or will provide to its qualified employees an initial open enrollment period beginning at least 20 days prior to the employee application due date described in subdivision (d).

(18) That the qualified employer understands that the attestations in this section are subject to audit by the SHOP at any time; and

(19) That the qualified employer agrees to maintain compliance with the attestations in this section in order to continue eligibility for coverage through the SHOP.

(c) A qualified employer must provide the SHOP with its most recent Quarterly Contribution Return and Report of Wages (Form DE-9C), as filed with the California

Employment Development Division, on which the qualified employer must identify on the face of the form whether each employee listed on the DE-9C is a full-time employee, part-time eligible employee, ineligible employee and whether the employee is still employed by the qualified employer. If there is not sufficient space on the face of the Form DE-9C for the qualified employer to add the required information, the qualified employer may attach additional sheets of paper to the Form DE-9C as necessary. A qualified employer must provide the SHOP with additional or other documents in the following circumstances:

(1) For a qualified employer who is a sole proprietor in business less than three (3) months, a California business license or Fictitious Business Name Filing and a DE-9C or payroll records for 30 days;

(2) For a qualified employer who is a sole proprietor who is in business three (3) months or more, a DE-9C. If the owner is not listed as earning wages on the DE-9C and wishes to enroll for coverage, a current IRS Form 1040 Schedule C Profit or Loss From Business (Sole Proprietorship) or, if a Form 1040 Schedule C is not available, a California business license or Fictitious Business Name filing may be substituted;

(3) For a qualified employer who is a corporation in business less than three (3) months, Articles of Incorporation, filed and stamped by the Secretary of State, and a Statement of Information or corporate meeting minutes listing all officers' names and a DE-9C or payroll records for 30 days;

(4) For a qualified employer who is a corporation in business three (3) months or more, a DE-9C, and, if officers who are not listed on DE-9C enroll for coverage, a Statement of Information;

(5) For a qualified employer who is a partnership in business less than three (3) months, a Partnership Agreement, a Federal Tax Identification appointment letter, and a DE-9C or payroll records for 30 days;

(6) For a qualified employer who is a partnership in business three (3) months or more, a DE-9C and a current IRS Form 1065 Schedule K-1, if the partners are not listed on DE-9C and want to enroll for coverage. If an IRS Form 1065 Schedule K-1 is not yet available, the Partnership Agreement and the Federal Tax Identification appointment letter can be substituted;

(7) For a qualified employer who is a limited partnership in business less than three (3) months, a Partnership Agreement, a Federal Tax Identification appointment letter, and a DE-9C or payroll records for 30 days;

(8) For a qualified employer who is a limited partnership in business three (3) months or more, a DE-9C. If general partners are not listed on DE-9C and wish to enroll in coverage, then a current IRS Form 1065 Schedule K-1. If an IRS Form 1065 Schedule K-1 is not available, the Partnership Agreement and a Federal Tax Identification appointment letter can be substituted. Limited partners are not eligible for coverage unless they appear on a DE-9C;

(9) For a qualified employer who is a limited liability partnership in business less than three (3) months, a Partnership Agreement or a Federal Tax Identification appointment letter, and a DE-9C or payroll records for 30 days;

(10) For a qualified employer who is a limited liability partnership in business three (3) months or more, a DE-9C. If partners are not listed on the DE-9C and wish to enroll in coverage, then a current IRS Form 1065 Schedule K-1. If the IRS Form 1065

Schedule K-1 is not yet available, the Partnership Agreement and the Federal Tax Identification appointment letter can be substituted;

(11) For a qualified employer who is a limited liability company in business less than three (3) months, Articles of Organization with the Operating Agreement or the Statement of Information and a DE-9C or payroll records for 30 days;

(12) For a qualified employer who is a limited liability company in business three (3) months or more, a DE-9C. If managing members are not listed as earning wages on the DE-9C and wish to enroll for coverage, a current IRS Form 1065 Schedule K-1 for a partnership or IRS Form 1040 Schedule C for a sole proprietorship. If an IRS Form 1065 Schedule K-1 is not yet available, a Statement of Information or Articles of Organization with the Operating Agreement may be substituted; ~~and~~

(13) For a qualified employer who was previously insured outside of the SHOP, the SHOP may waive or alter any additional documentation submission requirements in Section 6520(c)(1) - (12), if as determined by the SHOP on a case-by-case basis, the proof of coverage is sufficient to satisfy these requirements: and

(14) For a qualified employer who was previously insured outside of the SHOP and has 3 or more qualified employees who are enrolling in coverage, proof of coverage. If qualified employees are not listed in the proof of coverage, a DE-9C or payroll records for 30 days.

