

**Introduced by Senator Perata
(Coauthor: Senator Kuehl)**

January 3, 2007

An act to amend Section 12693.70 of, and to add Part 6.45 (commencing with Section 12699.201) to Division 2 of the Insurance Code, to add Part 8.8 (commencing with Section 2200) to Division 2 of the Labor Code, to add Section 17054.2 to the Revenue and Taxation Code, to amend Section 131 of, and to add Section 976.7 to, the Unemployment Insurance Code, and to add Article 7 (commencing with Section 14199.10) to Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code, relating to health care coverage, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 48, as introduced, Perata. Health care coverage: employers and employees.

Existing law does not provide a system of health care coverage for all California residents. Existing law does not require employers to provide health care coverage for employees and dependents, other than coverage provided as part of the workers' compensation system for work-related employee injuries, and does not require individuals to maintain health care coverage. Existing law provides for the creation of various programs to provide health care coverage to persons who have limited incomes and meet various eligibility requirements. These programs include the Healthy Families Program, administered by the Managed Risk Medical Insurance Board, and the Medi-Cal program, administered by the State Department of Health Care Services. Existing law provides for the regulation of health care service plans by the

Department of Managed Health Care and health insurers by the Department of Insurance.

This bill would create the Health Insurance Connector (Connector), which would function as a purchasing pool for health care coverage and be administered by the Managed Risk Medical Insurance Board. The bill would require employers to provide health care coverage to employees and dependents resulting in the expenditure of an unspecified percentage of the employer's payroll or, alternatively, would allow employers to elect to have that coverage provided through the Connector upon payment of an employer fee in an equivalent amount. The bill would require employers electing to pay the fee to also collect an unspecified employee contribution from each employee. Revenues from the employer fees and employee contributions would be collected by the Employment Development Department for deposit in the Health Insurance Trust Fund created by the bill, and moneys in the fund would be continuously appropriated to the board for the purposes of the bill. The bill would require the board to offer eligible employees a choice of various health plans through the Connector, and would require the board to establish standards to cap administrative costs and profits of participating health plans and determine standards for plans to control growing health care costs. The bill would require individuals who are employed and who are self-employed to maintain a minimum policy of health care coverage for themselves and their dependents, as determined by the board.

The bill, subject to future appropriation of funds, would expand the number of children eligible for coverage under the Healthy Families Program. The bill would require the State Department of Health Care Services to seek any necessary federal waiver to enable the state to receive federal Medicaid funds for specified persons who could otherwise be made eligible for Medi-Cal benefits, with the state share of funds to be provided from the Health Insurance Trust Fund. The bill would enact other related provisions.

Existing law authorizes a taxpayer under the Personal Income Tax Law to claim personal exemption credits against income taxes due for the taxpayer and dependents of the taxpayer.

This bill would provide that a taxpayer under that law may not claim these exemption credits if the taxpayer fails to comply in a tax year with the requirement for employed individuals to maintain a policy of health care coverage. The bill would require the Franchise Tax Board, based on estimates, to correspondingly increase the exemption credits

for the remaining taxpayers in a manner that the estimated revenue gain in a tax year from denying the exemption credits under the bill is equal to the estimated revenue loss in that tax year from increasing the exemption credits under the bill.

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

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

1 SECTION 1. This act shall be known and may be cited as the
2 California Health Care Coverage and Cost Control Act.

3 SEC. 2. Section 12693.70 of the Insurance Code is amended
4 to read:

5 12693.70. To be eligible to participate in the program, an
6 applicant shall meet all of the following requirements:

7 (a) Be an applicant applying on behalf of an eligible child, which
8 means a child who is all of the following:

9 (1) Less than 19 years of age. An application may be made on
10 behalf of a child not yet born up to three months prior to the
11 expected date of delivery. Coverage shall begin as soon as
12 administratively feasible, as determined by the board, after the
13 board receives notification of the birth. However, no child less
14 than 12 months of age shall be eligible for coverage until 90 days
15 after the enactment of the Budget Act of 1999.

16 (2) Not eligible for no-cost full-scope Medi-Cal or Medicare
17 coverage at the time of application.

18 (3) In compliance with Sections 12693.71 and 12693.72.

