
Introduced by Senator Runner

February 24, 2006

An act to amend Section 1363 of the Health and Safety Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 1764, as introduced, Runner. Health care coverage: disclosures.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the regulation of health care service plans by the Department of Managed Health Care. Existing law requires each plan to use disclosure forms or materials containing information regarding the benefits, services, and terms of the plan contract.

This bill would make nonsubstantive changes to these provisions.

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

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

1 SECTION 1. Section 1363 of the Health and Safety Code is
2 amended to read:
3 1363. (a) The director shall require the use by each plan of
4 disclosure forms or materials containing information regarding
5 the benefits, services, and terms of the plan contract as the
6 director may require, so as to afford the public, subscribers, and
7 enrollees with a full and fair disclosure of the provisions of the
8 plan in readily understood language and in a clearly organized
9 manner. The director may require that the materials be presented
10 in a reasonably uniform manner—~~so as~~ *in order* to facilitate
11 comparisons between plan contracts of the same or other types of
12 plans. Nothing contained in this chapter shall preclude the

1 director from permitting the disclosure form to be included with
2 the evidence of coverage or plan contract.

3 The disclosure form shall provide for at least the following
4 information, in concise and specific terms, relative to the plan,
5 together with additional information as may be required by the
6 director, in connection with the plan or plan contract:

7 (1) The principal benefits and coverage of the plan, including
8 coverage for acute care and subacute care.

9 (2) The exceptions, reductions, and limitations that apply to
10 the plan.

11 (3) The full premium cost of the plan.

12 (4) Any copayment, coinsurance, or deductible requirements
13 that may be incurred by the member or the member's family in
14 obtaining coverage under the plan.

15 (5) The terms under which the plan may be renewed by the
16 plan member, including any reservation by the plan of any right
17 to change premiums.

18 (6) A statement that the disclosure form is a summary only,
19 and that the plan contract itself should be consulted to determine
20 governing contractual provisions. The first page of the disclosure
21 form shall contain a notice that conforms with all of the
22 following conditions:

23 (A) (i) States that the evidence of coverage discloses the
24 terms and conditions of coverage.

25 (ii) States, with respect to individual plan contracts, small
26 group plan contracts, and any other group plan contracts for
27 which health care services are not negotiated, that the applicant
28 has a right to view the evidence of coverage prior to enrollment,
29 and, if the evidence of coverage is not combined with the
30 disclosure form, the notice shall specify where the evidence of
31 coverage can be obtained prior to enrollment.

32 (B) Includes a statement that the disclosure and the evidence
33 of coverage should be read completely and carefully and that
34 individuals with special health care needs should read carefully
35 those sections that apply to them.

36 (C) Includes the plan's telephone number or numbers that may
37 be used by an applicant to receive additional information about
38 the benefits of the plan or a statement where the telephone
39 number or numbers are located in the disclosure form.

1 (D) For individual contracts, and small group plan contracts as
2 defined in Article 3.1 (commencing with Section 1357), the
3 disclosure form shall state where the health plan benefits and
4 coverage matrix is located.

5 (E) Is printed in type no smaller than that used for the
6 remainder of the disclosure form and is displayed prominently on
7 the page.

8 (7) A statement as to when benefits shall cease in the event of
9 nonpayment of the prepaid or periodic charge and the effect of
10 nonpayment upon an enrollee who is hospitalized or undergoing
11 treatment for an ongoing condition.

12 (8) To the extent that the plan permits a free choice of provider
13 to its subscribers and enrollees, the statement shall disclose the
14 nature and extent of choice permitted and the financial liability
15 that is, or may be, incurred by the subscriber, enrollee, or a third
16 party by reason of the exercise of that choice.

17 (9) A summary of the provisions required by subdivision (g)
18 of Section 1373, if applicable.

19 (10) If the plan utilizes arbitration to settle disputes, a
20 statement of that fact.

21 (11) A summary of, and a notice of the availability of, the
22 process the plan uses to authorize, modify, or deny health care
23 services under the benefits provided by the plan, pursuant to
24 Sections 1363.5 and 1367.01.

25 (12) A description of any limitations on the patient's choice of
26 primary care physician, specialty care physician, or nonphysician
27 health care practitioner, based on service area and limitations on
28 the patient's choice of acute care hospital care, subacute or
29 transitional inpatient care, or skilled nursing facility.

