

AMENDED IN SENATE JANUARY 23, 2012

AMENDED IN SENATE MAY 10, 2011

SENATE BILL

No. 810

Introduced by Senator Leno

(Principal coauthor: Senator Alquist)

(Coauthors: Senators Alquist, Corbett, De León, DeSaulnier, Evans, Hancock, Lieu, Liu, Lowenthal, Pavley, Price, and Yee)

(Coauthors: Assembly Members Allen, Ammiano, Beall, Block, Blumenfield, Bonilla, Brownley, Campos, Cedillo, Chesbro, Eng, Feuer, Fong, Furutani, Gordon, Huffman, Bonnie Lowenthal, Ma, Monning, Skinner, Swanson, Williams, and Yamada)

February 18, 2011

An act to add Division ~~114~~ 115.5 (commencing with Section 140000) to the Health and Safety Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 810, as amended, Leno. Single-payer health care coverage.

~~Existing law does not provide a system of universal health care coverage for California residents. Existing law provides for the creation of various programs to provide health care services 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. Commencing January 1, 2014, the federal Patient Protection and Affordable Care Act requires every individual to be covered under minimum essential coverage, as specified, and~~

requires every health insurance issuer issuing individual or group health insurance coverage to accept every employer and individual who applies for coverage. Existing law establishes the California Health Benefit Exchange to facilitate the purchase of qualified health plans through the Exchange by qualified individuals and small employers by January 1, 2014.

This bill would establish the California Healthcare System to be administered by the newly created California Healthcare Agency under the control of a Healthcare Commissioner appointed by the Governor and subject to confirmation by the Senate. The bill would make all California residents eligible for specified health care benefits under the California Healthcare System, which would, on a single-payer basis, negotiate for or set fees for health care services provided through the system and pay claims for those services. The bill would require the commissioner to seek all necessary waivers, exemptions, agreements, or legislation to allow various existing federal, state, and local health care payments to be paid to the California Healthcare System, which would then assume responsibility for all benefits and services previously paid for with those funds.

The bill would create the Healthcare Policy Board to establish policy on medical issues and various other matters relating to the system. The bill would create the Office of Patient Advocacy within the agency to represent the interests of health care consumers relative to the system. The bill would create within the agency the Office of Health Planning to plan for the health care needs of the population, and the Office of Health Care Quality, headed by a chief medical officer, to support the delivery of ~~high-quality~~ *high-quality* care and promote provider and patient satisfaction. The bill would create the Office of Inspector General for the California Healthcare System within the Attorney General's office, which would have various oversight powers. The bill would prohibit health care service plan contracts or health insurance policies from being issued for services covered by the California Healthcare System, subject to appropriation by the Legislature, and would authorize the collection of penalty moneys for deposit into the ~~fund~~ *Healthcare Fund, which the bill would create*. The bill would create the ~~Healthcare Fund~~ and the Payments Board to administer the finances of the California Healthcare System. The bill would create the California Healthcare Premium Commission (Premium Commission) to determine the cost of the California Healthcare System and to develop a premium structure for the system that complies with specified standards. The bill

would require the Premium Commission to recommend a premium structure to the Governor and the Legislature on or before January 1, 2014, and to make a draft recommendation to the Governor, the Legislature, and the public 90 days before submitting its final premium structure recommendation. The bill would specify that only its provisions relating to the Premium Commission would become operative on January 1, ~~2012~~ 2013, with its remaining provisions becoming operative on the earlier of the date the Secretary of California Health and Human Services notifies the Legislature, as specified, that sufficient funding exists to implement the California Healthcare System and the date the secretary receives the necessary federal waiver under the federal Patient Protection and Affordable Care Act.

The bill would extend the application of certain insurance fraud laws to providers of services and products under the system, thereby imposing a state-mandated local program by revising the definition of a crime. The bill would enact other related provisions relative to budgeting, regional entities, federal preemption, subrogation, collective bargaining agreements, compensation of health care providers, conflict of interest, patient grievances, and independent medical review.

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. Division ~~114~~ 115.5 (commencing with Section
2 140000) is added to the Health and Safety Code, to read:

3
4 DIVISION ~~114~~-115.5. CALIFORNIA UNIVERSAL
5 HEALTHCARE ACT

6
7 CHAPTER 1. GENERAL PROVISIONS

8
9 140000. There is hereby established in state government the
10 California Healthcare System, which shall be administered by the

1 California Healthcare Agency, an independent agency under the
2 control of the Healthcare Commissioner.

3 140000.6. No health care service plan contract or health
4 insurance policy, except for the California Healthcare System plan,
5 may be sold in California for services provided by the system.

6 140001. This division shall be known and may be cited as the
7 California Universal Healthcare Act.

8 140002. This division shall be liberally construed to accomplish
9 its purposes.

10 140003. The California Healthcare Agency is hereby created
11 and designated as the single state agency with full power to
12 supervise every phase of the administration of the California
13 Healthcare System and to receive grants-in-aid made by the United
14 States government, by the state, or by other sources in order to
15 secure full compliance with the applicable provisions of state and
16 federal law.

17 140004. The California Healthcare Agency shall be comprised
18 of the following entities:

- 19 (a) The Healthcare Policy Board.
- 20 (b) The Office of Patient Advocacy.
- 21 (c) The Office of Health Planning.
- 22 (d) The Office of Health Care Quality.
- 23 (e) The Healthcare Fund.
- 24 (f) The Public Advisory Committee.
- 25 (g) The Payments Board.
- 26 (h) Partnerships for Health.

27 140005. The Legislature finds and declares all of the following:

28 (a) An estimated 6.6 million Californians were uninsured in
29 2006, representing over 20 percent of the nonelderly population.

30 (b) In California, 763,000 children are currently uninsured, and
31 an additional 300,000 are significantly at risk for losing their
32 coverage.

33 (c) Health care spending has continuously grown two to three
34 times faster than California's economy, while health insurance
35 premiums have grown significantly faster than overall health care
36 spending.

37 (d) Since 2000, health care costs have outpaced increases in
38 wages by a ratio of four to one.

39 (e) One-third of California's state budget is devoted to health
40 care, including direct public programs as well as employee health

1 benefits. The imbalanced growth in health spending relative to
2 economic growth which drives public revenues greatly hinders
3 California's ability to maintain a balanced budget.

4 (f) On average, the United States spends more than twice as
5 much as all other industrial nations on health care, both per person
6 and as a percentage of its gross domestic product. Additionally,
7 the rate of health care inflation significantly outpaces other
8 industrial nations.

9 (g) Despite this high spending, United States health care
10 outcomes consistently rank at the bottom of all industrial nations
11 and the United States Institute of Medicine has declared an
12 epidemic of substandard health care throughout the nation.

13 (h) Instead of effectively containing costs, costs have been
14 increasingly shifted to working Californians in the form of a
15 continual decline in employer-offered coverage, dramatic increases
16 in premiums, copayments, and deductibles, declining clinical
17 quality, overall reductions in benefits, and inappropriate utilization
18 review procedures that deny patients access to needed care.

19 (i) As a result, one-half of all bankruptcies in the United States
20 now relate to medical costs, though three-fourths of bankrupted
21 families had health care coverage at the time of sustaining the
22 injury or illness.

23 (j) More than one-half of all Americans report forgoing
24 recommended health care because of the cost, and Americans are
25 more likely to report difficulty seeing a doctor on the day they
26 sought.

27 (k) Health plans and insurers compete to construct patient pools
28 consisting of the healthiest segments of the population, leaving
29 higher risk patients to public programs or uninsured.

30 (l) Segregating patients into groups based on actuarial
31 assessments of their medical risk guarantees the continuation of
32 entrenched health care disparities in access and quality, and drives
33 health care resources toward healthier populations who least need
34 it for whom more care often does more harm than good.

35 (m) The Institute of Medicine estimates that 18,000 people die
36 annually in the United States because of lack of access to care and
37 that 30,000 die from overtreatment.

38 (n) The RAND Institute estimates that one-third of clinical
39 procedures performed are of questionable clinical benefit.

(o) Quantitative analyses performed by the Congressional Budget Office, the General Accounting Office, the Lewin Group, and the Legislative Analyst's Office indicate that under a single-payer health care coverage system, the amount currently spent for health care is adequate to finance comprehensive high quality health care coverage for every resident of the state.

(p) According to these reports and numerous other studies, by simplifying administration, achieving bulk purchase discounts on pharmaceuticals, reducing the use of emergency facilities for primary care, and better managing health care resources, California could divert billions of dollars toward direct health care.

(q) Enactment of a single-payer universal health care system would create 2.6 million jobs in the United States, while infusing three hundred seventeen billion dollars (\$317,000,000,000) in new business and public revenues and one hundred billion dollars (\$100,000,000,000) in wages into the United States economy according to a recent study by the Institute for Health and Socioeconomic Policy.

(r) Single-payer health care, exhibited by Medicare and the Veterans Administration, along with virtually every other industrial nation in the world, is a well tested model that has been proven to contain the growth in health care spending while promoting quality improvements and maintaining comprehensive coverage.

140005.1. (a) It is the intent of the Legislature to establish a system of universal health care coverage in this state that provides all residents with comprehensive health care benefits, guarantees a single standard of care for all residents, stabilizes the growth in health care spending, and improves the quality of health care for all residents.

(b) It is the intent of the Legislature that, in order to ensure an adequate supply and distribution of direct care providers in the state, a just and fair return for providers electing to be compensated by the health care system, and a uniform system of payments, the state shall actively supervise and regulate a system of payments whereby groups of fee-for-service physicians are authorized to select representatives of their specialties to negotiate with the health care system, pursuant to Section 140209. Nothing in this division shall be construed to allow collective action against the health care system.

140006. This division shall have all of the following purposes:

1 (a) To provide affordable and comprehensive health care
2 coverage with a single standard of care for all California residents.

3 (b) To control health care costs and the growth of health care
4 spending, subject to the obligation described in subdivision (a).

5 (c) To achieve measurable improvement in the quality of care
6 and the efficiency of care delivery.

7 (d) To prevent disease and disability and to improve or maintain
8 health and functionality.

9 (e) To increase health care provider, consumer, employee, and
10 employer satisfaction with the health care system.

11 (f) To implement policies that strengthen and improve culturally
12 and linguistically sensitive care and sensitive care provided to
13 disabled persons.

14 (g) To develop an integrated population-based health care
15 database to support health care planning.

16 (h) To provide information and care in an appropriate and
17 accessible format.

18 140007. As used in this division, the following terms have the
19 following meanings:

20 (a) “Agency” means the California Healthcare Agency.

21 (b) “Clinic” means an organized outpatient health facility that
22 provides direct medical, surgical, dental, optometric, or podiatric
23 advice, services, or treatment to patients who remain less than 24
24 hours, and that may also provide diagnostic or therapeutic services
25 to patients in the home as an alternative to care provided at the
26 clinic facility, and includes those facilities defined under Sections
27 1200 and 1200.1.

28 (c) “Commissioner” means the Healthcare Commissioner.

29 (d) “Direct care provider” means any licensed health care
30 professional that provides health care services through direct
31 contact with a patient, either in person or using approved
32 telemedicine modalities as identified in Section 2290.5 of the
33 Business and Professions Code.

34 (e) “Essential community provider” means a health facility that
35 has served as part of the state’s health care safety net for
36 low-income and traditionally underserved populations in California
37 and that is one of the following:

38 (1) A “community clinic” as defined under subparagraph (A)
39 of paragraph (1) of subdivision (a) of Section 1204.

1 (2) A “free clinic” as defined under subparagraph (B) of
2 paragraph (1) of subdivision (a) of Section 1204.

3 (3) A “federally qualified health center” as defined under Section
4 1395x(aa)(4) or 1396d(l)(2)(B) of Title 42 of the United States
5 Code.

6 (4) A “rural health clinic” as defined under Section 1395x(aa)(2)
7 or 1396d(l)(1) of Title 42 of the United States Code.

8 (5) Any clinic conducted, maintained, or operated by a federally
9 recognized Indian tribe or tribal organization, as defined in Section
10 1603 of Title 25 of the United States Code.

11 (6) Any clinic exempt from licensure under subdivision (h) of
12 Section 1206.