19 (4) A child who meets citizenship and immigration status
20 requirements that are applicable to persons participating in the
21 program established by Title XXI of the Social Security Act, except
22 as specified in Section 12693.76.

23 (5) A resident of the State of California pursuant to Section 244
24 of the Government Code; or, if not a resident pursuant to Section
25 244 of the Government Code, is physically present in California
26 and entered the state with a job commitment or to seek
27 employment, whether or not employed at the time of application
28 to or after acceptance in, the program.

29 (6) (A) In either of the following:

30 (i) In a family with an annual or monthly household income
31 equal to or less than 200 percent of the federal poverty level.

1 (ii) When implemented by the board, subject to subdivision (b)
2 of Section 12693.765 and pursuant to this section, a child under
3 the age of two years who was delivered by a mother enrolled in
4 the Access for Infants and Mothers Program as described in Part
5 6.3 (commencing with Section 12695). Commencing July 1, 2007,
6 eligibility under this subparagraph shall not include infants during
7 any time they are enrolled in employer-sponsored health insurance
8 or are subject to an exclusion pursuant to Section 12693.71 or
9 12693.72, or are enrolled in the full scope of benefits under the
10 Medi-Cal program at no share of cost. For purposes of this clause,
11 any infant born to a woman whose enrollment in the Access for
12 Infants and Mothers Program begins after June 30, 2004, shall be
13 automatically enrolled in the Healthy Families Program, except
14 during any time on or after July 1, 2007, that the infant is enrolled
15 in employer-sponsored health insurance or is subject to an
16 exclusion pursuant to Section 12693.71 or 12693.72, or is enrolled
17 in the full scope of benefits under the Medi-Cal program at no
18 share of cost. Except as otherwise specified in this section, this
19 enrollment shall cover the first 12 months of the infant's life. At
20 the end of the 12 months, as a condition of continued eligibility,
21 the applicant shall provide income information. The infant shall
22 be disenrolled if the gross annual household income exceeds the
23 income eligibility standard that was in effect in the Access for
24 Infants and Mothers Program at the time the infant's mother
25 became eligible, or following the two-month period established
26 in Section 12693.981 if the infant is eligible for Medi-Cal with no
27 share of cost. At the end of the second year, infants shall again be
28 screened for program eligibility pursuant to this section, with
29 income eligibility evaluated pursuant to clause (i), subparagraphs
30 (B) and (C), and paragraph (2) of subdivision (a).

31 (B) All income over 200 percent of the federal poverty level
32 but less than or equal to ~~250~~ 300 percent of the federal poverty
33 level shall be disregarded in calculating annual or monthly
34 household income.

35 (C) In a family with an annual or monthly household income
36 greater than ~~250~~ 300 percent of the federal poverty level, any
37 income deduction that is applicable to a child under Medi-Cal shall
38 be applied in determining the annual or monthly household income.
39 If the income deductions reduce the annual or monthly household

1 income to ~~250~~ 300 percent or less of the federal poverty level,
2 subparagraph (B) shall be applied.

3 (b) The applicant shall agree to remain in the program for six
4 months, unless other coverage is obtained and proof of the coverage
5 is provided to the program.

6 (c) An applicant shall enroll all of the applicant's eligible
7 children in the program.

8 (d) In filing documentation to meet program eligibility
9 requirements, if the applicant's income documentation cannot be
10 provided, as defined in regulations promulgated by the board, the
11 applicant's signed statement as to the value or amount of income
12 shall be deemed to constitute verification.

13 (e) An applicant shall pay in full any family contributions owed
14 in arrears for any health, dental, or vision coverage provided by
15 the program within the prior 12 months.

16 (f) By January 2008, the board, in consultation with
17 stakeholders, shall implement processes by which applicants for
18 subscribers may certify income at the time of annual eligibility
19 review, including rules concerning which applicants shall be
20 permitted to certify income and the circumstances in which
21 supplemental information or documentation may be required. The
22 board may terminate using these processes not sooner than 90 days
23 after providing notification to the Chair of the Joint Legislative
24 Budget Committee. This notification shall articulate the specific
25 reasons for the termination and shall include all relevant data
26 elements that are applicable to document the reasons for the
27 termination. Upon the request of the Chair of the Joint Legislative
28 Budget Committee, the board shall promptly provide any additional
29 clarifying information regarding implementation of the processes
30 required by this subdivision.