(d) To participate in the SHOP, a qualified employee must submit the following information to the SHOP no later than five days prior to the requested effective date:

(1) The employer's business name and business phone number;

(2) The qualified employee's first and last name, SSN or Taxpayer Identification Number, date of birth, home address, mailing address (if different from home address), telephone number, email address, and if the employee is newly hired;

(3) Whether the employee is applying for Cal-COBRA or COBRA continuation coverage pursuant to the following conditions:

(A) The COBRA coverage is currently in effect under the qualified employer's health plan; or

(B) The employee has had a qualifying event that renders the employee eligible for continuation of coverage and is applying for that coverage; and,

(C) If applicable, the effective date of coverage, the qualifying event that triggered that coverage, and the date of the qualifying event;

(4) If the qualified employer is offering coverage for dependents and the employee elects to offer their dependents coverage, the marital or domestic partnership status of the qualified employee;

(5) If the qualified employer is offering coverage for spouses, registered domestic partners, or non-registered domestic partners, and/or dependent children, and the employee elects to offer their dependents coverage, then information about the qualified employee's spouse, registered domestic partner, or non-registered partner, and/or dependent children, which includes:

(A) The first and last name of each spouse, registered domestic partner, or non-registered domestic partner, and/or each dependent child, their relationship to the qualified employee, SSN or taxpayer identification number, date of birth, age, gender, home address, and mailing address (if different from home address); and

(B) Whether the qualified employee would like to enroll a dependent who is a disabled child pursuant to Section 599.500 of Title 2 of the California Code of Regulations;

(6) The names of the health plans and dental plans, if applicable, selected by the qualified employee and dependents.

(e) To participate in the SHOP, a qualified employee must do all of the following:

(1) Agree to mandatory arbitration if the QHP Issuer selected by the employee requires arbitration, which would require the employee and their dependents to arbitrate all claims relating to their QHP;

(2) Disclose whether the employee used an insurance agent and, if so, the agent's name, general agency name (if applicable), and whether the agent is an insurance agent certified by Covered California. If the employee uses an insurance agent, the employee must have that agent certify that they understand they may be subject to a civil penalty for providing false information under Health and Safety Code Section 1389.8 and Insurance Code Section 10119.3.

(3) Sign the application under penalty of perjury, that all information contained in the employee application is true and correct to the best of the employee's knowledge.

(4) Acknowledge that the employee understands that they may be subject to penalties under federal law if they intentionally provide false or untrue information pursuant to 45 CFR Section 155.285 (September 6, 2016), hereby incorporated by reference.

(f) If a qualified employee declines coverage, the employee must sign the declination of coverage, which is part of the application, and state other sources of coverage, if any.

(g) The SHOP must keep all information received pursuant to this section private in accordance with applicable federal and state privacy and security laws pursuant to 45 CFR Section 155.260 (September 6, 2016), hereby incorporated by reference, and the Information Practices Act of 1977 (Cal. Civ. Code, commencing with Section 1798). The SHOP may not provide to the qualified employer any information collected on the employee application with respect to the qualified employees or dependents of qualified employees, other than the name, address, birth date, and health plan or dental plan selection of the spouse or dependent. The SHOP may only share information from an employee application with the QHP Issuer or employer that is strictly necessary for the purposes of eligibility and enrollment. Information obtained by the SHOP pursuant to this section may not be used for purposes other than eligibility determinations and enrollment in health or dental coverage through the SHOP.

Note: Authority cited: Section 100504, Government Code. Reference: Sections 100502 and 100503, Government Code; and 45 CFR Sections 155.260, 155.705, 155.715, 155.725, 155.730, 156.140 and 156.285.

§ 6522. Eligibility Requirements for Enrollment in the SHOP.