13 (f) “Health care provider” means any professional person,
14 medical group, independent practice association, organization,
15 health facility, or other person or institution licensed or authorized
16 by the state to deliver or furnish health care services.

17 (g) “Health facility” means any facility, place, or building that
18 is organized, maintained, and operated for the diagnosis, care,
19 prevention, and treatment of human illness, physical or mental,
20 including convalescence and rehabilitation and including care
21 during and after pregnancy, or for any one or more of these
22 purposes, for one or more persons, and includes those facilities
23 defined under subdivision (d) of Section 15432 of the Government
24 Code.

25 (h) “Hospital” means all health facilities to which persons may
26 be admitted for a 24-hour stay or longer, as defined in Section
27 1250, with the exception of nursing, skilled nursing, intermediate
28 care, and congregate living health facilities.

29 (i) “Integrated health care delivery system” means a provider
30 organization that meets both of the following criteria:

31 (1) Is fully integrated operationally and clinically to provide a
32 broad range of health care services, including preventative care,
33 prenatal and well-baby care, immunizations, screening diagnostics,
34 emergency services, hospital and medical services, surgical
35 services, and ancillary services.

36 (2) Is compensated using capitation or facility budgets, except
37 for copayments, for the provision of health care services.

38 (j) “Large employer” means a person, firm, proprietary or
39 nonprofit corporation, partnership, public agency, or association
40 that is actively engaged in business or service, that, on at least 50

1 percent of its working days during the preceding calendar year
2 employed at least 50 employees, or, if the employer was not in
3 business during any part of the preceding calendar year, employed
4 at least 50 employees on at least 50 percent of its working days
5 during the preceding calendar quarter.

6 (k) “Premium Commission” means the California Healthcare
7 Premium Commission.

8 (l) “Primary care provider” means a direct care provider that is
9 a family physician, internist, general practitioner, pediatrician, an
10 obstetrician-gynecologist, or a family nurse practitioner or
11 physician assistant practicing under supervision as defined in the
12 California codes, or essential community providers who employ
13 primary care providers.

14 (m) “Small employer” means a person, firm, proprietary or
15 nonprofit corporation, partnership, public agency, or association
16 that is actively engaged in business or service and that, on at least
17 50 percent of its working days during the preceding calendar year
18 employed at least 2 but no more than 49 employees, or, if the
19 employer was not in business during any part of the preceding
20 calendar year, employed at least 2 but no more than 49 eligible
21 employees on at least 50 percent of its working days during the
22 preceding calendar quarter.

23 (n) “System” means the California Healthcare System.

24 140008. The definitions contained in Section 140007 shall
25 govern the construction of this division, unless the context requires
26 otherwise.

27
28 CHAPTER 2. GOVERNANCE
29

30 140100. (a) (1) The commissioner shall be appointed by the
31 Governor on or before July 1 of the fiscal year following the date
32 that this section becomes operative pursuant to Section 140700,
33 subject to confirmation by the Senate. ~~If in session, the Senate~~
34 ~~shall act on the appointment within 30 days of the appointment~~
35 ~~date. If the Senate does not act on the appointment within that~~
36 ~~period, the nominee shall be deemed confirmed and may take~~
37 ~~office. If the Senate is not in session at the time of the appointment,~~
38 ~~the Senate shall act on the appointment within 30 days of the~~
39 ~~commencement of the next legislative session. If the Senate does~~

1 not act on the appointment within that period, the appointee shall
2 be deemed confirmed and may take office.

3 (2) If the Senate by a vote fails to confirm the nominee for
4 commissioner, the Governor shall make a new appointment within
5 30 days of the Senate's vote. The appointment is subject to
6 confirmation by the Senate, and the procedures described in
7 paragraph (1) shall apply to the confirmation process.

8 (b) The commissioner is exempt from the State Civil Service
9 Act (Part 2 (commencing with Section 18500) of Division 5 of
10 Title 2 of the Government Code).

11 (c) The commissioner may not be a state legislator or a Member
12 of the United States Congress while holding the position of
13 commissioner.

14 (d) The commissioner shall not have been employed in any
15 capacity by a for-profit insurance, pharmaceutical, or medical
16 equipment company that sells products to the system for a period
17 of two years prior to appointment as commissioner.

18 (e) For two years after completing service in the system, the
19 commissioner may not receive payments of any kind from, or be
20 employed in any capacity or act as a paid consultant to, a for-profit
21 insurance, pharmaceutical, or medical equipment company that
22 sells products to the system.

23 (f) The compensation and benefits of the commissioner shall
24 be established by the California Citizens Compensation
25 Commission in accordance with Section 8 of Article III of the
26 California Constitution.

27 (g) The commissioner shall be subject to Title 9 (commencing
28 with Section 81000) of the Government Code.

29 140101. (a) The commissioner shall be the chief officer of the
30 agency and shall administer all aspects of the agency.

31 (b) The commissioner shall be responsible for the performance
32 of all duties, the exercise of all power and jurisdiction, and the
33 assumption and discharge of all responsibilities vested by law in
34 the agency. The commissioner shall perform all duties imposed
35 upon him or her by this division and other laws related to health
36 care, and shall enforce the execution of any law related to the
37 system, and shall enforce the execution of those provisions and
38 laws to promote their underlying aims and purposes. These broad
39 powers shall include, but are not limited to, the power to establish
40 the system's budget and to set rates, to establish the system's goals,

1 standards, and priorities, to hire, terminate, and fix the
2 compensation of agency personnel, to make allocations and
3 reallocations to the health planning regions, and to promulgate
4 generally binding regulations concerning any and all matters related
5 to the implementation of this division and its purposes.

6 (c) The commissioner shall appoint a deputy commissioner, the
7 Director of the Healthcare Fund, the patient advocate of the Office
8 of Patient Advocacy, the chief medical officer, the Director of the
9 Payments Board, the Director of the Office of Health Planning,
10 the Director of the Partnerships for Health, the regional health
11 planning directors, the chief enforcement counsel, and legal counsel
12 in any action brought by or against the commissioner under or
13 pursuant to any provision of any law under the commissioner's
14 jurisdiction, or in which the commissioner joins or intervenes as
15 to a matter within the commissioner's jurisdiction, as a friend of
16 the court or otherwise, and stenographic reporters to take and
17 transcribe the testimony in any formal hearing or investigation
18 before the commissioner or before a person authorized by the
19 commissioner.

20 (d) The commissioner, in accordance with the State Civil Service
21 Act (Part 2 (commencing with Section 18500) of Division 5 of
22 Title 2 of the Government Code), may appoint and fix the
23 compensation of clerical, inspection, investigation, evaluation, and
24 auditing personnel as may be necessary to implement this division.

25 (e) The personnel of the agency shall perform duties as assigned
26 to them by the commissioner. The commissioner shall designate
27 certain employees by rule or order that are to take and subscribe
28 to the constitutional oath within 15 days after their appointments,
29 and to file that oath with the Secretary of State. The commissioner
30 shall also designate those employees that are to be subject to Title
31 9 (commencing with Section 81000) of the Government Code.

32 (f) The commissioner shall adopt a seal bearing the inscription:
33 "Commissioner, California Healthcare Agency, State of
34 California." The seal shall be affixed to, or imprinted on, all orders
35 and certificates issued by him or her and other instruments as he
36 or she directs. All courts shall take notice of this seal.

37 (g) The administration of the agency shall be supported from
38 the Healthcare Fund created pursuant to Section 140200.

39 (h) The commissioner, as a general rule, shall publish or make
40 available for public inspection any information filed with or

1 obtained by the agency, unless the commissioner finds that this
2 availability or publication is contrary to law. No provision of this
3 division authorizes the commissioner or any of the commissioner's
4 assistants, clerks, or deputies to disclose any information withheld
5 from public inspection except among themselves or when necessary
6 or appropriate in a proceeding or investigation under this division
7 or to other federal or state regulatory agencies. No provision of
8 this division either creates or derogates from any privilege that
9 exists at common law or otherwise when documentary or other
10 evidence is sought under a subpoena directed to the commissioner
11 or any of his or her assistants, clerks, and deputies.

12 (i) It is unlawful for the commissioner or any of his or her
13 assistants, clerks, or deputies to use for personal benefit any
14 information that is filed with, or obtained by, the commissioner
15 and that is not then generally available to the public.

16 (j) The commissioner shall avoid political activity that may
17 create the appearance of political bias or impropriety. Prohibited
18 activities shall include, but not be limited to, leadership of, or
19 employment by, a political party or a political organization; public
20 endorsement of a political candidate; contribution of more than
21 five hundred dollars (\$500) to any one candidate in a calendar year
22 or a contribution in excess of an aggregate of one thousand dollars
23 (\$1,000) in a calendar year for all political parties or organizations;
24 and attempting to avoid compliance with this prohibition by making
25 contributions through a spouse or other family member.

26 (k) The commissioner shall not participate in making or in any
27 way attempt to use his or her official position to influence a
28 governmental decision in which he or she knows or has reason to
29 know that he or she or a family member, business partner, or
30 colleague has a financial interest.

31 (l) The commissioner, in pursuit of his or her duties, shall have
32 unlimited access to all nonconfidential and all nonprivileged
33 documents in the custody and control of the agency.

34 (m) The Attorney General shall render to the commissioner
35 opinions upon all questions of law, relating to the construction or
36 interpretation of any law under the commissioner's jurisdiction or
37 arising in the administration thereof, that may be submitted to the
38 Attorney General by the commissioner and, upon the
39 commissioner's request, shall act as the attorney for the
40 commissioner in actions and proceedings brought by or against

1 the commissioner or under or pursuant to any provision of any law
2 under the commissioner's jurisdiction.

3 140102. The commissioner shall do all of the following:

4 (a) Oversee the establishment, as part of the administration of
5 the agency, of all of the following:

6 (1) The Healthcare Policy Board, pursuant to Section 140103.

7 (2) The Office of Patient Advocacy, pursuant to Section 140105.

8 (3) The Office of Health Planning, pursuant to Section 140602.

9 (4) The Office of Healthcare Quality, pursuant to Section
10 140605.

11 (5) The Healthcare Fund, pursuant to Section 140200.

12 (6) The Public Advisory Committee, pursuant to Section 140104.

13 (7) The Payments Board, pursuant to Section 140208.

14 (8) Partnerships for Health.

15 (b) Determine goals, standards, guidelines, and priorities for
16 the system.

17 (c) Establish health planning regions, pursuant to Section
18 140112.

19 (d) Oversee the establishment of locally based integrated service
20 networks, including those that provide services through medical
21 technologies such as telemedicine, that include physicians in
22 fee-for-service, solo and group practice, essential community, and
23 ancillary care providers and facilities in order to pool and align
24 resources and form interdisciplinary teams that share responsibility
25 and accountability for patient care and provide a continuum of
26 coordinated high quality primary to tertiary care to all California
27 residents while preserving patient choice. This shall be
28 accomplished in collaboration with the chief medical officer, the
29 Director of the Office of Health Planning, the regional medical
30 officers, the regional planning boards, and the patient advocate.

31 (e) Annually assess projected revenues and expenditures and
32 assure financial solvency of the system pursuant to Section 140203.

33 (f) Develop the system's budget pursuant to Section 140206 to
34 ensure adequate funding to meet the health care needs of the
35 population. Review all budgets and locations annually to ensure
36 they address disparities in service availability and health care
37 outcomes and for sufficiency of rates, fees, and prices.

38 (g) Establish a capital management framework for the system
39 pursuant to Section 140216, including, but not limited to, a
40 standardized process and format for the development and

1 submission of regional operating and regional capital budget
2 requests and ensure a smooth transition to system oversight.

3 (h) Establish standards and criteria for the development and
4 submission of provider operating and capital budget requests.

5 (i) Establish standards and criteria for the allocation of funds
6 from the Healthcare Fund as described in Chapter 3 (commencing
7 with Section 140200).

8 (j) During transition and annually thereafter, determine the
9 appropriate level for a reserve fund for the system and implement
10 policies needed to establish the appropriate reserve.