30 (13) General authorization requirements for referral by a
31 primary care physician to a specialty care physician or a
32 nonphysician health care practitioner.

33 (14) Conditions and procedures for disenrollment.

34 (15) A description as to how an enrollee may request
35 continuity of care as required by Section 1373.96 and request a
36 second opinion pursuant to Section 1383.15.

37 (16) Information concerning the right of an enrollee to request
38 an independent review in accordance with Article 5.55
39 (commencing with Section 1374.30).

40 (17) A notice as required by Section 1364.5.

1 (b) (1) As of July 1, 1999, the director shall require each plan
2 offering a contract to an individual or small group to provide
3 with the disclosure form for individual and small group plan
4 contracts a uniform health plan benefits and coverage matrix
5 containing the plan’s major provisions in order to facilitate
6 comparisons between plan contracts. The uniform matrix shall
7 include the following category descriptions together with the
8 corresponding copayments and limitations in the following
9 sequence:

- 10 (A) Deductibles.
- 11 (B) Lifetime maximums.
- 12 (C) Professional services.
- 13 (D) Outpatient services.
- 14 (E) Hospitalization services.
- 15 (F) Emergency health coverage.
- 16 (G) Ambulance services.
- 17 (H) Prescription drug coverage.
- 18 (I) Durable medical equipment.
- 19 (J) Mental health services.
- 20 (K) Chemical dependency services.
- 21 (L) Home health services.
- 22 (M) Other.

23 (2) The following statement shall be placed at the top of the
24 matrix in all capital letters in at least 10-point boldface type:

25 **THIS MATRIX IS INTENDED TO BE USED TO HELP YOU**
26 **COMPARE COVERAGE BENEFITS AND IS A SUMMARY**
27 **ONLY. THE EVIDENCE OF COVERAGE AND PLAN**
28 **CONTRACT SHOULD BE CONSULTED FOR A DETAILED**
29 **DESCRIPTION OF COVERAGE BENEFITS AND**
30 **LIMITATIONS.**

31 (c) Nothing in this section shall prevent a plan from using
32 appropriate footnotes or disclaimers to reasonably and fairly
33 describe coverage arrangements in order to clarify any part of the
34 matrix that may be unclear.

35 (d) All plans, solicitors, and representatives of a plan shall,
36 when presenting any plan contract for examination or sale to an
37 individual prospective plan member, provide the individual with
38 a properly completed disclosure form, as prescribed by the
39 director pursuant to this section for each plan so examined or
40 sold.

1 (e) In the case of group contracts, the completed disclosure
2 form and evidence of coverage shall be presented to the
3 contractholder upon delivery of the completed health care service
4 plan agreement.

5 (f) Group contractholders shall disseminate copies of the
6 completed disclosure form to all persons eligible to be a
7 subscriber under the group contract at the time those persons are
8 offered the plan. If the individual group members are offered a
9 choice of plans, separate disclosure forms shall be supplied for
10 each plan available. Each group contractholder shall also
11 disseminate or cause to be disseminated copies of the evidence of
12 coverage to all applicants, upon request, prior to enrollment and
13 to all subscribers enrolled under the group contract.

14 (g) In the case of conflicts between the group contract and the
15 evidence of coverage, the provisions of the evidence of coverage
16 shall be binding upon the plan notwithstanding any provisions in
17 the group contract that may be less favorable to subscribers or
18 enrollees.

19 (h) In addition to the other disclosures required by this section,
20 every health care service plan and any agent or employee of the
21 plan shall, when presenting a plan for examination or sale to any
22 individual purchaser or the representative of a group consisting
23 of 25 or fewer individuals, disclose in writing the ratio of
24 premium costs to health services paid for plan contracts with
25 individuals and with groups of the same or similar size for the
26 plan's preceding fiscal year. A plan may report that information
27 by geographic area, provided the plan identifies the geographic
28 area and reports information applicable to that geographic area.

29 (i) Subdivision (b) shall not apply to any coverage provided by
30 a plan for the Medi-Cal program or the Medicare program
31 pursuant to Title XVIII and Title XIX of the Social Security Act.

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