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AB-594 Student health insurance. (2025-2026)

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Assembly Bill No. 594

CHAPTER 272

An act to amend Section 10965.03 of the Insurance Code, relating to insurance.

[Approved by Governor October 03, 2025. Filed with Secretary of State October 03, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

AB 594, Solache. Student health insurance.

Existing law, for policy years beginning on or after January 1, 2024, requires student health insurance coverage, as defined, to be considered individual health insurance coverage. Existing law, except as specified, requires a blanket disability insurance policy that meets the definition of student health insurance coverage to comply with insurance provisions that are applicable to nongrandfathered individual health insurance, including, among others, essential health benefits requirements and annual limits on out-of-pocket expenses. Existing law exempts student health insurance coverage from certain requirements otherwise applicable to health insurers and health benefit plans, including the establishment of specified enrollment periods, guaranteed availability and renewability, specified coverage level requirements, and single risk pool rating requirements. Existing law requires a notice to be provided in the student health insurance enrollment materials stating that California requires residents and their dependents to obtain and maintain health coverage, either through student health insurance, or through a different method, including Medi-Cal, Covered California, or, if under 26 years of age, their parent's coverage.

This bill would, commencing July 1, 2026, authorize a student certificate holder to request to terminate their student health insurance coverage during the policy year if the student graduates, takes a leave of absence, or is no longer enrolled at the institution of higher education. The bill would require the request to be provided to the institution of higher education at least 30 days before the effective date of termination and would, upon receipt of the request to terminate coverage, require the institution to terminate coverage effective within the same calendar month if feasible, but no later than the last day of the calendar month in which the 30-day period ends. The bill would authorize the student to pay only the premium through the date of the termination, as specified. The bill would require a student or dependent of a student to be notified of premium liability to them, if any, if they choose not to terminate coverage pursuant to these provisions. The bill would, commencing July 1, 2026, if a student requests a waiver from student health insurance coverage, require the waiver to be granted if the student obtains or maintains health coverage that is minimum essential coverage, as specified. The bill would prohibit charging the student a fee or premium if the waiver is granted.

Existing law requires a health insurer to file with the Department of Insurance all required rate information for grandfathered individual and specified group health insurance policies at least 120 days before implementing any rate change.

This bill would authorize the department to prohibit a requested rate change if the insurer fails to comply with the above-described timelines.

This bill would also authorize the Insurance Commissioner to exercise their existing authority to enforce the above-described provisions and prohibits an administrative penalty, if assessed, from exceeding \$5,000 for each violation, or \$10,000 for a willful violation. The bill would also state the intent of the Legislature to encourage self-funded student health coverage offered by the University of California Student Health Insurance Plan and the University of California Voluntary Dependent Plan to maintain or exceed coverage standards of the federal Patient Protection and Affordable Care Act and to comply with the above described provisions.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 10965.03 of the Insurance Code is amended to read:

10965.03. (a) It is the intent of the Legislature to encourage self-funded student health coverage offered by the University of California Student Health Insurance Plan and the University of California Voluntary Dependent Plan to maintain or exceed coverage standards of the federal Patient Protection and Affordable Care Act. All other student health coverage offered by an institution of higher education in California shall comply with the provisions of the act that added this subdivision.

(b) For policy years beginning on or after January 1, 2024, a blanket disability insurance policy that meets the definition of student health insurance coverage as set forth in this section shall be considered individual health insurance coverage for purposes of subdivision (b) of Section 106.

(c) "Student health insurance coverage" is a blanket disability policy under paragraph (2) of subdivision (a) of Section 10270.2, that covers hospital, medical, or surgical benefits, that is provided pursuant to a written agreement between an institution of higher education, as defined in the federal Higher Education Act of 1965, and a disability insurance issuer, and provided to students enrolled in that institution of higher education and their dependents, that meets all of the following conditions:

(1) Does not make coverage available other than in connection with enrollment as a student, or as a dependent of a student, in the institution of higher education.

(2) Does not condition eligibility for the insurance coverage on any health status-related factor relating to a student or a dependent of a student.

(3) Does not condition eligibility, an offer, issuance, a sale, or a renewal for the insurance coverage on any factor other than enrollment as a student or dependent of a student in the institution of higher education.

(d) (1) (A) Except as otherwise expressly provided in this section, a blanket disability insurance policy that meets the definition of student health insurance coverage shall comply with the provisions of this code that are applicable to nongrandfathered individual health insurance, including, but not limited to, essential health benefits requirements as set forth in Section 10112.27, rating factors consistent with Section 10965.9, the annual limit on maximum out-of-pocket expenses as set forth in Section 10112.28, the prohibition against annual and lifetime limits under Section 10112.1, and all rules and regulations issued thereunder.