11 (k) Establish an enrollment system that ensures all eligible
12 California residents, including those who travel out of state; those
13 who have disabilities that limit their mobility, hearing, or vision
14 or their mental or cognitive capacity; those who cannot read; and
15 those who do not speak or write English, are aware of their right
16 to health care and are formally enrolled in the system. The
17 commissioner may contract with a third party for eligibility and
18 enrollment services if the commissioner finds that doing so would
19 meet the system's goals and standards, and result in greater
20 efficiency and cost savings to the system.

21 (l) Establish an electronic claims and payments system for the
22 system where all claims under the system shall be filed and paid,
23 and implement, to the extent permitted by federal law, standardized
24 claims and reporting methods. The commissioner may contract
25 with a third party for claims and payment services if the
26 commissioner finds that doing so would meet the system's goals
27 and standards, and result in greater efficiency and cost savings to
28 the system.

29 (m) Establish a system of secure electronic medical records that
30 comply with state and federal privacy laws and that are compatible
31 across the system.

32 (n) Establish an electronic referral system that is accessible to
33 providers and to patients.

34 (o) Establish standards based on clinical efficacy to guide
35 delivery of care and a process to identify areas where no such
36 standards exist, set priorities and a timetable for their development,
37 and ensure a smooth transition to clinical decisionmaking under
38 statewide standards.

39 (p) Implement policies to ensure that all Californians receive
40 culturally and linguistically sensitive care, pursuant to Section

1 140604, and that all disabled Californians receive care in
2 accordance with the federal Americans with Disabilities Act (42
3 U.S.C. Sec. 12101 et seq.) and Section 504 of the federal
4 Rehabilitation Act of 1973 (29 U.S.C. Sec. 794) and develop
5 mechanisms and incentives to achieve these purposes and a means
6 to monitor the effectiveness of efforts to achieve these purposes.

7 (q) Create a systematic approach to the measurement,
8 management, and accountability for care quality and access,
9 including a system of performance contracts that contain
10 measurable goals and outcomes and appropriate statewide and
11 regional health care databases to assure the delivery of quality care
12 to all patients.

13 (r) Establish standards for mandatory reporting by health care
14 providers and penalties for failure to report.

15 (s) Develop methods and a framework to measure the
16 performance of health care coverage and health delivery system
17 upper level managers, including a system of performance contracts
18 that contain measurable goals and outcomes.

19 (t) Implement policies to ensure that all residents of this state
20 have access to medically appropriate, coordinated mental health
21 services.

22 (u) Ensure the establishment of policies that support the public
23 health.

24 (v) Meet regularly with the chief medical officer, the patient
25 advocate for the Office of Patient Advocacy, the Public Advisory
26 Committee, the Director of the Office of Health Planning, the
27 Director of the Payments Board, the Director of the Partnerships
28 for Health, regional planning directors, and regional medical
29 officers to review the impact of the agency and its policies on the
30 health of the population and on satisfaction with the system.

31 (w) Negotiate for or set rates, fees, and prices involving any
32 aspect of the system and establish procedures thereto.

33 (x) Establish a formulary based on clinical efficacy for all
34 prescription drugs and durable and nondurable medical equipment
35 for use by the system.

36 (y) Establish guidelines for prescribing medications and durable
37 medical equipment that are not included in the system's
38 formularies.

- 1 (z) Utilize the purchasing power of the state to negotiate price
- 2 discounts for prescription drugs and durable and nondurable
- 3 medical equipment for use by the system.
- 4 (aa) Ensure that use of state purchasing power achieves the
- 5 lowest possible prices for the system without adversely affecting
- 6 needed pharmaceutical research.
- 7 (ab) Create incentives and guidelines for research needed to
- 8 meet the goals of the system and disincentives for research that
- 9 does not achieve the system goals.
- 10 (ac) Implement eligibility standards for the system, including
- 11 guidelines to prevent an influx of persons to the state for the
- 12 purpose of obtaining medical care.
- 13 (ad) Determine an appropriate level of, and provide support
- 14 during the transition for, training and job placement for persons
- 15 who are displaced from employment as a result of the initiation of
- 16 the system.
- 17 (ae) Oversee the establishment of a system for resolution of
- 18 disputes pursuant to Sections 140608 and 140610.
- 19 (af) Investigate the costs and benefits to the health of the
- 20 population of advances in information technology, including those
- 21 that support data collection, analysis, and distribution.
- 22 (ag) Ensure that consumers of health care have access to
- 23 information needed to support their choice of a physician.
- 24 (ah) Collaborate with the licensing entities of health facilities
- 25 to ensure that facility performance is monitored and that deficient
- 26 practices are recognized and corrected in a timely fashion and that
- 27 consumers and providers of health care have access to information
- 28 needed to support their choice of facility.
- 29 (ai) Establish an Internet Web site that provides information to
- 30 the public about the system that includes, but is not limited to,
- 31 information that supports choice of providers and facilities and
- 32 informs the public about meetings of state and regional health
- 33 planning boards and activities of the Partnerships for Health.
- 34 (aj) Procure funds, including loans, for the system, enter into
- 35 leases, and obtain insurance for the system and its employees and
- 36 agents.
- 37 (ak) Collaborate with state and local authorities, including
- 38 regional planning directors, to plan for needed earthquake retrofits
- 39 in a manner that does not disrupt patient care.

1 (al) Establish a process that is accessible to all Californians for
2 the system to receive the concerns, opinions, ideas, and
3 recommendation of the public regarding all aspects of the system.

4 (am) Annually report to the Legislature and the Governor, on
5 or before October of each year and at other times pursuant to this
6 division, on the performance of the system, its fiscal condition and
7 need for rate adjustments, consumer copayments or consumer
8 deductible payments, recommendations for statutory changes,
9 receipt of payments from the federal government and other sources,
10 whether current year goals and priorities are met, future goals, and
11 priorities, and major new technology or prescription drugs or other
12 circumstances that may affect the cost of health care.

13 140103. (a) The commissioner shall establish a Healthcare
14 Policy Board and shall serve as the president of the board.

15 (b) The board shall do all of the following:

16 (1) Establish goals and priorities for the system, including
17 research and capital investment priorities.

18 (2) Establish the scope of services to be provided to the
19 population in accordance with Chapter 5 (commencing with Section
20 140500).

21 (3) Establish guidelines for evaluating the performance of the
22 system, its officers, health planning regions, and health care
23 providers.

24 (4) Establish guidelines for ensuring public input on the system's
25 policy, standards, and goals.

26 (c) The board shall consist of the following members:

27 (1) The commissioner.

28 (2) The deputy commissioner.

29 (3) The Director of the Healthcare Fund.

30 (4) The patient advocate of the Office of Patient Advocacy.

31 (5) The chief medical officer.

32 (6) The Director of the Office of Health Planning.

33 (7) The Director of the Partnerships for Health.

34 (8) The Director of the Payments Board.

35 (9) The State Public Health Officer.

36 (10) One member of the Public Advisory Committee who shall
37 serve on a rotating basis to be determined by the Public Advisory
38 Committee.

39 (11) Two representatives from regional planning boards.

1 (A) A regional representative shall serve a term of one year and
2 terms shall be rotated in order to allow every region to be
3 represented within a five-year period.

4 (B) A regional planning director shall appoint the regional
5 representative to serve on the board.

6 (d) It is unlawful for the board members or any of their
7 assistants, clerks, or deputies to use for personal benefit any
8 information that is filed with or obtained by the board and that is
9 not then generally available to the public.

10 140104. (a) The commissioner shall establish the Public
11 Advisory Committee to advise the Healthcare Policy Board on all
12 matters of policy for the system.

13 (b) Members of the Public Advisory Committee shall include
14 all of the following:

15 (1) Four physicians all of whom shall be board certified in their
16 field and at least one of whom shall be a psychiatrist. The Senate
17 Committee on Rules and the Governor shall each appoint one
18 member. The Speaker of the Assembly shall appoint two of these
19 members, both of whom shall be primary care providers.

20 (2) One registered nurse, to be appointed by the Senate
21 Committee on Rules.

22 (3) One licensed vocational nurse, to be appointed by the Senate
23 Committee on Rules.

24 (4) One licensed allied health practitioner, to be appointed by
25 the Speaker of the Assembly.

26 (5) One mental health care provider, to be appointed by the
27 Senate Committee on Rules.

28 (6) One dentist, to be appointed by the Governor.

29 (7) One representative of private hospitals, to be appointed by
30 the Governor.

31 (8) One representative of public hospitals, to be appointed by
32 the Governor.

33 (9) One representative of an integrated health care delivery
34 system, to be appointed by the Governor.

35 (10) Four consumers of health care. The Governor shall appoint
36 two of these members, one of whom shall be a member of the
37 disability community. The Senate Committee on Rules shall
38 appoint a member who is 65 years of age or older. The Speaker
39 of the Assembly shall appoint the fourth member.

1 (11) One representative of organized labor, to be appointed by
2 the Speaker of the Assembly.

3 (12) One representative of essential community providers, to
4 be appointed by the Senate Committee on Rules.

5 (13) One union member, to be appointed by the Senate
6 Committee on Rules.

7 (14) One representative of small business, to be appointed by
8 the Governor.

9 (15) One representative of large business, to be appointed by
10 the Speaker of the Assembly.

11 (16) One pharmacist, to be appointed by the Speaker of the
12 Assembly.

13 (c) In making appointments pursuant to this section, the
14 Governor, the Senate Committee on Rules, and the Speaker of the
15 Assembly shall make good faith efforts to assure that their
16 appointments, as a whole, reflect, to the greatest extent feasible,
17 the social and geographic diversity of the state.

18 (d) Any member appointed by the Governor, the Senate
19 Committee on Rules, or the Speaker of the Assembly shall serve
20 a four-year term. These members may be reappointed for
21 succeeding four-year terms.

22 (e) Vacancies that occur shall be filled within 30 days after the
23 occurrence of the vacancy, and shall be filled in the same manner
24 in which the vacating member was initially selected or appointed.
25 The commissioner shall notify the appropriate appointing authority
26 of any expected vacancies on the board.

27 (f) Members of the Public Advisory Committee shall serve
28 without compensation, but shall be reimbursed for actual and
29 necessary expenses incurred in the performance of their duties to
30 the extent that reimbursement for those expenses is not otherwise
31 provided or payable by another public agency or agencies, and
32 shall receive one hundred dollars (\$100) for each full day of
33 attending meetings of the committee. For purposes of this section,
34 “full day of attending a meeting” means presence at, and
35 participation in, not less than 75 percent of the total meeting time
36 of the committee during any particular 24-hour period.

37 (g) The Public Advisory Committee shall meet at least six times
38 a year in a place convenient to the public. All meetings of the board
39 shall be open to the public, pursuant to the Bagley-Keene Open
40 Meeting Act (Article 9 (commencing with Section 11120) of

1 Chapter 1 of Part 1 of Division 3 of Title 2 of the Government
2 Code).

3 (h) The Public Advisory Committee shall elect a chair who shall
4 serve for two years and who may be reelected for an additional
5 two years.

6 (i) Appointed committee members shall have worked in the
7 field they represent on the committee for a period of at least two
8 years prior to being appointed to the committee.

9 (j) The Public Advisory Committee shall elect a member to
10 serve on the Healthcare Policy Board. The elected member shall
11 serve for one year, and may be recalled by the Public Advisory
12 Committee for cause. In that case, a new member shall be elected
13 to serve on that board. The Public Advisory Committee
14 representative shall represent to the board the views of the
15 committee members.

16 (k) It is unlawful for the committee members or any of their
17 assistants, clerks, or deputies to use for personal benefit any
18 information that is filed with, or obtained by, the committee and
19 that is not generally available to the public.

20 140105. (a) (1) There is within the agency an Office of Patient
21 Advocacy to represent the interests of the consumers of health
22 care. The goal of the office shall be to help residents of the state
23 secure the health care services and benefits to which they are
24 entitled under the laws administered by the agency and to advocate
25 on behalf of and represent the interests of consumers in governance
26 bodies created by this division and in other forums.

27 (2) The office shall be headed by a patient advocate appointed
28 by the commissioner.

29 (3) The patient advocate shall establish an office in the City of
30 Sacramento and other offices throughout the state that shall provide
31 convenient access to residents.

32 (b) The patient advocate shall do all the following:

33 (1) Administer all aspects of the Office of Patient Advocacy.