31 (g) *Notwithstanding any other provision of law, the changes to*
32 *subparagraphs (B) and (C) of paragraph (6) of subdivision (a)*
33 *made by the act adding this subdivision in the 2007–08 Regular*
34 *Session of the Legislature may only be implemented to the extent*
35 *funds are appropriated for those purposes in another statute.*

36 SEC. 3. Part 6.45 (commencing with Section 12699.201) is
37 added to Division 2 of the Insurance Code, to read:

1 PART 6.45. THE HEALTH INSURANCE CONNECTOR

2
3 12699.201. For the purposes of this part, the following terms
4 have the following meanings:

5 (a) “Board” means the Managed Risk Medical Insurance Board.

6 (b) “Health Insurance Connector” or “Connector” means the
7 health care coverage purchasing pool for employers and
8 self-employed individuals electing to purchase health care coverage
9 for themselves and for their employees and dependents instead of
10 arranging to provide that coverage directly as provided in Part 8.8
11 (commencing with Section 2200) of Division 2 of the Labor Code.

12 12699.202. The board shall be responsible for establishing the
13 Connector and administering this part.

14 12699.203. (a) The board shall develop standards for high
15 quality coverage for the Connector and negotiate favorable rates
16 and contract with health plans by leveraging its purchasing power.
17 Employees of participating employers shall be offered a choice of
18 health plans that provide comprehensive health care coverage,
19 including medical, hospital, and prescription drug benefits.

20 (b) The board shall offer three tiers of health plans to eligible
21 employees. Plans offered in the first tier may require appropriate
22 enrollee copayments, consistent with utilization management
23 practices. Plans in the higher-level tiers would provide a higher
24 level of benefits or greater choices with additional costs borne by
25 the enrollee.

26 (c) The board shall directly mail to each eligible employee an
27 information packet containing information about health plan
28 choices in the three tiers. Each participating employer shall provide
29 the board with employee contact information necessary to prepare
30 the mailing.

31 12699.204. The board shall establish standards to cap
32 administrative costs and profits of participating health plans. The
33 board shall also determine standards to ensure that plans utilize
34 evidence-based practices and implement efficiencies to control
35 growing health care costs. These practices shall include, but need
36 not be limited to, the following:

37 (a) Preventive care.

38 (b) Care management for chronic diseases.

39 (c) Promotion of health information technology.

40 (d) Standardized billing practices.

- 1 (e) Reduction of medical errors.
- 2 (f) Incentives for healthy lifestyles.
- 3 (g) Appropriate patient cost sharing.
- 4 (h) Rational use of new technology.

5 12699.205. Participating health plans shall provide guaranteed
6 issue and renewal for all eligible enrollees to be covered by the
7 Connector who otherwise satisfy conditions of participation.

8 12699.206. The board shall negotiate with Medi-Cal managed
9 care plans to obtain affordable, first-tier coverage for eligible
10 employees.

11 12699.207. The Health Insurance Trust Fund is hereby created
12 in the State Treasury. The moneys in the fund shall be continuously
13 appropriated to the board for the purposes of providing health care
14 coverage pursuant to this part.

15 12699.208. The board, subject to approval of a federal waiver
16 pursuant to Section 14199.10 of the Welfare and Institutions Code,
17 shall pay the nonfederal share of cost from the Health Insurance
18 Trust Fund for employees and dependents eligible under the waiver.

19 12699.209. It is the intent of the Legislature that the Connector
20 should pay from the Health Insurance Trust Fund the nonfederal
21 share of funds necessary to match federal funds made available
22 for individuals made eligible for the Healthy Families Program
23 pursuant to the amendment of Section 12693.70 by the act enacting
24 this section. The board shall adopt regulations in that regard to
25 facilitate the enrollment of those eligible individuals in the Healthy
26 Families Program in a manner that maximizes federal funds
27 available to the state and efficiently provides for coordination of
28 coverage.