(B) Commencing July 1, 2026, if a student certificate holder graduates, takes a leave of absence, or is no longer enrolled at the institution of higher education, they may request to terminate their student health insurance coverage during the policy year. The request shall be provided to the institution of higher education at least 30 calendar days before the effective date of termination. Upon receipt of the request to terminate coverage, the institution of higher education shall terminate coverage effective within the same calendar month if feasible, but no later than the last day of the calendar month in which the 30-day period ends. When a student certificate holder, or dependent of a student, chooses to terminate their student health insurance coverage during the policy year consistent with the circumstances set forth under this subparagraph, the student shall only pay the premium through the date of their termination of coverage. A student or dependent of a student shall not be liable for a premium payment during the time that they are not enrolled in student health insurance coverage. In the case of premium paid in full for an academic term, the student shall be refunded pro rata for any time they are not enrolled in student health insurance coverage. Notice of the ability to terminate coverage pursuant to this subparagraph shall be provided in the student health insurance enrollment materials provided to a student or a dependent of a student. A student or dependent of a student shall also be notified of premium liability to the student or dependent of the student, if any, if a student or dependent of a student chooses not to terminate coverage pursuant to this subparagraph.

(2) Any reference to the insured in a blanket disability insurance policy that meets the definition of student health insurance coverage shall also refer to the individual students and dependents insured under those policies.

(3) For the purposes of applying Sections 10123.81, 10123.84, 10123.87, 10123.135, 10123.194, 10278, 10354, 10965, and 10965.3 to student health insurance coverage, any reference to the policyholder shall also refer to the individual students.

(e) (1) A student, or dependent of a student, shall not be required to purchase a blanket disability insurance policy if they have minimum essential coverage that meets the requirements of the Minimum Essential Coverage Individual Mandate under Section 100705 of the Government Code.

(2) Commencing July 1, 2026, a student that obtains or maintains health coverage that is minimum essential coverage and who requests a waiver shall be granted a waiver from obtaining student health insurance coverage from their institution of higher education and shall not be required to pay a fee or premium for student health insurance coverage.

(f) The following provisions apply to student health insurance coverage:

(1) Student health insurance coverage is exempt from laws requiring guaranteed availability or guaranteed renewability, as follows:

(A) Subdivision (f) of Section 10273.6 applies if the basis of student health insurance coverage is enrollment in the institution of higher education and an individual's enrollment in the institution ceases.

(B) For purposes of Sections 10965.3 and 10965.4, a disability insurance issuer that offers student health insurance coverage is not required to accept individuals who are not students or dependents of students in that coverage. Notwithstanding the requirements of subdivisions (a) and (c) of Section 10965.3 and Section 10965.4, a disability insurance issuer that offers student health insurance coverage is not required to establish open enrollment periods or coverage effective dates that are based on a calendar policy year or to offer policies on a calendar year basis.

(C) For purposes of Sections 10273.6 and 10965.7, a disability insurance issuer that offers student health insurance coverage is not required to renew or continue in force coverage for individuals who are no longer students or dependents of students. To the extent the institution of higher education opts to renew the student health insurance policy, student health insurance coverage shall be renewable with respect to all eligible students or dependents of students at the option of the student.

(2) The requirement to provide a specific level of coverage described in Sections 10112.3 and 10112.295 does not apply to student health insurance coverage. However, the benefits provided by that coverage shall provide at least 60 percent actuarial value, as calculated in accordance with Section 10112.295. The issuer shall specify in any plan materials summarizing the terms of the coverage the actuarial value and level of coverage, or the next lowest level of coverage, and how the coverage would otherwise satisfy requirements under Sections 10112.295 and 10112.296.

(3) Student health insurance coverage is not subject to the requirements of subdivision (h) of Section 10965.3. A health insurance issuer that offers student health insurance coverage may establish one or more separate risk pools for an institution of higher education if the distinction between or among groups of students or dependents of students who form the risk pool is based on a bona fide school-related classification and not based on a health factor. However, student health insurance rates shall reflect the claims experience of individuals who comprise the risk pool, and any adjustments to rates within a risk pool shall be actuarially justified.