34 (2) ~~Assure~~—Ensure that services of the Office of Patient
35 Advocacy are available to all California residents.

36 (3) Serve on the Healthcare Policy Board and participate in the
37 regional Partnerships for Health.

38 (4) Oversee the establishment and maintenance of the grievance
39 process pursuant to Sections 140608 and 140610.

1 (5) Participate in the grievance process and independent medical
2 review system on behalf of consumers pursuant to Section 140610.

3 (6) Receive, evaluate, and respond to consumer complaints
4 about the system.

5 (7) Provide a means to receive recommendations from the public
6 about ways to improve the system and hold public hearings at least
7 once annually to discuss problems and receive recommendations
8 from the public.

9 (8) Develop educational and informational guides for consumers
10 describing their rights and responsibilities and informing them
11 about effective ways to exercise their rights to secure health care
12 services and to participate in the system. The guides shall be easy
13 to read and understand, available in English and other languages,
14 including Braille and formats suitable for those with hearing
15 limitations, and shall be made available to the public by the agency,
16 including access on the agency's Internet Web site and through
17 public outreach and educational programs, and displayed in
18 provider offices and health care facilities.

19 (9) Establish a toll-free telephone number, including a TDD
20 number, to receive complaints regarding the agency and its
21 services. Those with hearing and speech limitations may use the
22 California Relay Service's toll-free telephone numbers to contact
23 the Office of Patient Advocacy. The agency's Internet Web site
24 shall have complaint forms and instructions on their use.

25 (10) Report annually to the public, the commissioner, and the
26 Legislature about the consumer perspective on the performance
27 of the system, including recommendations for needed
28 improvements.

29 (c) Nothing in this division shall prohibit a consumer or class
30 of consumers or the patient advocate from seeking relief through
31 the judicial system.

32 (d) The patient advocate in pursuit of his or her duties shall have
33 unlimited access to all nonconfidential and all nonprivileged
34 documents in the custody and control of the agency.

35 (e) It is unlawful for the patient advocate or any of his or her
36 assistants, clerks, or deputies to use for personal benefit any
37 information that is filed with, or obtained by, the agency and that
38 is not then generally available to the public.

39 140106. (a) There is within the office of the Attorney General
40 an office of the Inspector General for the California Healthcare

1 System. The Inspector General shall be appointed by the Governor
2 and subject to Senate confirmation.

3 (b) The Inspector General shall have broad powers to investigate,
4 audit, and review the financial and business records of individuals,
5 public and private agencies and institutions, and private
6 corporations that provide services or products to the system, the
7 costs of which are reimbursed by the system.

8 (c) The Inspector General shall investigate allegations of
9 misconduct on the part of an employee or appointee of the agency
10 and on the part of any health care provider of services that are
11 reimbursed by the system and shall report any findings of
12 misconduct to the Attorney General.

13 (d) The Inspector General shall investigate patterns of medical
14 practice that may indicate fraud and abuse related to over or under
15 utilization or other inappropriate utilization of medical products
16 and services.

17 (e) The Inspector General shall arrange for the collection and
18 analysis of data needed to investigate the inappropriate utilization
19 of these products and services.

20 (f) The Inspector General shall conduct additional reviews or
21 investigations of financial and business records when requested
22 by the Governor or by any Member of the Legislature and shall
23 report findings of the review or investigation to the Governor and
24 the Legislature.

25 (g) The Inspector General shall establish a telephone hotline
26 for anonymous reporting of allegations of failure to make health
27 insurance premium payments established by this division. The
28 Inspector General shall investigate information provided to the
29 hotline and shall report any findings of misconduct to the Attorney
30 General.

31 (h) The Inspector General shall annually report
32 recommendations for improvements to the system or the agency
33 to the Governor, the Legislature, and the commissioner.

34 140107. The provisions of the Insurance Frauds Prevention
35 Act (Chapter 12 (commencing with Section 1871) of Part 2 of
36 Division 1 of the Insurance Code), and the provisions of Article
37 6 (commencing with Section 650) of Chapter 1 of Division 2 of
38 the Business and Professions Code shall be applicable to health
39 care providers who receive payments for services through the
40 system under this division.

1 140108. (a) Nothing contained in this division is intended to
2 repeal any legislation or regulation governing the professional
3 conduct of any person licensed by the State of California or any
4 legislation governing the licensure of any facility licensed by the
5 State of California.

6 (b) All federal legislation and regulations governing referral
7 fees and fee splitting, including, but not limited to, Sections
8 1320a-7b and 1395nn of Title 42 of the United States Code, shall
9 be applicable to all health care providers of services reimbursed
10 under this division, whether or not the health care provider is paid
11 with funds coming from the federal government.

12 140110. (a) The system shall be operational no later than two
13 years after the date this division, other than Article 2 (commencing
14 with Section 140230) of Chapter 3, becomes operative, as described
15 in Section 140700.

16 (b) The commissioner shall assess health plans and insurers for
17 care provided by the system in those cases in which a person's
18 health care coverage extends into the time period in which the new
19 system is operative.

20 (c) The commissioner shall implement means to assist persons
21 who are displaced from employment as a result of the initiation of
22 the system, including determination of the period of time during
23 which assistance shall be provided and possible sources of funds,
24 including funds from the system, to support retraining and job
25 placement. That support shall be provided for a period of five years
26 from the date that this division becomes operative.

27 140111. (a) The commissioner shall appoint a transition
28 advisory group, which shall include, but not be limited to, the
29 following members:

- 30 (1) The commissioner.
- 31 (2) The patient advocate of the Office of Patient Advocacy.
- 32 (3) The chief medical officer.
- 33 (4) The Director of the Office of Health Planning.
- 34 (5) The Director of the Healthcare Fund.
- 35 (6) The State Public Health Officer.
- 36 (7) Experts in health care financing and health care
37 administration.
- 38 (8) Direct care providers.
- 39 (9) Representatives of retirement boards.
- 40 (10) Employer and employee representatives.

(11) Hospital, integrated health care delivery system, essential community provider, and long-term care facility representatives.

(12) Representatives from state departments and regulatory bodies that shall or may relinquish some or all parts of their delivery of health care services to the system.

(13) Representatives of counties.

(14) Consumers of health care services.

(b) The transition advisory group shall advise the commissioner on all aspects of the implementation of this division.

(c) The transition advisory group shall make recommendations to the commissioner, the Governor, and the Legislature on how to integrate health care delivery services and responsibilities relating to the delivery of the services of the following departments and agencies into the system:

(1) The State Department of Health Care Services.

(2) The Department of Managed Health Care.

(3) The *California* Department of Aging.

(4) The *State* Department of Developmental Services.

(5) The Health and Welfare Data Center.

(6) The State Department of Mental Health.

(7) The State Department of Alcohol and Drug Programs.

(8) The Department of Rehabilitation.

(9) The Emergency Medical Services Authority.

(10) The Managed Risk Medical Insurance Board.

(11) The Office of Statewide Health Planning and Development.

(12) The Department of Insurance.

(13) The State Department of Public Health.

(d) The transition advisory group shall make recommendations to the Governor, the Legislature, and the commissioner regarding research needed to support transition to the system.

140112. (a) The transition advisory group shall make recommendations to the commissioner relative to how the system shall be regionalized for the purposes of local and community-based planning for the delivery of high quality cost-effective care and efficient service delivery.

(b) The commissioner, in consultation with the Director of the Office of Health Planning, shall establish up to 10 health planning regions composed of geographically contiguous counties grouped on the basis of the following considerations:

(1) Patterns of utilization of health care services.

1 (2) Health care resources, including workforce resources.

2 (3) Health needs of the population, including public health
3 needs.

4 (4) Geography.

5 (5) Population and demographic characteristics.

6 (6) Other considerations as determined by the commissioner,
7 the Director of the Office of Health Planning, or the chief medical
8 officer.

9 (c) The commissioner shall appoint a director for each region.
10 Regional planning directors shall serve at the will of the
11 commissioner and may serve up to two eight-year terms to coincide
12 with the terms of the commissioner.

13 (d) Each regional planning director shall appoint a regional
14 medical officer.

15 (e) Compensation for officers of the system and appointees who
16 are exempt from the civil service shall be established by the
17 California Citizens *Compensation* Commission in accordance with
18 Section 8 of Article III of the California Constitution, and shall
19 take into consideration regional differences in the cost of living.

20 (f) The regional planning director and the regional medical
21 officer shall be subject to Title 9 (commencing with Section 81000)
22 of the Government Code and shall comply with the qualifications
23 for office described in subdivisions (c), (d), and (e) of Section
24 140100 and subdivisions (j) and (k) of Section 140101.

25 140113. (a) Regional planning directors shall administer the
26 health planning region. The regional planning director shall be
27 responsible for all duties, the exercise of all powers and
28 jurisdiction, and the assumptions and discharge of all
29 responsibilities vested by law in the regional agency. The regional
30 planning director shall perform all duties imposed upon him or
31 her by this division and by other laws related to health care, and
32 shall enforce execution of those provisions and laws to promote
33 their underlying aims and purposes.

34 (b) The regional planning director shall reside in the region in
35 which he or she serves.

36 (c) The regional planning director shall do all of the following:

37 (1) Establish and administer a regional office of the state agency.
38 Each regional office shall include, at minimum, an office of each
39 of the following: Patient Advocacy, Health Care Quality, Health
40 Planning, and Partnerships for Health.

1 (2) Appoint regional planning board members and serve as
2 president of the board.

3 (3) Identify and prioritize regional health care needs and goals,
4 in collaboration with the regional medical officer, regional health
5 care providers, the regional planning board, and regional director
6 of Partnerships for Health pursuant to the priorities and goals of
7 the system established by the commissioner.

8 (4) Regularly assess projected revenues and expenditures to
9 ensure fiscal solvency of the regional planning system and advise
10 the commissioner of potential revenue shortfalls and the possible
11 need for cost controls.

12 (5) ~~Assure~~—Ensure that regional administrative costs meet
13 standards established by the division and seek innovative means
14 to lower the costs of administration of the regional planning office
15 and those of regional providers.

16 (6) Plan for the delivery of, and equal access to, high quality
17 and culturally and linguistically sensitive care and such care for
18 disabled persons that meets the needs of all regional residents
19 pursuant to standards established by the commissioner.

20 (7) Seek innovative and systemic means to improve care quality
21 and efficiency of care delivery and to achieve access to programs
22 for all state residents.

23 (8) Recommend means to implement policies established by
24 the commissioner to provide support to persons displaced from
25 employment as a result of the initiation of the new system.

26 (9) Make needed revenue sharing arrangements so that
27 regionalization does not limit a patient's choice of provider.

28 (10) Implement procedures established by the commissioner
29 for the resolution of disputes.

30 (11) Implement processes established by the commissioner and
31 recommend needed changes to permit the public to share concerns,
32 provide ideas, opinions, and recommendations regarding all aspects
33 of the system's policies.

34 (12) Report regularly to the public and, at intervals determined
35 by the commissioner and pursuant to this division, to the
36 commissioner on the status of the regional planning system,
37 including evaluating access to care, quality of care delivered, and
38 provider performance, and other issues related to regional health
39 care needs, and recommending needed improvements.

1 (13) Identify or establish guidelines for providers to identify,
2 maintain, and provide to the regional planning director inventories
3 of regional health care assets.

4 (14) Establish and maintain regional health care databases that
5 are coordinated with other regional and statewide databases.

6 (15) In collaboration with the regional medical officer, enforce
7 reporting requirements established by the system and make
8 recommendations to the commissioner, the Director of the Office
9 of Health Planning, and the chief medical officer for needed
10 changes in reporting requirements.

11 (16) Establish and implement a regional capital management
12 plan pursuant to the capital management plan established by the
13 commissioner for the system.

14 (17) Implement standards and formats established by the
15 commissioner for the development and submission of operating
16 and capital budget requests and make recommendations to the
17 commissioner and the Director of the Office of Health Planning
18 for needed changes.

19 (18) Support regional providers in developing operating and
20 capital budget requests.

21 (19) Receive, evaluate, and prioritize provider operating and
22 capital budget requests pursuant to standards and criteria
23 established by the commissioner.

24 (20) Prepare a three-year regional operating and capital budget
25 request that meets the health care needs of the region pursuant to
26 this division, for submission to the commissioner.

