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CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 12

Introduced by Assembly Member Beall
(Principal coauthor: Senator Alquist)

December 4, 2006

An act to add Division 113 (commencing with Section 131500) to the Health and Safety Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 12, as amended, Beall. The Adult Health Coverage Expansion Program: Santa Clara County.

Existing law requires a health care service plan and a health insurer to fairly and affirmatively offer, market, and sell its contract or its policy, as specified, to small employers, as defined. Existing law also provides for a local initiative, which is defined as a prepaid health plan organized by a county government or by stakeholders to provide comprehensive health care to eligible Medi-Cal beneficiaries.

This bill would provide for the creation of the Adult Health Coverage Expansion Program as a pilot program in Santa Clara County that would be administered by a local initiative in the county, at the option of the local initiative. The program would provide health care coverage to eligible employees, as specified, of a small business, as defined, that participates in the program, not to exceed 5,000 employees in the county. The bill would authorize the Department of Managed Health Care to authorize an increase in the number of enrollees in the program. The bill would provide that the program is subject to the requirements of the Knox-Keene Health Care Service Plan Act of 1975, except as specified, and subject to approval as to regulatory filings with the Department of Managed Health Care. The bill would fund the program through a combination of employer contributions, employee premiums, and any county, state, private sector, or federal funding made available for its purposes. The bill would authorize the local initiative to determine the amount of employer *contributions* and employee ~~contributions~~ *premiums*, subject to specified maximum amounts, but subject to adjustment after the first year. The bill would provide for an evaluation of the pilot program by Santa Clara County and the local initiative in the county after 3 years. The bill would enact other related provisions. Because the bill would impose new duties on Santa Clara County, it would thereby impose 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, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

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. The Legislature finds and declares all of the
- 2 following:
- 3 (a) When a comprehensive health plan concept for the state is
- 4 adopted, there may still be some workers who lack health care
- 5 coverage.

1 (b) Seventy percent of the 1.7 million working uninsured are
2 employed by a business with fewer than 50 workers.

3 (c) Counties generally have a responsibility to provide a health
4 care safety net.

5 (d) A large number of small businesses would like to offer health
6 care coverage to their workers but have been unable to identify an
7 affordable, comprehensive health plan.

8 (e) It is therefore the intent of this act to provide health care
9 coverage on a pilot program basis to uninsured working adults in
10 California through the Adult Health Coverage Expansion Program.

11 SEC. 2. Division 113 (commencing with Section 131500) is
12 added to the Health and Safety Code, to read:

13
14 DIVISION 113. THE ADULT HEALTH COVERAGE
15 EXPANSION PROGRAM

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17 CHAPTER 1. GENERAL PROVISIONS

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19 131500. This division shall be known and may be cited as the
20 Adult Health Coverage Expansion Program.

21 131501. It is the intent of the Legislature that the Adult Health
22 Coverage Expansion Program provide health care coverage *on a*
23 *pilot program basis* to eligible adults domiciled and employed in
24 Santa Clara County who are without health care coverage ~~on a~~
25 ~~pilot program basis in Santa Clara County.~~

26 131502. The following definitions apply for purposes of this
27 division:

28 (a) "Local initiative" has the same meaning as set forth in
29 Section 12693.08 of the Insurance Code.

30 (b) "Program" means the Adult Health Coverage Expansion
31 Program.

32 (c) "Small business" means an entity located in Santa Clara
33 County that employs 50 or fewer persons, with at least 35 percent
34 of the employees earning less than 350 percent of the federal
35 poverty level for a family size of one, and that has not offered
36 health care coverage to its employees for, at minimum, 12
37 consecutive months, provided that the provisions of any such prior
38 coverage required the employer to contribute at least 50 percent
39 of the total amount of the premium for that coverage. For purposes
40 of the program authorized by this division, a small business shall

1 be a “small employer” pursuant to Article 3.1 (commencing with
 2 Section 1357) of Chapter 2.2 of Division 2, subject to the
 3 provisions and exceptions of this division. Notwithstanding the
 4 company affiliation and tax filing provision of paragraph (1) of
 5 subdivision (l) of Section 1357, an individual franchise outlet shall
 6 be considered a small business.

7
 8 CHAPTER 2. ADMINISTRATION
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10 131510. The program may be implemented in Santa Clara
 11 County at the option of the local initiative, but if so implemented
 12 shall be as a pilot program. A maximum of 5,000 employees may
 13 be covered in the county, provided, however, that the number of
 14 enrollees may be increased pursuant to the prior approval of the
 15 Department of Managed Health Care. The local initiative shall
 16 administer the program.

17 131511. (a) In implementing the pilot program established
 18 pursuant to this division, the local initiative in Santa Clara County
 19 shall not be subject to the requirements of subdivision (a) of
 20 Section 1357.03. The program shall be otherwise subject to the
 21 requirements of Chapter 2.2 (commencing with Section 1340) of
 22 Division 2, including Article 3.1 (commencing with Section 1357)
 23 thereof, except as otherwise provided in this division, and shall be
 24 subject to approval as to regulatory filings with the Department
 25 of Managed Health Care as prescribed in Chapter 2.2 (commencing
 26 with Section 1340) of Division 2 and in implementing regulations
 27 promulgated by the department.

28 (b) Except in the case of a late enrollee or for satisfaction of a
 29 preexisting condition clause in the case of initial coverage for an
 30 eligible employee, the local initiative may not exclude any eligible
 31 employee who would otherwise be eligible for health care coverage
 32 under this division on the basis of an actual or expected health care
 33 condition. The local initiative may not limit or exclude coverage
 34 for any eligible employee by type of illness, treatment, medical
 35 condition, or accident, except for preexisting conditions as
 36 permitted under Section 1357.06.