(a) An employer is a qualified employer and eligible to participate in the SHOP if such employer:

(1) Is a small employer as defined in Section 6410;

(2) Elects to offer, at a minimum, all eligible full-time employees coverage in a QHP through the SHOP;

(3) Either --

(A) Has its principal business address in California and offers coverage to all its full-time employees through the SHOP in California or

(B) offers coverage to each eligible employee through the SHOP serving that employee's primary worksite;

(4) Meets the following minimum participation rules:

(A) A minimum of 70 percent of eligible employees of the qualified employer must enroll in health coverage through the SHOP, or a lesser minimum percent that may be determined by prevailing market practice through a SHOP survey of market practices. SHOP must provide QHP Issuers notice of such a change, if any, at least 210 days prior to the effective date of the proposed change, unless the QHP issuers agree to an earlier effective date for the proposed change. The percentage will be published on the Covered California for Small Business (CCSB) website.

1. If the qualified employer pays 100 percent of the qualified employees' QHP premiums, then all eligible employees not waiving coverage per Section 6522(a)(4)(B) of the qualified employer must enroll in health coverage through the SHOP.

(B) A qualified employee who waives employer offered health coverage because that qualified employee is enrolled in coverage through another employer, an employee's union, Medicaid pursuant to 42 U.S.C. Section 1396 et seq., Medicare pursuant to 42 U.S.C. Section 1395 et seq., or any other federal or state health coverage program, or any health coverage meeting the definition of minimum essential coverage pursuant to Health and Safety Code Section 1345.5 is ~~not counted in~~ included with the qualified employees enrolling in coverage when calculating compliance with the group participation rules above.

(5) Meets the following group contribution rule:

(A) A qualified employer must contribute to each of its qualified employees' health plan premiums, a minimum of 50 percent of the lowest cost premium for employee-only health coverage in the level of coverage selected by the qualified employer pursuant to Section 6520(a)(12)(C), or a lesser minimum percent that may be determined by prevailing market practice through a SHOP survey of market practices. The contribution rate will be published on the CCSB website.

(6) A qualified employer who wishes to offer infertility benefits to his/ her qualified employees must do so in accordance with Health and Safety Code Section 1374.55 and Insurance Code Section 10119.6.

(b) An employer that otherwise meets the criteria of this section except for subdivisions (a)(4)(A) and (a)(5)(A) of this section shall be a qualified employer, but may only elect to offer coverage to its employees during the period specified in Section 6526(b).

(c) A qualified employer who ceases to be a small employer solely by reason of an increase in the number of employees of such employer shall continue to be eligible for the SHOP until the qualified employer otherwise fails to meet the eligibility criteria of this section or elects to no longer purchase coverage for qualified employees through the SHOP.

(d) All qualified employees whose eligibility has been verified by the SHOP are eligible to enroll in a QHP through the SHOP.

(e) A qualified employee is eligible to enroll their dependent spouse, registered domestic partner, non-registered domestic partners, and dependent children, whose dependent eligibility has been verified by the SHOP, if the offer from the qualified employer includes an offer of dependent coverage.

(f) If an employer meets the criteria in subdivision (a) of this section and makes the election described in subdivision (a)(3)(B) of this section, a SHOP shall allow the employer to offer coverage to those employees whose primary worksite is in the SHOP's service area.

(g) A qualified employer shall immediately notify the SHOP of any change to the principal business location; if the new principal business address is in a different geographic rating area in California the SHOP shall only apply a new geographic rating factor upon renewal.

(h) The eligibility standards specified in this subdivision shall only apply to the eligibility determination for enrollment in a QDP through the SHOP:

(1) Qualified employees may choose to enroll only in a dental plan even if the qualified employee does not choose to enroll in a health plan.

(2) To enroll one child in a family in a QDP, all children in the family under 19 years of age shall also enroll in the same QDP.

(3) A qualified employer may choose to offer dental plan coverage in a QDP only if the employer meets the 50 percent contribution requirement and 70 percent participation requirement of eligible employees for enrollment in that Group Dental Plan.

Note: Authority cited: Section 100504, Government Code. Reference: Sections 100502 and 100503, Government Code; and 45 CFR Sections 147.104, 155.705, 155.710, 155.715 and 155.720.