27 (21) Establish a comprehensive three-year regional planning
28 budget using funds allocated to the region by the commissioner.

29 140114. The regional medical officers shall do all of the
30 following:

31 (a) Administer all aspects of the regional office of health care
32 quality.

33 (b) Serve as a member of the regional planning board.

34 (c) In collaboration with the commissioner, the chief medical
35 officer, the regional medical officer, regional planning boards, the
36 patient advocate of the Office of Patient Advocacy, regional
37 providers, and patients, oversee the establishment of integrated
38 service networks, including those that provide services through
39 medical technologies such as telemedicine, that include physicians
40 in fee-for-service, solo and group practice, essential community,

1 and ancillary care providers and facilities that pool and align
2 resources and form interdisciplinary teams that share responsibility
3 and accountability for patient care and provide a continuum of
4 coordinated high quality primary to tertiary care to all residents
5 of the region.

6 (d) Ensure the evaluation and measurement of the quality of
7 care delivered in the region, including assessment of the
8 performance of individual providers, pursuant to standards and
9 methods established by the chief medical officer to ensure a single
10 standard of high quality care is delivered to all state residents.

11 (e) In collaboration with the chief medical officer and regional
12 providers, evaluate standards of care in use at the time the system
13 becomes operative.

14 (f) Ensure a smooth transition toward use of standards based
15 on clinical efficacy that guide clinical decisionmaking. Identify
16 areas of medical practice where standards have not been established
17 and collaborated with the chief medical officer and health care
18 providers, to establish priorities in developing needed standards.

19 (g) Support the development and distribution of user-friendly
20 software for use by providers in order to support the delivery of
21 high quality care.

22 (h) Provide feedback to, and support and supervision of, health
23 care providers to ensure the delivery of high quality care pursuant
24 to standards established by the system.

25 (i) Collaborate with the regional Partnerships for Health to
26 develop patient education to assist consumers in evaluating and
27 appropriately utilizing health care providers and facilities.

28 (j) Collaborate with regional public health officers to establish
29 regional health policies that support the public health.

30 (k) Establish a regional program to monitor and decrease
31 medical errors and their causes pursuant to standards and methods
32 established by the chief medical officer.

33 (l) Support the development and implementation of innovative
34 means to provide high quality care and assist providers in securing
35 funds for innovative demonstration projects that seek to improve
36 care quality.

37 (m) Establish means to assess the impact of the system's policies
38 intended to ~~assure~~ ensure the delivery of high quality care.

39 (n) Collaborate with the chief medical officer, the Director of
40 the Office of Health Planning, the regional planning director, and

1 health care providers in the development and maintenance of
2 regional health care databases.

3 (o) Ensure the enforcement of, and recommend needed changes
4 in, the system's reporting requirements.

5 (p) Support providers in developing regional budget requests.

6 (q) Annually report to the commissioner, the public, the regional
7 planning board, and the chief medical officer on the status of
8 regional health care programs, needed improvements, and plans
9 to implement and evaluate delivery of care improvements.

10 140115. (a) Each region shall have a regional planning board
11 consisting of 13 members who shall be appointed by the regional
12 planning director. Members shall serve eight-year terms that
13 coincide with the term of the regional planning director and may
14 be reappointed for a second term.

15 (b) Regional planning board members shall have resided for a
16 minimum of two years in the region in which they serve prior to
17 appointment to the board.

18 (c) Regional planning board members shall reside in the region
19 they serve while on the board.

20 (d) The board shall consist of the following members:

21 (1) The regional planning director, the regional medical officer,
22 the regional director of the Partnerships for Health, and a public
23 health officer from one of the counties in the region.

24 (2) When there is more than one county in a region, the public
25 health officer board position shall rotate among the public health
26 county officers on a timetable to be established by each regional
27 planning board.

28 (3) A representative from the Office of Patient Advocacy.

29 (4) One expert in health care financing.

30 (5) One expert in health care planning.

31 (6) Two members who are direct care providers in the region,
32 one of whom shall be a registered nurse.

33 (7) One member who represents ancillary health care workers
34 in the region.

35 (8) One member representing hospitals in the region.

36 (9) One member representing essential community providers
37 in the region.

38 (10) One member representing the public.

39 (e) The regional planning director shall serve as chair of the
40 board.

1 (f) The purpose of the regional planning boards is to advise and
2 make recommendations to the regional planning director on all
3 aspects of regional health policy.

4 (g) Meetings of the board shall be open to the public pursuant
5 to the Bagley-Keene Open Meeting Act (Article 9 (commencing
6 with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title
7 2 of the Government Code).

8 140116. The following conflict-of-interest prohibitions shall
9 apply to all appointees of the commissioner or transition advisory
10 group, including, but not limited to, the patient advocate, the
11 Director of the Healthcare Fund, the purchasing director, the
12 Director of the Office of Health Planning, the Director of the
13 Payments Board, the chief medical officer, the Director of
14 Partnerships for Health, regional planning directors, and the
15 Inspector General:

16 (a) The appointee shall not have been employed in any capacity
17 by a for-profit insurance, pharmaceutical, or medical equipment
18 company that sells products to the system for a period of two years
19 prior to appointment.

20 (b) For two years after completing service in the system, the
21 appointee may not receive payments of any kind from, or be
22 employed in any capacity or act as a paid consultant to, a for-profit
23 insurance, pharmaceutical, or medical equipment company that
24 sells products to the system.

25 (c) The appointee shall avoid political activity that may create
26 the appearance of political bias or impropriety. Prohibited activities
27 shall include, but not be limited to, leadership of, or employment
28 by, a political party or a political organization; public endorsement
29 of a political candidate; contribution of more than five hundred
30 dollars (\$500) to any one candidate in a calendar year or a
31 contribution in excess of an aggregate of one thousand dollars
32 (\$1,000) in a calendar year for all political parties or organizations;
33 and attempting to avoid compliance with this prohibition by making
34 contributions through a spouse or other family member.

35 (d) The appointee shall not participate in making or in any way
36 attempt to use his or her official position to influence a
37 governmental decision in which he or she or a family member,
38 business partner, or colleague has a financial interest.

CHAPTER 3. FUNDING

Article 1. General Provisions

140200. (a) In order to support the agency effectively in the administration of this division, there is hereby established in the State Treasury the Healthcare Fund. The fund shall be administered by a director appointed by the commissioner.

(b) All moneys collected, received, and transferred pursuant to this division shall be transmitted to the State Treasury to be deposited to the credit of the Healthcare Fund for the purpose of financing the California Healthcare System.

(c) Moneys deposited in the Healthcare Fund shall be used exclusively to support this division, subject to appropriation by the Legislature.

(d) All claims for health care services rendered pursuant to the system shall be made to the Healthcare Fund through an electronic claims and payment system. The commissioner shall investigate the costs, benefits, and means of supporting health care providers in obtaining electronic systems for claims and payments transactions; however, alternative provisions shall be made for health care providers without electronic systems.

(e) All payments made for health care services shall be disbursed from the Healthcare Fund through an electronic claims and payments system; however, alternative provisions shall be made for health care providers without electronic systems.

(f) The director of the fund shall serve on the Healthcare Policy Board.

140201. (a) The Director of the Healthcare Fund shall establish the following accounts within the Healthcare Fund:

(1) A system account to provide for all annual state expenditures for health care.

(2) A reserve account.

(b) Premiums collected each year shall be roughly sufficient to cover that year's projected costs.

(c) The system shall at all times hold an actuarially sound reserve that is consistent with appropriate risk-based capital standards to ~~assure~~ *ensure* financial solvency of the system.

(d) During the transition, the commissioner shall work with the Department of Insurance, the Department of Managed Health Care,

1 and other experts to determine an appropriate level of reserves for
2 the system for the first year and for future years of its operation.

3 (e) Moneys currently held in reserve by state health programs,
4 city and county contributions as determined by the commissioner
5 pursuant to subdivision (c) of Section 140240, and federal moneys
6 for health care held in reserve in federal trust accounts shall be
7 transferred to the reserve account when the state assumes financial
8 responsibility for health care under this division that is currently
9 provided by those programs.

10 (f) The commissioner may implement arrangements to
11 self-insure the system against unforeseen expenditures or revenue
12 shortfalls not covered by reserves and may borrow funds to cover
13 temporary revenue shortfalls not covered by system reserves,
14 including the issuance of bonds for this purpose, whichever is the
15 more cost effective.

16 (g) Funds held in the reserve account and other Healthcare Fund
17 accounts may be prudently invested to increase their value
18 according to the Department of Managed Health Care's standards
19 for financial solvency.

20 140203. (a) The Director of the Healthcare Fund shall
21 immediately notify the commissioner when regional or statewide
22 revenue and expenditure trends indicate that expenditures may
23 exceed revenues.

24 (b) If the commissioner determines that statewide revenue trends
25 indicate the need for statewide cost control measures, the
26 commissioner shall convene the Healthcare Policy Board to discuss
27 the need for cost control measures and shall immediately report
28 to the Legislature and the public regarding the possible need for
29 cost control measures.

30 (c) Cost control measures include any or all of the following:

31 (1) Changes in the system or health facility administration that
32 improve efficiency.

33 (2) Changes in the delivery of health care services that improve
34 efficiency and care quality.

35 (3) Postponement of introduction of new benefits or benefit
36 improvements.

37 (4) Seeking statutory authority for a temporary decrease in
38 benefits.

39 (5) Postponement of planned capital expenditures.

1 (6) Adjustments of health care provider payments to correct for
2 deficiencies in care quality and failure to meet compensation
3 contract performance goals, pursuant to subdivisions (a) to (f),
4 inclusive, of Section 140106, paragraph (4) of subdivision (a) of
5 Section 140204, subdivision (a) of Section 140213, and
6 subdivisions (c) and (d) of Section 140606.

7 (7) Adjustments to the compensation of managerial employees
8 and upper level managers under contract with the system to correct
9 for deficiencies in management and failure to meet contract
10 performance goals.

11 (8) Limitations on the reimbursement budgets of the system's
12 providers and upper level managers whose compensation is
13 determined by the Payments Board.

14 (9) Limitations on aggregate reimbursements to manufacturers
15 of pharmaceutical and durable and nondurable medical equipment.

16 (10) Deferred funding of the reserve account.

17 (11) Imposition of copayments or deductible payments. Any
18 copayment or deductible payments imposed under this section
19 shall be subject to all of the following requirements:

20 (A) No copayment or deductible may be established when
21 prohibited by federal law.

22 (B) All copayments and deductibles shall meet federal guidelines
23 for copayments and deductible payments that may lawfully be
24 imposed on persons with low income.

25 (C) The commissioner shall establish standards and procedures
26 for waiving copayments or deductible payments and a waiver card
27 that shall be issued to a patient or to a family to indicate the waiver.
28 Procedures for copayment waiver may include a determination by
29 a patient's primary care provider that imposition of a copayment
30 would be a financial hardship. Copayment and deductible waivers
31 shall be reviewed annually by the regional planning director.

32 (D) Waivers shall not affect the reimbursement of health care
33 providers.

34 (E) Any copayments or deductible payments established
35 pursuant to this section shall be transmitted to the Treasurer to be
36 deposited to the credit of the Healthcare Fund.

37 (12) Imposition of an eligibility waiting period and other means
38 if the commissioner determines that large numbers of people are
39 immigrating to the state for the purpose of obtaining health care
40 through the system.

1 (d) Nothing in this division shall be construed to diminish the
2 benefits that an individual has under a collective bargaining
3 agreement or statute.

4 (e) Nothing in this division shall preclude employees from
5 receiving benefits available to them under a collective bargaining
6 agreement or other employee-employer agreement or a statute that
7 are superior to benefits under this division.

8 (f) Cost control measures implemented by the commissioner
9 and the Healthcare Policy Board shall remain in place in the state
10 until the commissioner and the Healthcare Policy Board determine
11 that the cause of a revenue shortfall has been corrected.

12 (g) If the Healthcare Policy Board determines that cost control
13 measures described in subdivision (c) will not be sufficient to meet
14 a revenue shortfall, the commissioner shall report to the Legislature
15 and to the public on the causes of the shortfall and the reasons for
16 the failure of cost controls and shall recommend measures to
17 correct the shortfall, including an increase in premium payments
18 to the system.