(4) Student health insurance coverage shall not be required to comply with nongrandfathered individual health insurance rate review, but shall be subject to the nongrandfathered large group market rate review requirements under Article 4.7 (commencing with Section 10181) of Chapter 1, with the exception of paragraph (2) of subdivision (b) of Section 10181 and Section 10181.4. If the department determines that a rate is unreasonable or not justified consistent with Article 4.7 (commencing with Section 10181) of Chapter 1, the insurer shall notify the policyholder of this decision. If an insurer fails to comply with the timeline specified in paragraph (1) of subdivision (a) of Section 10181.3, the department may prohibit the proposed rate change.

(5) For purposes of subdivision (c) of Section 10113.9, the notification shall be provided to a student certificate holder in addition to the policyholder. For purposes of subdivision (b) of Section 10113.9, the insurer shall provide the notification to the policyholder, and the institution of higher education shall provide the notification of the actual change in premiums to the student certificate holders.

(6) Student health insurance coverage shall be subject to the requirements of subdivisions (b) and (c) of Section 10270.3, Section 10290, paragraph (1) of subdivision (b) of Section 10291.5, and Section 10382.

(g) Each of the following shall not apply to student health insurance coverage:

(1) (A) Subdivision (d) of Section 10965.9.

(B) The rating period, instead, is the policy year for which premium rates are established for student health insurance coverage.

(C) The premium rate for student health insurance coverage shall not vary during the rating period.

(2) Sections 2236.1, 2236.3, 2236.4, 2236.5, and 2236.6 of Article 4 of Subchapter 2 of Chapter 5 of Title 10 of the California Code of Regulations.

(3) Subdivision (a) of Section 10270.3.

(4) Subdivision (a) of Section 10144.4.

(5) Subdivisions (a) to (e), inclusive, of Section 10277.

(6) Section 10278 for dependents under 26 years of age.

(7) Subdivisions (g) and (j) of Section 10965.

(8) Subdivisions (a), (c), and (e) of, paragraphs (1) to (3), inclusive, of subdivision (f) of, and subdivision (h) of, Section 10965.3.

(h) (1) The following notice shall be provided in the student health insurance enrollment materials provided to a student or a dependent of a student:

California requires residents and their dependents to obtain, and maintain, health coverage or pay a penalty, unless they qualify for an exemption. Enrolling in student health insurance offered by the college or university you are attending is one way to meet this requirement.

You may be eligible to get free or low-cost health coverage through Medi-Cal regardless of immigration status. In addition, you may be eligible for free or low-cost health coverage through Covered California. Visit Covered California at www.coveredca.com to learn about health coverage options that are available for you and your dependents, and how you might qualify to get financial assistance with the cost of coverage.

If you are under 26 years of age, you may be eligible for coverage as a dependent in a group health plan of your parent's employer or under your parents' individual market coverage. In addition, you may be eligible to buy individual health insurance directly from a health insurer or health plan, regardless of immigration status.

Please examine your options carefully to see if other options are more affordable and whether you are currently eligible to enroll in these other forms of coverage pursuant to an open or special enrollment period.

(2) The notice shall be prominently displayed in clear, conspicuous, 14-point bold type.

(3) In addition to the enrollment materials, the notice also may be provided on the internet website of the institution of higher education.

(i) (1) A "student administrative health fee" is a fee charged by the institution of higher education on a periodic basis to students of the institution of higher education to offset the cost of providing health care through health clinics regardless of whether the students utilize the health clinics or enroll in student health insurance coverage.

(2) Notwithstanding the requirements under Section 10112.2, a student administrative health fee is not considered a cost-sharing requirement with respect to specified recommended preventive services.

(j) A "health factor" means, in relation to an individual, any of the following health status-related factors:

(1) Health status.

(2) Medical condition, including both physical and mental illnesses.

(3) Claims experience.

(4) Receipt of health care.

(5) Medical history.

(6) Genetic information.

(7) Evidence of insurability, including conditions arising out of acts of domestic violence.

(8) Disability.

(9) Any other health status-related factor as determined by any federal regulation, rule, or guidance issued under Section 2705 of the federal Public Health Service Act (42 U.S.C. Sec. 300gg-26).

(k) The commissioner may exercise the authority provided by this code and the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340), Chapter 4.5 (commencing with Section 11400), and Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code) to implement and enforce this section and all sections referenced in this section. If the commissioner assesses an administrative penalty for a violation, any hearing that is requested by the insurer may be conducted by an administrative law judge of the administrative hearing bureau of the department under the formal procedure of Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code. An administrative penalty shall not exceed five thousand dollars (\$5,000) for each violation, or, if a violation was willful, shall not exceed ten thousand dollars (\$10,000) for each violation. This subdivision does not impair or restrict the commissioner's authority pursuant to another provision of this code or the Administrative Procedure Act.