ECONOMIC AND FISCAL IMPACT STATEMENT

(REGULATIONS AND ORDERS)

STD. 399 (Rev. 10/2019)

ECONOMIC IMPACT STATEMENT

DEPARTMENT NAME California Health Benefit Exchange	CONTACT PERSON Haley Bohnert	EMAIL ADDRESS haley.bohnert@covered.ca.gov	TELEPHONE NUMBER +1 916-954-3283
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 CCSB Permanent Regulations (2025)			NOTICE FILE NUMBER Z

A. ESTIMATED PRIVATE SECTOR COST IMPACTS *Include calculations and assumptions in the rulemaking record.*

1. Check the appropriate box(es) below to indicate whether this regulation:

- | | |
|--|---|
| <input checked="" type="checkbox"/> a. Impacts business and/or employees | <input type="checkbox"/> e. Imposes reporting requirements |
| <input checked="" type="checkbox"/> b. Impacts small businesses | <input type="checkbox"/> f. Imposes prescriptive instead of performance |
| <input type="checkbox"/> c. Impacts jobs or occupations | <input type="checkbox"/> g. Impacts individuals |
| <input type="checkbox"/> d. Impacts California competitiveness | <input type="checkbox"/> h. None of the above (Explain below): |

If any box in Items 1 a through g is checked, complete this Economic Impact Statement.

If box in Item 1.h. is checked, complete the Fiscal Impact Statement as appropriate.

2. The **California Health Benefit Exchange** estimates that the economic impact of this regulation (which includes the fiscal impact) is:
(Agency/Department)

- ☒ Below \$10 million
- ☐ Between \$10 and \$25 million
- ☐ Between \$25 and \$50 million
- ☐ Over \$50 million *[If the economic impact is over \$50 million, agencies are required to submit a [Standardized Regulatory Impact Assessment](#) as specified in Government Code Section 11346.3(c)]*

3. Enter the total number of businesses impacted: **1,645**

Describe the types of businesses (Include nonprofits): **345 small business employers & 1,300 agents/brokers -1,274 are small businesses**

Enter the number or percentage of total businesses impacted that are small businesses: **1,619**

4. Enter the number of businesses that will be created: **0** eliminated: **0**

Explain: **The amendments streamline processes without impacting business creation or closure in California.**

5. Indicate the geographic extent of impacts: ☒ Statewide
☐ Local or regional (List areas):

6. Enter the number of jobs created: **0** and eliminated: **0**

Describe the types of jobs or occupations impacted: **The amendments simplify procedures without affecting job creation or elimination in California.**

7. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here? ☐ YES ☒ NO

If YES, explain briefly:

ECONOMIC AND FISCAL IMPACT STATEMENT (REGULATIONS AND ORDERS)

STD. 399 (Rev. 10/2019)

ECONOMIC IMPACT STATEMENT (CONTINUED)

B. ESTIMATED COSTS *Include calculations and assumptions in the rulemaking record.*

- What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? \$ 57,642
 - Initial costs for a small business: \$ \$34,315.80 statewide Annual ongoing costs: \$ (\$23,326.20) Years: 10 years
 - Initial costs for a typical business: \$ 0 Annual ongoing costs: \$ 0 Years: _____
 - Initial costs for an individual: \$ 0 Annual ongoing costs: \$ 0 Years: _____
 - Describe other economic costs that may occur: See attachment A.
- If multiple industries are impacted, enter the share of total costs for each industry: Insurance Industry (Brokers/Agents): 100% of initial costs (\$57,642). Small Business Industry: 100% of ongoing savings (\$23,326.20 annually, or \$233,262.00 over 10 years).
- If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. *Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.* \$ 0
- Will this regulation directly impact housing costs? ☐ YES ☒ NO
If YES, enter the annual dollar cost per housing unit: \$ _____
Number of units: _____
- Are there comparable Federal regulations? ☐ YES ☒ NO
Explain the need for State regulation given the existence or absence of Federal regulations: _____
Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ _____

C. ESTIMATED BENEFITS *Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

- Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State's environment: Admin. E ciency: Streamlined documentation standards reduce time & e ort for CCSB applications 2. Policy Consistency: Codifies federal & existing SHOP practices regarding employee waiver counting for participation rates 3. Equitable Access: Broader & easier access to small group health coverage 4. Regulatory Clarity: Uniform expectations for documentation, reducing rework or app. denials
- Are the benefits the result of: ☒ specific statutory requirements, or ☐ goals developed by the agency based on broad statutory authority?
Explain: The regulation amends. are driven by specific statutory requirements, from the Patient Protection & ACA
- What are the total statewide benefits from this regulation over its lifetime? \$ 0
- Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: N/A

D. ALTERNATIVES TO THE REGULATION *Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

- List alternatives considered and describe them below. If no alternatives were considered, explain why not: In accordance with Government Code section 100504(a)(6), the Exchange has determined no reasonable alternative be considered or otherwise identified due to being burdensome and less a ective than the proposed action.

**ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

ECONOMIC IMPACT STATEMENT (CONTINUED)

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation: Benefit: \$ 0 Cost: \$ 0

Alternative 1: Benefit: \$ 0 Cost: \$ 0

Alternative 2: Benefit: \$ 0 Cost: \$ 0

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: N/A

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? ☐ YES ☒ NO

Explain: Performance standards were not considered because the regulation does not mandate specific technologies, equipment, or prescribed actions.

It focuses on simplifying documentation requirements and administrative processes, which do not require performance-based alternatives.

E. MAJOR REGULATIONS *Include calculations and assumptions in the rulemaking record.*

California Environmental Protection Agency (Cal/EPA) boards, offices and departments are required to submit the following (per Health and Safety Code section 57005). Otherwise, skip to E4.

1. Will the estimated costs of this regulation to California business enterprises **exceed \$10 million**? ☐ YES ☒ NO

If YES, complete E2. and E3

If NO, skip to E4

2. Briefly describe each alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: _____

Alternative 2: _____

(Attach additional pages for other alternatives)

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 1: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 2: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

4. Will the regulation subject to OAL review have an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding \$50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented?

☐ YES ☒ NO

If YES, agencies are required to submit a [Standardized Regulatory Impact Assessment \(SRIA\)](#) as specified in Government Code Section 11346.3(c) and to include the SRIA in the Initial Statement of Reasons.

5. Briefly describe the following:

The increase or decrease of investment in the State: N/A

The incentive for innovation in products, materials or processes: N/A

The benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency: Improves public health, equity, and worker safety by providing clear guidelines, simplifying processes, aligning regulations, increasing healthcare access, and reducing costs for Californians.

FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT *Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

- ☐ 1. Additional expenditures in the current State Fiscal Year which are reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ _____

- ☐ a. Funding provided in _____

Budget Act of _____ or Chapter _____, Statutes of _____

- ☐ b. Funding will be requested in the Governor's Budget Act of _____

Fiscal Year: _____

- ☐ 2. Additional expenditures in the current State Fiscal Year which are NOT reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ _____

Check reason(s) this regulation is not reimbursable and provide the appropriate information:

- ☐ a. Implements the Federal mandate contained in _____

- ☐ b. Implements the court mandate set forth by the _____ Court.

Case of: _____ vs. _____

- ☐ c. Implements a mandate of the people of this State expressed in their approval of Proposition No. _____

Date of Election: _____

- ☐ d. Issued only in response to a specific request from affected local entity(s).

Local entity(s) affected: _____

- ☐ e. Will be fully financed from the fees, revenue, etc. from: _____

Authorized by Section: _____ of the _____ Code;

- ☐ f. Provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each;

- ☐ g. Creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

- ☐ 3. Annual Savings. (approximate)

\$ _____

- ☐ 4. No additional costs or savings. This regulation makes only technical, non-substantive or clarifying changes to current law regulations.

- ☒ 5. No fiscal impact exists. This regulation does not affect any local entity or program.

- ☐ 6. Other. Explain _____

ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)

STD. 399 (Rev. 10/2019)

Print Form

Reset Form

FISCAL IMPACT STATEMENT (CONTINUED)

B. FISCAL EFFECT ON STATE GOVERNMENT *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

☐ 1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ _____

It is anticipated that State agencies will:

☐ a. Absorb these additional costs within their existing budgets and resources.

☐ b. Increase the currently authorized budget level for the _____ Fiscal Year

☐ 2. Savings in the current State Fiscal Year. (Approximate)

\$ _____

☐ 3. No fiscal impact exists. This regulation does not affect any State agency or program.