19 140204. (a) If the commissioner or a regional planning director
20 determines that regional revenue and expenditure trends indicate
21 a need for regional cost control measures, the regional planning
22 director shall convene the regional planning board to discuss the
23 possible need for cost control measures and to make a
24 recommendation about appropriate measures to control costs.
25 These may include any of the following:

26 (1) Changes in the administration of the system or in health
27 facility administration that improve efficiency.

28 (2) Changes in the delivery of health care services and health
29 system management that improve efficiency or care quality.

30 (3) Postponement of planned regional capital expenditures.

31 (4) Adjustment of payments to health care providers to reflect
32 deficiencies in care quality and failure to meet compensation
33 contract performance goals and payments to upper level managers
34 to reflect deficiencies in management and failure to meet
35 compensation contract performance goals.

36 (5) Adjustment of payments to health care providers and upper
37 level managers above a specified amount of aggregate billing.

38 (6) Adjustment of payments to pharmaceutical and medical
39 equipment manufacturers and others selling goods and services to
40 the system above a specified amount of aggregate billing.

1 (b) If a regional planning board is convened to implement cost
2 control measures, the commissioner shall participate in the regional
3 planning board meeting.

4 (c) The regional planning director, in consultation with the
5 commissioner, shall determine if cost control measures are
6 warranted and those measures that shall be implemented.

7 (d) Imposition of copayments or deductibles, postponement of
8 new benefits or benefit improvements, deferred funding of the
9 reserve account, establishment of eligibility waiting periods, and
10 increases in premium payments under the system may occur on a
11 statewide basis only and with the concurrence of the commissioner
12 and the Healthcare Policy Board.

13 (e) If a regional planning director and regional planning board
14 are considering imposition of cost control measures, the regional
15 planning director shall immediately report to the residents of the
16 region regarding the possible need for cost control measures.

17 (f) Cost control measures shall remain in place in a region until
18 the regional planning director and the commissioner determine
19 that the cause of a revenue shortfall has been corrected.

20 140205. (a) If, on June 30 of any year, the Budget Act for the
21 fiscal year beginning on July 1 has not been enacted, all moneys
22 in the reserve account of the Healthcare Fund shall be used to
23 implement this division until funds are available through the
24 Budget Act.

25 (b) Notwithstanding any other provision of law and without
26 regard to fiscal year, if the annual Budget Act is not enacted by
27 June 30 of any fiscal year preceding the fiscal year to which the
28 budget would apply and if the commissioner determines that funds
29 in the reserve account are depleted, the following shall occur:

30 (1) The Controller shall annually transfer from the General
31 Fund, in the form of one or more loans, an amount to the
32 Healthcare Fund for the purpose of making payments to health
33 care providers and to persons and businesses under contract with
34 the system or with health care providers to provide services,
35 medical equipment, and pharmaceuticals to the system.

36 (2) Upon enactment of the Budget Act in any fiscal year to
37 which paragraph (1) applies, the Controller shall transfer all
38 expenditures and unexpected funds loaned to the Healthcare Fund
39 to the appropriate Budget Act item.

(3) The amount of any loan made pursuant to paragraph (1) for which moneys were expended from the Healthcare Fund shall be repaid by debiting the appropriate Budget Act item in accordance with procedures prescribed by the Department of Finance.

140206. (a) The commissioner annually shall prepare a budget for the system that includes all expenditures, specifies a limit on total annual state expenditures, and establishes allocations for each health care region that shall cover a three-year period and that shall be disbursed on a quarterly basis.

(b) The commissioner shall limit the growth of spending on a statewide and on a regional basis, by reference to average growth in state domestic product across multiple years; population growth, actuarial demographics and other demographic indicators; differences in regional costs of living; advances in technology and their anticipated adoption into the benefit plan; improvements in efficiency of administration and care delivery; improvements in the quality of care; and projected future state domestic product growth rates.

(c) The commissioner shall adjust the system's budget so that aggregate spending in the state on health care shall not exceed spending under this division by more than 5 percent.

(d) The commissioner shall project the system's revenues and expenditures for 3, 6, 9, and 12 years pursuant to parameters prescribed in subdivision (f).

(e) The budget for the system shall include all of the following:

- (1) Transition budget.
- (2) Providers and managers budget.
- (3) Capitated operating budgets.
- (4) Noncapitated operating budgets.
- (5) Capital investment budget.
- (6) Purchasing budget, including prescription drugs and durable and nondurable medical equipment pursuant to Section 140220.
- (7) Research and innovation budget pursuant to Section 140221.
- (8) Workforce training and development budget pursuant to Section 140222.
- (9) Reserve account pursuant to Section 140223.
- (10) System administration budget pursuant to Section 140224.
- (11) Regional budgets.

(f) In establishing budgets, the commissioner shall make adjustments based on all of the following:

- 1 (1) Costs of transition to the new system.
- 2 (2) Projections regarding the health care services anticipated to
- 3 be used by California residents.
- 4 (3) Differences in cost of living between the regions, including
- 5 the overhead costs of maintaining medical practices.
- 6 (4) Health risk of enrollees.
- 7 (5) Scope of services provided.
- 8 (6) Innovative programs that improve care quality,
- 9 administrative efficiency, and workplace safety.
- 10 (7) Unrecovered cost of providing care to persons who are not
- 11 enrollees of the system. The commissioner shall seek to recover
- 12 the costs of care provided to persons who are not enrollees of the
- 13 system.
- 14 (8) Costs of workforce training and development.
- 15 (9) Costs of correcting health outcome disparities and the unmet
- 16 needs of previously uninsured and underinsured enrollees.
- 17 (10) Relative usage of different health care providers.
- 18 (11) Needed improvements in access to care.
- 19 (12) Projected savings in administrative costs.
- 20 (13) Projected savings due to provision of primary and
- 21 preventive care to the population, including savings from decreases
- 22 in preventable emergency room visits and hospitalizations.
- 23 (14) Projected savings from improvements in care quality.
- 24 (15) Projected savings from decreases in medical errors.
- 25 (16) Projected savings from systemwide management of capital
- 26 expenditures.
- 27 (17) Cost of incentives and bonuses to support the delivery of
- 28 high quality care, including incentives and bonuses needed to
- 29 recruit and retain an adequate supply of needed providers and
- 30 managers and to attract health care providers to medically
- 31 underserved areas.
- 32 (18) Costs of treating complex illnesses, including disease
- 33 management programs.
- 34 (19) Cost of implementing standards of care, care coordination,
- 35 electronic medical records, and other electronic initiatives.
- 36 (20) Costs of new technology.
- 37 (21) Technology research and development costs and costs
- 38 related to the system's use of new technologies.
- 39 (g) Moneys in the reserve account shall not be considered as
- 40 available revenues for the purposes of preparing the system's

1 budget, except when the annual Budget Act has not been enacted
2 by June 30 of any fiscal year.

3 140207. The commissioner shall annually establish the total
4 funds to be allocated for provider and manager compensation
5 pursuant to this section. In establishing the provider and manager
6 budgets, the commissioner shall allot sufficient funds to ~~assure~~
7 *ensure* that California can attract and retain those providers and
8 managers needed to meet the health care needs of the population.
9 In establishing provider and manager budgets, the commissioner
10 shall allocate funds for both salaries, incentives, bonuses, and
11 benefits to be provided to officers and upper level managers of the
12 system who are exempt from state civil service statutes.

13 140208. (a) The commissioner shall establish the Payments
14 Board and shall appoint a director and members of the board.

15 (b) The commissioner shall retain the authority to review,
16 approve, reject, and modify all payment contracts and
17 compensation plans established pursuant to this section.

18 (c) The Payments Board shall be composed of experts in health
19 care finance and insurance systems, a designated representative
20 of the commissioner, a designated representative of the Healthcare
21 Fund, and a representative of the regional planning directors. The
22 position of regional representative shall rotate among the directors
23 of the regional planning boards every two years.

24 (d) The board shall establish and supervise a uniform payments
25 system for health care providers and managers and shall maintain
26 a compensation plan for all of the following health care providers
27 and managers pursuant to the provider and manager budget
28 established by the commissioner:

29 (1) Upper level managers employed by, or under contract with,
30 private health care facilities, including, but not limited to, hospitals,
31 integrated health care delivery systems, group and solo medical
32 practices, and essential community facilities.

33 (2) Managers and officers of the system who are exempt from
34 statutes governing civil service employment.

35 (3) Health care providers including, but not limited to,
36 physicians, osteopathic physicians, dentists, podiatrists, nurse
37 practitioners, physician assistants, chiropractors, acupuncturists,
38 psychologists, social workers, marriage, family and child
39 counselors, and other professional health care providers who are

1 required by law to be licensed to practice in California and who
2 provide services pursuant to the system.

3 (4) Compensation for employees of the system that was
4 determined through employer-union negotiations before
5 implementation of this division shall be determined by negotiations
6 between the system and the unions after implementation of this
7 division.

8 (5) Health care providers licensed and accredited to provide
9 services in California may choose to be compensated for their
10 services either by the system or by a person to whom they provide
11 services.

12 (6) Health care providers electing to be compensated by the
13 system shall enter into a contract with the system pursuant to
14 provisions of this section.

15 (7) Health care providers electing to be compensated by persons
16 to whom they provide services, instead of by the system, may
17 establish charges for their services.

18 (8) Health care providers who accept any payment from the
19 system under this division shall not bill a patient for any covered
20 service, except as authorized by the commissioner.

21 (e) Health care providers licensed or accredited to provide
22 services in California, who choose to be compensated by the system
23 instead of by patients to whom they provide services, may choose
24 how they wish to be compensated under this division, as
25 fee-for-service providers or as providers employed by, or under
26 contract with, health care systems that provide comprehensive,
27 coordinated services.

28 (f) Notwithstanding provisions of the Business and Professions
29 Code, nurse practitioners, physician assistants, and others who
30 under California law must be supervised by a physician and
31 surgeon, an osteopathic physician, a dentist, or a podiatrist, may
32 choose fee-for-service compensation while under lawfully required
33 supervision. However, nothing in this section shall interfere with
34 the right of a supervising health care provider to enter into a
35 contractual arrangement that provides for salaried compensation
36 for employees who must be supervised under the law by a
37 physician and surgeon, an osteopathic physician, a dentist, or a
38 podiatrist.

39 (g) The compensation plan shall include all of the following:

1 (1) Actuarially sound payments that include a just and fair return
2 for health care providers in the fee-for-service sector and for health
3 care providers working in health systems where comprehensive
4 and coordinated services are provided, including the actuarial basis
5 for the payment.

6 (2) Payment schedules that shall be in effect for three years.

7 (3) Bonus and incentive payments, including, but not limited
8 to, all of the following:

9 (A) Bonus payments for health care providers and upper level
10 managers who, in providing services and managing facilities,
11 practices, and integrated health systems pursuant to this division,
12 meet performance standards and outcome goals established by the
13 system.

14 (B) Incentive payments for health care providers and upper level
15 managers who provide services to the system in areas identified
16 by the Office of Health Planning as medically underserved.

17 (C) Incentive payments required to achieve the ratio of generalist
18 to specialist health care providers needed in order to meet the
19 standards of care and health needs of the population.

20 (D) Incentive payments required to recruit and retain nurse
21 practitioners and physician assistants in order to provide primary
22 and preventive care to the population.

23 (E) No bonus or incentive payment may be made in excess of
24 the total allocation for health care provider and manager incentive
25 and bonus reimbursement established by the commissioner in the
26 system's budget.

27 (F) No incentive may adversely affect the care a patient receives
28 or the care a health care provider recommends.

29 (h) Health care providers shall be paid for all services provided
30 pursuant to this division, including care provided to persons who
31 are subsequently determined to be ineligible for the system.

32 (i) Licensed health care providers who deliver services not
33 covered under the system may establish rates and charge patients
34 for those services.

35 (j) Reimbursement to health care providers and compensation
36 to managers may not exceed the amount allocated by the
37 commissioner to provider and manager annual budgets.

38 140209. (a) Fee-for-service health care providers shall choose
39 representatives of their specialties to negotiate reimbursement rates
40 with the Payments Board on their behalf.