29 SEC. 4. Part 8.8 (commencing with Section 2200) is added to
30 Division 2 of the Labor Code, to read:

31
32 **PART 8.8. EMPLOYEE HEALTH CARE COVERAGE**

33
34 2200. Each employer shall elect either to provide for its
35 employees and dependents health care coverage that results in the
36 expenditure by the employer of ____ percent of social security
37 wages paid by the employer, or to pay an equivalent amount to
38 the Health Insurance Trust Fund created pursuant to Section
39 12699.207 of the Insurance Code as required by Section 976.7 of
40 the Unemployment Insurance Code. The Managed Risk Medical

1 Insurance Board may establish a sliding percentage scale for
2 purposes of this section if it so deems necessary.

3 2201. Each employer electing to pay into the Health Insurance
4 Trust Fund pursuant to Section 2200 shall also collect an employee
5 contribution, in an amount equal to ____ percent of the employee's
6 social security wages, from each employee for health care coverage
7 to be provided to the employee and his or her dependents. The
8 employee contributions shall be transmitted as required by Section
9 976.6 of the Unemployment Insurance Code.

10 2203. Every person employed or self-employed in this state
11 shall be required to maintain a minimum policy of health care
12 coverage for the person and his or her dependents, as determined
13 by the Managed Risk Medical Insurance Board.

14 SEC. 5. Section 17054.2 is added to the Revenue and Taxation
15 Code, to read:

16 17054.2. (a) Notwithstanding Section 17054 or any other
17 provision of law, a taxpayer who fails to comply with Section 2203
18 of the Labor Code shall not be allowed an adjusted personal
19 exemption credit pursuant to subdivision (a) or (d) of Section
20 17054 for the taxpayer or the dependents of the taxpayer for any
21 tax year in which the taxpayer is not in compliance, and in the case
22 of a husband and wife making a joint return, the adjusted personal
23 exemption credit pursuant to subdivision (b) of Section 17054
24 shall be reduced by one-half in the case where one spouse is in
25 compliance and the other spouse is not in compliance.

26 (b) The Franchise Tax Board shall annually estimate the revenue
27 gain from subdivision (a) for each tax year. Based on this estimate,
28 notwithstanding Section 17054 or any other provision of law, the
29 Franchise Tax Board shall proportionately increase the amounts
30 of the personal exemption credits for that tax year for all taxpayers
31 that demonstrate compliance with Section 2203 of the Labor Code,
32 in a manner that the estimate of revenue lost from that action equals
33 the estimated revenue gain from subdivision (a).

34 SEC. 6. Section 131 of the Unemployment Insurance Code is
35 amended to read:

36 131. "Contributions" means the money payments to the
37 Unemployment Fund, Employment Training Fund, *Health*
38 *Insurance Trust Fund*, or Unemployment Compensation Disability
39 Fund ~~which~~ *that* are required by this division.

1 SEC. 7. Section 976.7 is added to the Unemployment Insurance
2 Code, to read:

3 976.7. In addition to other contributions required by this
4 division and consistent with the requirements of Part 8.8
5 (commencing with Section 2200) of Division 2 of the Labor Code,
6 an employer shall pay to the department for deposit into the Health
7 Insurance Trust Fund the amount required by Sections 2200 and
8 2201 of the Labor Code. These contributions shall be collected in
9 the same manner and at the same time as any contributions required
10 under Sections 976 and 1088.

11 SEC. 8. Article 7 (commencing with Section 14199.10) is
12 added to Chapter 7 of Part 3 of Division 9 of the Welfare and
13 Institutions Code, to read:

14
15 Article 7. Coordination with the California Health Care
16 Coverage and Cost Control Act

17
18 14199.10. The department shall seek any necessary federal
19 waiver to enable the state to receive federal funds for coverage
20 provided through the Connector to persons who would be eligible
21 for Medi-Cal if the state adopted an additional income disregard
22 as allowed by Section 1931(b) of the Social Security Act (42 U.S.C.
23 Sec. 1396u-1) sufficient to make persons with income up to 300
24 percent of the federal poverty level eligible for coverage under
25 that section. Revenues in the Health Insurance Trust Fund created
26 pursuant to Section 12699.207 of the Insurance Code shall be used
27 as state matching funds for receipt of federal funds resulting from
28 the implementation of this section. All federal funds received
29 pursuant to that waiver shall be deposited in the Health Insurance
30 Trust Fund.