☒ 4. Other. Explain The one-time cost for drafting, reviewing, approving and distributing the broker alert totals - \$104.24.
Please see attachment A.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

☐ 1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ _____

☐ 2. Savings in the current State Fiscal Year. (Approximate)

\$ _____

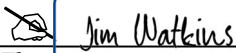
☒ 3. No fiscal impact exists. This regulation does not affect any federally funded State agency or program.

☐ 4. Other. Explain _____

FISCAL OFFICER SIGNATURE

DATE

DocuSigned by:

 Jim Watkins

8/8/2025

The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.

AGENCY SECRETARY

DATE

Signed by:

 Kathleen Webb

8/28/2025

Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD. 399.

DEPARTMENT OF FINANCE PROGRAM BUDGET MANAGER

DATE



ECONOMIC IMPACT STATEMENT

B. Estimated Costs [Per SAM Sections [6603](#), [6607](#)]

Statement of the Mandate:

Covered California, pursuant to Government Code section 100504(a)(6), is authorized to adopt rules and regulations necessary to implement state and federal laws related to eligibility determination, enrollment, and participation in the Small Business Health Options Program (SHOP) (also known as Covered California for Small Business, or CCSB). The proposed amendments to California Code of Regulations, Title 10, Section 6520, expand the acceptable documentation for verifying employer eligibility for SHOP coverage by allowing small employers with three or more enrolling employees to use proof of prior coverage and payroll records, aligning with administrative efficiency and consumer needs. Additionally, amendments to Section 6522 formally codify existing practices and federal requirements by including employees who waive coverage due to other qualifying health insurance in participation rate calculations, ensuring compliance and operational consistency.

Background or Introductory Material:

The Patient Protection and Affordable Care Act (ACA) requires states to establish Small Business Health Options Programs (SHOPs) to help small businesses provide health coverage to their employees and dependents. Covered California for Small Business (CCSB) serves this role in California, operating under federal and state laws to ensure accessibility, affordability, and compliance.

On August 22, 2024, Covered California adopted permanent regulations in Title 10, California Code of Regulations, Chapter 12, Article 6, which govern eligibility determinations, enrollment, disenrollment, and appeals within CCSB. To better align with federal standards and industry practices, Covered California now proposes amendments to Sections 6520 and 6522. These changes clarify documentation requirements for verifying business size and revise how employees waiving coverage are counted toward minimum participation requirements. These updates are essential to streamline CCSB processes and ensure compliance with state and federal laws.

Covered California is a self-sustaining entity, and the costs associated with these regulatory actions are absorbed by its operating budget, funded through the California Health Trust Fund (Fund 3175). This fund's revenue is derived from participation fees collected from health and dental carriers participating in Covered California's individual and CCSB Exchanges, not from the state's General Fund. This financial structure ensures that Covered California's operations, ensuring no burden on the state's General Fund.

Working Data:

- Wage Estimates:
 To derive wage estimates for agents and small business benefits specialists, we utilized the California Employment Development Department, Occupational Employment and Wage Statistics (OEWS), Compensation, Benefits, and Job Analysis Specialists and Insurance Sales Agent Occupation Profiles. The table below presents the mean hourly wage, the cost of fringe benefits and overhead, and the adjusted hourly wage

Employee hourly wage estimates have been adjusted by a factor of 100 percent. This is necessarily a rough adjustment, both because fringe benefits and overhead costs vary significantly across employers, and because methods of estimating these costs vary widely across studies. Nonetheless, there is no practical alternative, and we believe that doubling the hourly wage to estimate total cost is a reasonably accurate estimation method.

Occupation (\$/hr.)	Mean Hourly Wage for FY24/25	Fringe Benefits and Overhead (\$/hr.)	Adjusted Hourly Wage (\$/hr.)
Compensation, Benefits, and Job Analysis Specialists	\$46.07	\$46.07	\$92.14
Agents	\$44.34	\$44.34	\$88.68

Calculations:

- Regulatory Review Cost Estimation for Broker Requirement Change:
 The requirement to accept either the DE9C or prior carrier bill as part of the underwriting process is anticipated to have minimal training needs for brokers and agents. Brokers will be informed of this change through various communication channels, including a published broker alert, revisions to underwriting requirements documentation, and direct outreach from the Pinnacle Claims Management sales and account management team. It is estimated that 1,300 brokers will spend approximately 30 minutes to read and understand this requirement. Using the adjusted hourly wage of \$88.68, the cost of reviewing this requirement is estimated as follows:
 - .5 hours × \$88.68/hour × 1,300 agents = \$57,642
- Employer Application Time and Cost Reduction:
 Covered California anticipates a reduction in the amount of time employers spend gathering and submitting documentation for new application submissions due to the simplified requirement of accepting either the DE9C or prior carrier bill. Using 2024 enrollment data, 460 enrolled employer groups with three or more subscribers qualified for the streamlined process. It is estimated that 75% of these groups (345

groups) would have opted to submit their prior carrier bill instead of the DE9C, resulting in time savings.