1 (b) The Payments Board shall establish a uniform system of
2 payments for all services provided pursuant to this division.

3 (c) Payment schedules shall be available to health care providers
4 in printed and in electronic documents.

5 (d) Payment schedules shall be in effect for three years, at which
6 time payment schedules may be renegotiated. Payment adjustments
7 may be made at the discretion of the Payments Board to meet the
8 goals of the system.

9 (e) In establishing a uniform system of payments, the Payments
10 Board shall collaborate with regional planning directors and health
11 care providers and shall take into consideration regional differences
12 in the cost of living and the need to recruit and retain skilled health
13 care providers in the region.

14 (f) Fee-for-service health care providers shall submit claims
15 electronically to the Healthcare Fund and shall be paid within 30
16 business days for claims filed in compliance with procedures
17 established by the Healthcare Fund.

18 140210. (a) Compensation for health care providers and upper
19 level managers employed by, or under contract with, integrated
20 health care delivery systems, group medical practices, and essential
21 community providers that provide comprehensive, coordinated
22 services shall be determined according to the following guidelines:

23 (b) Health care providers and upper level managers employed
24 by, or under contract with, systems that provide comprehensive,
25 coordinated health care services shall be represented by their
26 respective employers or contractors for the purposes of negotiating
27 reimbursement with the Payments Board.

28 (c) In negotiating reimbursement with systems providing
29 comprehensive, coordinated services, the Payments Board shall
30 take into consideration the need for comprehensive systems to
31 have flexibility in establishing health care provider and upper level
32 manager reimbursement.

33 (d) Payment schedules shall be in effect for three years.
34 However, payment adjustments may be made at the discretion of
35 the Payments Board to meet the goals of the system.

36 (e) The Payments Board shall take into consideration regional
37 differences in the cost of living and the need to recruit and retain
38 skilled health care providers and upper level managers to the
39 regions.

1 (f) The Payments Board shall establish a timetable for
2 reimbursement for fee-for-service health care provider's
3 negotiations. If an agreement on reimbursement is not reached
4 according to the timetable established by the Payments Board, the
5 Payments Board shall establish reimbursement rates, which shall
6 be binding.

7 (g) Reimbursement negotiations shall be conducted consistent
8 with the state action doctrine of the antitrust laws.

9 140211. (a) The Payments Board shall annually report to the
10 commissioner on the status of health care provider and upper level
11 manager reimbursement, including satisfaction with reimbursement
12 levels and the sufficiency of funds allocated by the commissioner
13 for provider and upper level manager reimbursement. The
14 Payments Board shall recommend needed adjustments in the
15 allocation for health care provider payments.

16 (b) The Office of Health Care Quality shall annually report to
17 the commissioner on the impact of the bonus payments in
18 improving quality of care, health outcomes, and management
19 effectiveness. The Payments Board shall recommend needed
20 adjustments in bonus allocations.

21 (c) The Office of Health Planning shall annually report to the
22 commissioner on the impact of the incentive payments in recruiting
23 health care providers and upper level managers to underserved
24 areas, in establishing the needed ratio of generalist to specialist
25 health care providers and in attracting and retaining nurse
26 practitioners and physician assistants to the state and shall
27 recommend needed adjustments.

28 140212. (a) The commissioner shall establish an allocation
29 for each region to fund regional operating and capital budgets for
30 a period of three years. Allocations shall be disbursed to the regions
31 on a quarterly basis.

32 (b) Integrated health care delivery systems, essential community
33 providers, and group medical practices that provide comprehensive,
34 coordinated services may choose to be reimbursed on the basis of
35 a capitated system operating budget or a noncapitated system
36 operating budget that covers all costs of providing health care
37 services.

38 (c) Health care providers choosing to function on the basis of
39 a capitated or a noncapitated system operating budget shall submit
40 three-year operating budget requests to the regional planning

1 director, pursuant to standards and guidelines established by the
2 commissioner.

3 (1) Health care providers may include in their operating budget
4 requests reimbursement for ancillary health care or social services
5 that were previously funded by money now received and disbursed
6 by the Healthcare Fund.

7 (2) No payment may be made from a capitated or noncapitated
8 budget for a capital expense except as provided in Section 140216.

9 (d) Regional planning directors shall negotiate operating budgets
10 with regional health care entities, which shall cover a period of
11 three years.

12 (e) Operating and capitated budgets shall include health care
13 workforce labor costs other than those described in paragraphs
14 (1), (2), and (3) of subdivision (d) of Section 140208. If unions
15 represent employees working in systems functioning under
16 capitated or noncapitated budgets, unions shall represent those
17 employees in negotiations with the regional planning director and
18 the Payments Board for the purpose of establishing their
19 reimbursement.

20 140213. (a) Health systems and medical practices functioning
21 under capitated and noncapitated operating budgets shall
22 immediately report any projected operating deficit to the regional
23 planning director. The regional planning director shall determine
24 whether projected deficits reflect appropriate increases in
25 expenditures, in which case the director shall make an adjustment
26 to the operating budget. If the director determines that deficits are
27 not justifiable, no adjustment shall be made.

28 (b) If a regional planning director determines that adjustments
29 to operating budgets will cause a regional revenue shortfall and
30 that cost control measures may be required, the regional planning
31 director shall report the possible revenue shortfall to the
32 commissioner and take actions required pursuant to Section
33 140203.

34 140215. (a) Margins generated by a facility operating under
35 a system operating budget may be retained and used to meet the
36 health care needs of the population.

37 (b) No margin may be retained if that margin was generated
38 through inappropriate limitations on access to health care or
39 compromises in the quality of care or in any way that adversely
40 affected or is likely to adversely affect the health of the persons

1 receiving services from a facility, integrated health care delivery
2 system, group medical practice, or essential community provider
3 functioning under a system operating budget.

4 (1) The chief medical officer shall evaluate the source of margin
5 generation and report violations of this section to the commissioner.

6 (2) The commissioner shall establish and enforce penalties for
7 violations of this section.

8 (3) Penalty payments collected pursuant to violations of this
9 section shall be remitted to the Healthcare Fund for use in the
10 California Healthcare System.

11 (c) Facilities operating under system operating budgets of the
12 California Healthcare System may raise and expend funds from
13 sources other than the system including, but not limited to, private
14 or foundation donors for purposes related to the goals of this
15 division and in accordance with provisions of this division.

16 140216. (a) During the transition, the commissioner shall
17 develop a capital management plan that shall include
18 conflict-of-interest standards and that shall govern all capital
19 investments and acquisitions undertaken in the system. The plan
20 shall include a framework, standards, and guidelines for all of the
21 following:

22 (1) Standards whereby the Office of Health Planning shall
23 oversee, assist in the implementation of, and ensure that the
24 provisions of the capital management plan are enforced.

25 (2) Assessment and prioritization of short- and long-term capital
26 needs of the system on statewide and regional bases.

27 (3) Assessment of capital health care assets and capital health
28 care asset shortages on a regional and statewide basis at the time
29 this division is first implemented.

30 (4) Development by the commissioner of a multiyear system
31 capital development plan that supports the system's goals,
32 priorities, and performance standards and meets the health care
33 needs of the population.

34 (5) Development, as part of the system's capital budget, of
35 regional capital allocations that shall cover a period of three years.

36 (6) Evaluation of, and support for, noninvestment means to
37 meet health care needs, including, but not limited to, improvements
38 in administrative efficiency, care quality, and innovative service
39 delivery, use, adaptation or refurbishment of existing land and
40 property, and identification of publicly owned land or property

1 that may be available to the system and that may meet a capital
2 need.

3 (7) Development and maintenance of capital inventories on a
4 regional basis, including the condition, utilization capacity,
5 maintenance plan and costs, deferred maintenance of existing
6 capital inventory, and excess capital capacity.

7 (8) A process whereby those intending to make capital
8 investments or acquisitions shall prepare a business case for making
9 the investment or acquisition, including the full life-cycle costs of
10 the project or acquisition, an environmental impact report that
11 meets existing state standards, and a demonstration of how the
12 investment or acquisition meets the health care needs of the
13 population it is intended to serve. Acquisitions include, but are not
14 limited to, the acquisition of land, operational property, or
15 administrative office space.

16 (9) Standards and a process whereby the regional planning
17 directors shall evaluate, accept, reject, or modify a business plan
18 for a capital investment or acquisition. Decisions of a regional
19 planning director may be appealed through a dispute resolution
20 process established by the commissioner.

21 (10) Standards for binding project contracts between the system
22 and the party developing a capital project or making a capital
23 acquisition that shall govern all terms and conditions of capital
24 investments and acquisitions, including terms and conditions for
25 grants, loans, lines of credit, and lease-purchase arrangements by
26 the system.

27 (11) A process and standards whereby the Director of the
28 Healthcare Fund shall negotiate terms and conditions of the liens,
29 grants, lines of credit, and lease-purchase arrangements for capital
30 investments and acquisitions by the system. Terms and conditions
31 negotiated by the Director of the Healthcare Fund shall be included
32 in project contracts.

33 (12) A plan for the commissioner and for the regional planning
34 directors to issue requests for proposals and to oversee a process
35 of competitive bidding for the development of capital projects that
36 meet the needs of the system and to fund, partially fund, or
37 participate in seeking funding for, those capital projects.

38 (13) Responses to requests for proposals and competitive bids
39 shall include a description of how a project meets the service needs

1 of the region and addresses the environmental impact report and
2 shall include the full life-cycle costs of a capital asset.

3 (14) Requests for proposals shall address how intellectual
4 property will be handled and shall include conflict-of-interest
5 guidelines that meet standards established by the commissioner
6 as part of the capital management plan.

7 (15) A process and standards for periodic revisions in the capital
8 management plan, including annual meetings in each region to
9 discuss the plan and make recommendations for improvements in
10 the plan.

11 (16) Standards for determining when a violation of these
12 provisions shall be referred to the Attorney General for
13 investigation and possible prosecution of the violation.

14 (b) No registered lobbyist shall participate in, or in any way
15 attempt to influence, the request for proposals or competitive bid
16 process.

17 (c) Development of performance standards and a process to
18 monitor and measure performance of those making capital health
19 care investments and acquisitions, including those making capital
20 investments pursuant to a state competitive bidding process.

21 (d) A process for earned autonomy from state capital investment
22 oversight for those who demonstrate the ability to manage capital
23 investment and capital assets effectively in accordance with the
24 system's standards, and standards for loss of earned autonomy
25 when capital management is ineffective.

26 (e) Terms and conditions of capital project oversight by the
27 system shall be based on the performance history of the project
28 developer. Health care providers may earn autonomy from
29 oversight if they demonstrate effective capital planning and project
30 management, pursuant to the goals and guidelines established by
31 the commissioner. Health care providers who do not demonstrate
32 that proficiency shall remain subject to oversight by the regional
33 planning director or shall lose autonomy from oversight.

34 (f) In general, no capital investment may be made from an
35 operating budget. However, guidelines shall be established for the
36 types and levels of small capital investments that may be
37 undertaken from an operating budget without the approval of the
38 regional planning director.

39 (g) Any capital investments required for compliance with
40 federal, state, or local regulatory requirements or quality assurance

standards shall be exempt from paragraph (2) of subdivision (c) of Section 140212.

140217. (a) Regional planning directors shall develop a regional capital development plan pursuant to the system's capital management plan established by the commissioner. In developing the regional capital development plan, the regional planning director shall do all of the following:

(1) Implement the standards and requirements of the capital management plan established by the commissioner.

(2) Develop a multiyear regional capital health management plan that supports regional goals and the state capital management plan.

(3) Assist regional health care providers to develop capital budget requests pursuant to the regional capital budget plan and the system's capital management plan established by the commissioner.

(4) Receive and evaluate capital budget requests from regional health care providers.

(5) Establish ranking criteria to assess competing demands for capital.

(6) Participate in planning for needed earthquake retrofits. However, the cost of mandatory earthquake retrofits of health care facilities shall not be the responsibility of the system.

(7) Conduct ongoing project evaluation to ~~assure~~ ensure that terms and conditions of project funding are met.

(b) Services provided as a result of capital investments or acquisitions that do not meet the terms of the regional capital development plan and the capital management plan developed by the commissioner shall not be reimbursed by the system.