37 (c) Coverage provided through the program to an eligible small
 38 business shall be renewable with respect to all eligible employees
 39 at the option of the participating small business. ~~The provisions~~

1 of Article 4.5 (commencing with Section 1366.20) of Chapter 2.2
2 of Division 2 shall not apply to the program.

3
4 CHAPTER 3. ELIGIBILITY

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6 131520. Notwithstanding subdivision (b) of Section 1357, only
7 an adult age 19 to 64 years, inclusive, employed by a small business
8 for a minimum of 20 hours per week is eligible to participate in
9 the program if he or she has a gross annual income that is less than
10 350 percent of the federal poverty level for a family size of one,
11 and his or her employer participates in the program. Dependents,
12 spouses, and domestic partners of employees are not eligible for
13 the program.

14 131521. (a) A small business may apply to the local initiative
15 that administers the program to obtain coverage for its employees
16 who meet the requirements of Section 131520.

17 (b) At least 50 percent of the employees of an otherwise eligible
18 small business must meet the eligibility requirements of Section
19 131520, and at least 50 percent of those eligible employees must
20 choose to receive coverage through the program in order for the
21 small business to qualify to participate in the program.

22 131522. The program shall screen potential enrollees to
23 determine if they meet the eligibility requirements for the Medi-Cal
24 program.

25
26 CHAPTER 4. BENEFITS

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28 131530. The local initiative that establishes a program shall
29 offer health care coverage through the program, and all health care
30 services shall be provided to participants by a provider operated
31 by the county or by a provider with whom or with which the county
32 or the local initiative has contracted to provide health care services,
33 except for emergency or out-of-area care or instances in which a
34 required specialized service is not contracted for by the county or
35 the local initiative.

36 131531. The health care services provided through the program
37 to eligible employees shall, to the extent practicable, be
38 substantially similar to the benefits offered to adults under the
39 Healthy Families Program pursuant to Chapter 5 (commencing
40 with Section 12693.60) of Part 6.2 of the Insurance Code, but shall

1 include at least all of the basic health care services included in
 2 subdivision (b) of Section 1345 and in Section 1300.67 of Title
 3 28 of the California Code of Regulations.

4
 5 CHAPTER 5. FUNDING
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7 131540. (a) (1) The cost of the health care coverage provided
 8 through the program shall be paid through a combination of
 9 contributions paid by the small business, premiums paid by
 10 participating employees, and any county, federal, state, or private
 11 sector funding made available for this purpose.

12 (2) The local initiative may determine the amount of the
 13 employer contribution for each participating eligible employee,
 14 which shall not exceed one hundred fifty dollars (\$150) per month,
 15 and the amount of the ~~employee contribution~~ *premium*, which shall
 16 not exceed seventy-five dollars (\$75) per month. The local initiative
 17 may adjust employer ~~and employee contribution~~ *contribution and*
 18 *employee premium* levels after the first year if necessary for
 19 changes in health care costs.

20 (3) The local initiative may structure the required employee
 21 ~~contribution~~ *premium* amounts according to a schedule that takes
 22 into account the individual employee's ~~income level~~ *age or income*
 23 *level, or both*, in a manner similar, but not necessarily identical,
 24 to that described in Section 12693.43 of the Insurance Code,
 25 pertaining to the Healthy Families Program.

26 (4) The local initiative shall establish copayment levels and
 27 amounts in a manner substantially similar to that described in
 28 Section 12693.615 of the Insurance Code, pertaining to the Healthy
 29 Families Program.

30 (5) *For purposes of the program, the term "applicable rate*
 31 *charged for a covered employee" in Section 1366.26 shall mean*
 32 *the total premium amount paid to the health plan on behalf of an*
 33 *employee, including amounts paid by the small business on behalf*
 34 *of the employee, the premium paid by the employee, and any*
 35 *county, federal, state, or private sector funding, which funding*
 36 *shall include the value of the discounted rates negotiated pursuant*
 37 *to subdivision (b), as apportioned to the employee. The program*
 38 *shall submit to the Department of Managed Health Care the*
 39 *procedures the local initiative will use for purposes of establishing*
 40 *the rates to be paid by a person eligible for continuation coverage*

1 *under section 1366. 26 and the department shall only approve*
2 *those if it determines that they are consistent with the requirements*
3 *of the Cal-COBRA program.*

4 (b) In order to enhance the affordability of coverage offered
5 through the program to eligible small businesses and employees,
6 the county and the local initiative shall negotiate discounted rates
7 for services provided to participants in the program by providers
8 operated by the county or by providers with whom, or with which,
9 the county has contracted to provide health care services.

10 131541. The local initiative shall be authorized to establish,
11 participate in, or apply to funding sources in the public and private
12 sectors for purposes of providing or securing premium subsidies
13 for eligible employees, pursuant to fair and equitable procedures
14 to be established by the local initiative.

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CHAPTER 6. EVALUATION

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18 131550. The county and the local initiative shall together
19 evaluate the pilot program after three years, including all of the
20 following: the number of individuals served, the demographics of
21 the individuals served, the number of employees turned away due
22 to the limitation on enrollment in Section 131510, the number of
23 small businesses participating, the number of small businesses
24 turned away due to the limitation on enrollment of individuals,
25 funding sources (including employees, employers, county, state,
26 federal, and other sources), and the health status of enrollees.

27 SEC. 3. If the Commission on State Mandates determines that
28 this act contains costs mandated by the state, reimbursement to
29 local agencies and school districts for those costs shall be made
30 pursuant to Part 7 (commencing with Section 17500) of Division
31 4 of Title 2 of the Government Code.