

AMENDED IN SENATE JUNE 14, 2001
AMENDED IN ASSEMBLY MAY 31, 2001
AMENDED IN ASSEMBLY MARCH 29, 2001
AMENDED IN ASSEMBLY MARCH 23, 2001
CALIFORNIA LEGISLATURE—2001-02 REGULAR SESSION

ASSEMBLY BILL

No. 142

Introduced by Assembly Member Richman
(Coauthor: Assembly Member Koretz)
(Coauthor: Senator Speier)

January 24, 2001

An act to amend Section 1375.5 of, and to add Section 1375.7 to, the Health and Safety Code, relating to health care service plans.

LEGISLATIVE COUNSEL'S DIGEST

AB 142, as amended, Richman. Health care service plans.

The Knox-Keene Health Care Service Plan Act of 1975 provides for the regulation and licensing of health care service plans by the Department of Managed Health Care and makes the willful violation of any of its provisions a crime. Existing provisions of this act prohibit a contract between a health care service plan and a risk-bearing organization, as defined, from including any provision that requires the risk-bearing organization to be at financial risk for the provision of health care services unless the provision has been first negotiated and agreed to by the parties.

This bill would instead provide that no *health care service plan* contract ~~between a physician and surgeon or a physician organization;~~

~~as defined, and a health care service plan that is issued, amended, or renewed in this state on or after July 1, 2002, shall contain a provision that requires a physician and surgeon or a physician organization require or allow a health care service provider, as defined, to assume or be at any financial risk, as defined, for certain designated services and items that would be funded, instead, by the health care service plan, subject to any applicable copayment or deductible. The bill would also require the department to report to the Legislature by July 1, 2004, on whether the services that would be excluded from the contracts specified in the bill should continue to be excluded and whether other services should be added.~~

Because this bill would impose a requirement regulating health care service plans, the willful violation of which is a criminal offense, it would create a new crime, thereby imposing a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1375.5 of the Health and Safety Code
2 is amended to read:

3 1375.5. No contract between a risk-bearing organization and
4 a health care service plan that is issued, amended, delivered, or
5 renewed in this state on or after July 1, 2000, shall include any
6 provision that requires the risk-bearing organization to be at
7 financial risk for the provision of health care services, unless the
8 provision has first been negotiated and agreed to between the
9 health care service plan and the risk-bearing organization.

10 This section shall not prevent a risk-bearing organization from
11 accepting the financial risk pursuant to a contract that meets the
12 requirements of Section 1375.4.

13 SEC. 2. Section 1375.7 is added to the Health and Safety
14 Code, to read:



1 1375.7. (a) The Legislature finds the following:

2 (1) Because of the nature and cost of certain medical services,
3 the financial risk of these services is better retained by the health
4 care service plan than by ~~physicians and surgeons and physician~~
5 ~~organizations.~~

6 ~~(2) Prohibiting physicians and surgeons and physician~~
7 ~~organizations care service plan than by health care service~~
8 ~~providers.~~

9 (2) *Prohibiting health care service providers* from taking the
10 financial risk for the services described in this section, and
11 requiring the health care service plans to fund them, will assist in
12 maintaining patient access to ~~physicians and surgeons and to~~
13 ~~medical services.~~ *health care service providers.*

14 (b) Notwithstanding Section 1375.5, no *health care service*
15 *plan* contract ~~between a physician and surgeon or a physician~~
16 ~~organization and a health care service plan~~ that is issued, amended,
17 delivered, or renewed in this state on or after July 1, 2002, shall
18 include any provision that requires a ~~physician and surgeon or a~~
19 ~~physician organization to require or allow a health care service~~
20 *provider to* assume or be at any financial risk for any of the
21 following services *or items*, when covered under the applicable
22 plan contract, that shall, instead, be funded and paid for, subject to
23 any applicable copayment or deductible, by the health care service
24 plan:

25 (1) Chemotherapeutic medications and adjunct pharmaceutical
26 therapies for side effects.

27 (2) Drugs, medications, or blood products used for hemophilia.

28 (3) Medications related to transplant services.

29 ~~(4) Injectable medication~~ *Injectable medication or medication*
30 *in an implantable dosage form* costing more than five hundred
31 dollars (\$500), based on the average wholesale price, as published
32 in the Drug Topics Red Book, for a patient during one calendar
33 year.

34 (5) Vaccines.

35 ~~(6) Self-injectable~~ *Self-injectable* medications.

36 (c) The following definitions apply for the purposes of this
37 section:

38 (1) “Financial risk” means any contractual financial
39 ~~agreement between a physician and surgeon or a physician~~
40 ~~organization~~ *agreement between a health care service provider*



1 and a health care service plan for services rendered to a patient or
2 enrollee if the reimbursement from a health care service plan is
3 other than a fee-for-service rate structure. "Financial risk"
4 includes, but is not limited to, capitation payments, case rates, and
5 risk pools.

6 ~~(2) "Physician organization" means a medical group,~~
7 ~~corporation, or partnership comprised of physicians and surgeons~~
8 ~~licensed pursuant to the Medical Practice Act (Chapter 5~~
9 ~~(commencing with Section 2000) of Division 2 of the Business and~~
10 ~~Professions Code).~~

11 (2) "Health care service provider" means an individual,
12 partnership, group, or corporation that delivers, furnishes, or
13 otherwise arranges for or provides health care services.

14 (d) This section shall not preclude any payment by a health care
15 service plan to a physician and surgeon or to a physician
16 organization service plan to a health care service provider for the
17 performance of any services related to quality measures and
18 programs.

19 (e) The Department of Managed Health Care shall report to the
20 appropriate policy and fiscal committees of the Legislature by July
21 1, 2004, on whether the services listed in subdivision (b) should
22 continue to be excluded from contracts and whether any other
23 services should be added to that list.

24 SEC. 3. No reimbursement is required by this act pursuant to
25 Section 6 of Article XIII B of the California Constitution because
26 the only costs that may be incurred by a local agency or school
27 district will be incurred because this act creates a new crime or
28 infraction, eliminates a crime or infraction, or changes the penalty
29 for a crime or infraction, within the meaning of Section 17556 of
30 the Government Code, or changes the definition of a crime within
31 the meaning of Section 6 of Article XIII B of the California
32 Constitution.