Assuming employers spend approximately 30 minutes less per application due to the reduced complexity, the total time savings across 345 groups is calculated as follows:

- 0.5 hours × \$135.12/hour × 345 employer groups = \$23,326.20

Assumptions:

- Fringe benefits and overhead are estimated by doubling the hourly wage for each occupation, which is a widely accepted methodology despite variations across employers.

Multi-Year Projections of Operational Costs: [Per SAM Section 6615]

	FY2025/2026	FY2026/2027	FY2027/2028
Broker and Agent Training	\$57,642.00	\$0	\$0
Employer Cost Reduction	(\$23,326.20)	(\$23,326.20)	(\$23,326.20)
Total	\$34,315.80	(\$23,326.20)	(\$23,326.20)

Conclusion:

The amendments to Title 10, California Code of Regulations, Sections 6520 and 6522, will incur one-time broker and agent training costs of \$57,642 in FY2025/2026, with annual employer cost savings of \$23,326.20 beginning in FY2025/2026 and continuing in subsequent years. No additional costs are anticipated for FY2026/2027 or FY2027/2028. These changes streamline application processes, reduce employer burdens, and enhance operational efficiency without imposing additional costs on local agencies or requiring reimbursement under Government Code sections 17500 et seq.

The proposed regulatory action does not impose additional costs on local agencies or school districts and does not require reimbursement under Government Code sections 17500 et seq. Furthermore, the amendments are anticipated to enhance employer access to affordable health coverage options without creating a significant adverse economic impact on businesses or individuals. Covered California has determined that the costs and savings associated with the amendments are reasonable and necessary to fulfill its statutory mandate and improve the efficiency of its operations.

FISCAL IMPACT STATEMENT

B. Fiscal Effect on State Government [Per SAM Sections 6607, 6611, and 6612]

Please refer to Statement of Mandate and Background or Introductory Material in Section B of the Economic Impact Statement above.

Working Data:

- Wage Estimates:

To derive wage estimates for civil service positions, we utilized rates from Covered California's current operational budget.

Occupation (\$/hr.)	Mean Hourly Wage for FY24/25	Fringe Benefits and Overhead (\$/hr.)	Adjusted Hourly Wage (\$/hr.)
Staff Services Manager I	\$41.42	\$24.59	\$66.01
Staff Services Manager II	\$45.47	\$27.00	\$72.47
Attorney IV	\$78.64	\$46.67	\$125.31

Calculations:

- Staff Time for Broker Alert Development and Dissemination:

The one-time cost for drafting, reviewing, approving, and distributing the broker alert totals 1.5 hours across staff classifications:

Drafting (SSM I): 0.5 hours × \$66.01 = \$33.01

Review (Attorney IV): 0.25 hours × \$125.31 = \$31.33

Approval (SSM II): 0.25 hours × \$72.47 = \$18.12

Distribution (SSM I): 0.33 hours × \$66.01 = \$21.78

Total Cost: \$104.24

Multi-Year Projections of Operational Costs: [Per SAM Section 6615]

	FY2025/2026	FY2026/2027	FY2027/2028
One-Time Staff Costs for Broker Alert	\$104.24	\$0	\$0
Ongoing Costs Total			
Total	\$104.24	\$0	\$0

Conclusion:

The proposed regulatory amendments will incur a one-time fiscal impact of \$104.24 in FY 2025/2026 for staff time to develop and disseminate the broker alert, with no ongoing costs or additional resources required in subsequent years. This minimal cost will be absorbed by Covered California's existing operational budget, funded through the California Health Trust Fund (Fund 3175). The amendments streamline processes, reduce administrative burdens for brokers and employers, and align with federal

standards, ensuring no adverse fiscal impact on state government, local agencies, or school districts.