140218. (a) Assets financed by state grants, loans, lines of credit, and lease-purchase arrangements shall be owned, operated, and maintained by the recipient of the grant, loan, line of credit, or lease-purchase arrangement, according to terms established at the time of issuance of the grant, loan, line of credit, or lease-purchase arrangement.

(b) Assets financed under long-term leases with the system shall be transferred to public ownership at the end of the lease, unless the commissioner determines that an alternative disposition would be of greater benefit to the system, in which case the commissioner may authorize an alternative disposition.

(c) When an asset, which was in whole or in part financed by the system, is to be sold or transferred by a party that received financing from the system for purchase, lease, or construction of the asset, an impartial estimate of the fair market value of the asset shall be undertaken. The system shall receive a share of the fair market value of the asset at the time of its sale or transfer that is in proportion to the system's original investment. The system may elect to postpone receipt of its share of the value of the asset if the commissioner determines that the postponement meets the needs of the system.

140219. The regional planning directors shall make financial information available to the public when the system's contribution to a capital project is greater than twenty-five million dollars (\$25,000,000). Information shall include the purpose of the project or acquisition, its relation to the system's goals, the project budget and the timetable for completion, environmental impact reports, any terms-related conflicts of interest, and performance standards and benchmarks.

140220. (a) The commissioner shall establish a budget for the purchase of prescription drugs and durable and nondurable medical equipment for the system.

(b) The commissioner shall use the purchasing power of the state to obtain the lowest possible prices for prescription drugs and durable and nondurable medical equipment.

(c) The commissioner shall make discounted prices available to all California residents, licensed and accredited providers and facilities under the terms of their licenses and accreditation, health care providers, prescription drug and medical equipment wholesalers, and retailers of products approved for use and included in the benefit package of the system.

140221. (a) The commissioner shall establish a budget to support research and innovation that has been recommended by the chief medical officer, the Director of the Office of Health Planning, the patient advocates, the Partnerships for Health, and others as required by the commissioner.

(b) The research and innovation budget shall support the goals and standards of the system.

140222. (a) The commissioner shall establish a budget to support the training, development, and continuing education of health care providers and the health care workforce needed to meet

1 the health care needs of the population and the goals and standards
2 of the system.

3 (b) During the transition, the commissioner shall determine an
4 appropriate level and duration of spending to support the retraining
5 and job placement of persons who have been displaced from
6 employment as a result of the transition to the system.

7 (c) The commissioner shall establish guidelines for giving
8 special consideration for employment to persons who have been
9 displaced as a result of the transition to the system.

10 140223. (a) The commissioner shall establish a reserve account
11 pursuant to this section.

12 (b) The reserve budget may be used only for purposes set forth
13 in this division.

14 140224. (a) The commissioner shall establish a budget that
15 covers all costs of administering the system.

16 (b) Administrative costs on a systemwide basis shall be limited
17 to 10 percent of system costs within five years of completing the
18 transition to the system.

19 (c) Administrative costs on a systemwide basis shall be limited
20 to 5 percent of system costs within 10 years of completing the
21 transition to the system.

22 (d) The commissioner shall ensure that the percentage of the
23 budget allocated to support system administration stays within the
24 allowable limits and shall continually seek means to lower system
25 administrative costs.

26 (e) The commissioner shall report to the public, the regional
27 planning directors, and others attending the annual system revenue
28 and expenditure conference pursuant to Section 140206 on the
29 costs of administering the system and the regions and shall make
30 recommendations for reducing administrative costs and receive
31 recommendations for reducing administrative costs.

32
33 Article 2. California Healthcare Premium Commission
34

35 140230. (a) There is hereby created the California Healthcare
36 Premium Commission, referred to in this division as the Premium
37 Commission.

38 (b) The Premium Commission shall be composed of the
39 following members:

1 (1) Three health economists with experience relevant to the
2 functions of the Premium Commission. One shall be appointed by
3 the Speaker of the Assembly, one shall be appointed by the Senate
4 Committee on Rules, and one shall be appointed by the Governor.

5 (2) Two representatives of California's business community,
6 with one representing small business. One shall be appointed by
7 the Governor, and the representative of small business shall be
8 appointed by the Senate Committee on Rules.

9 (3) Two representatives from organized labor. One shall be
10 appointed by the Senate Committee on Rules, and one shall be
11 appointed by the Speaker of the Assembly.

12 (4) Two representatives of nonprofit organizations whose
13 principal purpose includes promoting the establishment of a system
14 of universal health care in California. One shall be appointed by
15 the Senate Committee on Rules and one shall be appointed by the
16 Speaker of the Assembly.

17 (5) One representative of a nonprofit advocacy organization
18 with expertise in taxation policy whose principal purpose includes
19 advocating for sustainable funding for the public infrastructure.
20 This person shall be appointed by the Speaker of the Assembly.

21 (6) Two members of the Legislature. One shall be appointed by
22 the Senate Committee on Rules and one shall be appointed by the
23 Speaker of the Assembly.

24 (7) The Executive Officer of the Franchise Tax Board.

25 (8) The Chair of the State Board of Equalization.

26 (9) The Director of the Employment Development Department.

27 (10) The Legislative Analyst.

28 (11) The Secretary of California Health and Human Services.

29 (12) The Director of the Department of Finance.

30 (13) The Controller.

31 (14) The Treasurer.

32 (15) The Lieutenant Governor.

33 (c) Upon appointment, the Premium Commission shall meet at
34 least once a month. The Premium Commission shall elect a chair
35 from its membership during its first meeting. The Premium
36 Commission shall receive public comments during a portion of
37 each of its meetings, and all of its meetings shall be conducted
38 pursuant to the Bagley-Keene Open Meeting Act (Article 9
39 (commencing with Section 11120) of Chapter 1 of Part 1 of
40 Division 3 of Title 2 of the Government Code).

1 140231. (a) The Premium Commission shall perform the
2 following functions:

3 (1) Determine the aggregate costs of providing health care
4 coverage pursuant to this division.

5 (2) Develop an equitable and affordable premium structure that
6 will generate adequate revenue for the Healthcare Fund established
7 pursuant to Section 140200 and ensure stable and actuarially sound
8 funding for the system.

9 (b) The Premium Commission shall perform the functions
10 described in this section by considering existing financial
11 simulations and analyses of universal health care proposals,
12 including, but not limited to, the analysis completed by the Lewin
13 Group in January 2005, pertaining to Senate Bill N. 921 of the
14 2003–04 Regular Session.

15 140232. (a) The premium structure developed by the Premium
16 Commission shall satisfy the following criteria:

17 (1) Be means-based and generate adequate revenue to implement
18 this division.

19 (2) To the greatest extent possible, ensure that all income earners
20 and all employers contribute a premium amount that is affordable
21 and that is consistent with existing funding sources for health care
22 in California.

23 (3) Maintain the current ratio for aggregate health care
24 contributions among the traditional health care funding sources,
25 including employers, individuals, government, and other sources.

26 (4) Provide a fair distribution of monetary savings achieved
27 from the establishment of a universal health care system.

28 (5) Coordinate with existing, ongoing funding sources from
29 federal and state programs.

30 (6) Be consistent with state and federal requirements governing
31 financial contributions for persons eligible for existing public
32 programs.

33 (7) Comply with federal requirements.

34 (8) Include an exemption for employers and employees who
35 are subject to a collective bargaining agreement and participate in
36 a Taft-Hartley Trust Fund that pays the employer and employee
37 share of the premium to the Healthcare Fund.

38 (b) The Premium Commission shall seek expert and legal advice
39 regarding the best method to structure premium payments

1 consistent with existing employer-employee health care financing
2 structures.

3 140233. The Premium Commission may take all of the
4 following actions:

5 (a) Obtain grants from, and contract with, individuals and
6 private, local, state, and federal agencies, organizations, and
7 institutions, including institutions of higher education.

8 (b) Receive charitable contributions or any other source of
9 income that may be lawfully received.

10 140234. (a) The Premium Commission may consult with
11 additional persons, advisory entities, governmental agencies,
12 Members of the Legislature, and legislative staff as it deems
13 necessary to perform its functions.

14 (b) The Premium Commission shall seek structured input from
15 representatives of stakeholder organizations, policy institutes, and
16 other persons with expertise in health care, health care financing,
17 or universal health care models in order to ensure that it has the
18 necessary information, expertise, and experience to perform its
19 functions.

20 (c) The Premium Commission shall be supported by a reasonable
21 amount of staff time, which shall be provided by the state agencies
22 with membership on the Premium Commission. The Premium
23 Commission may request data from, and utilize the technical
24 expertise of, other state agencies.

25 140235. (a) On or before January 1, 2014, the Premium
26 Commission shall submit to the Governor and the Legislature a
27 detailed recommendation for a premium structure.

28 (b) The Premium Commission shall submit a draft
29 recommendation to the Governor, Legislature, and the public at
30 least 90 days prior to submission of the final recommendation
31 described in subdivision (a). The Premium Commission shall seek
32 input from the public on the draft recommendation.

33 140236. The Premium Commission shall be funded upon an
34 appropriation by the Legislature in the Budget Act of ~~2012~~ 2013.

35

36 Article 3. Governmental Payments

37

38 140240. (a) (1) The commissioner shall seek all necessary
39 waivers, exemptions, agreements, or legislation, so that all current
40 federal payments to the state for health care services be paid

1 directly to the system, which shall then assume responsibility for
2 all benefits and services previously paid for by the federal
3 government with those funds.

4 (2) In obtaining the waivers, exemptions, agreements, or
5 legislation, the commissioner shall seek from the federal
6 government a contribution for health care services in California
7 that shall not decrease in relation to the contribution to other states
8 as a result of the waivers, exemptions, agreements, or legislation.

9 (b) (1) The commissioner shall seek all necessary waivers,
10 exemptions, agreements, or legislation, so that all current state
11 payments for health care services shall be paid directly to the
12 system, which shall then assume responsibility for all benefits and
13 services previously paid for by state government with those funds.

14 (2) In obtaining the waivers, exemptions, agreements, or
15 legislation, the commissioner shall seek from the Legislature a
16 contribution for health care services that shall not decrease in
17 relation to state government expenditures for health care services
18 in the year that this division was enacted, except that it may be
19 corrected for change in state gross domestic product, the size and
20 age of population, and the number of residents living below the
21 federal poverty level.

22 (c) The commissioner shall establish formulas for equitable
23 contributions to the system from all California counties and other
24 local government agencies.

25 (d) The commissioner shall seek all necessary waivers,
26 exemptions, agreements, or legislation, so that all county or other
27 local government agency payments shall be paid directly to the
28 system.

29 140241. The system's responsibility for providing health care
30 services shall be secondary to existing federal, state, or local
31 governmental programs for health care services to the extent that
32 funding for these programs is not transferred to the Healthcare
33 Fund or that the transfer is delayed beyond the date on which initial
34 benefits are provided under the system.

35 140242. In order to minimize the administrative burden of
36 maintaining eligibility records for programs transferred to the
37 system, the commissioner shall strive to reach an agreement with
38 federal, state, and local governments in which their contributions
39 to the Healthcare Fund shall be fixed to the rate of change of the

1 state gross domestic product, the size and age of population, and
2 the number of residents living below the federal poverty level.

3 140243. If and to the extent that federal law and regulations
4 allow the transfer of Medi-Cal program funding to the system, the
5 commissioner shall pay from the Healthcare Fund all premiums,
6 deductible payments, and coinsurance for qualified beneficiaries
7 who are receiving benefits pursuant to Chapter 3 (commencing
8 with Section 12000) of Part 3 of Division 9 of the Welfare and
9 Institutions Code.

10 140244. If and to the extent that the commissioner obtains
11 authorization to incorporate Medicare revenues into the Healthcare
12 Fund, Medicare Part B payments that previously were made by
13 individuals or the commissioner shall be paid by the system for
14 all individuals eligible for both the system and the Medicare
15 Program.

16 Article 4. Federal Preemption

17
18
19 140300. (a) The commissioner shall pursue all reasonable
20 means to secure a repeal or a waiver of any provision of federal
21 law that preempts any provision of this division.

22 (b) If a repeal or a waiver of law or regulations cannot be
23 secured, the commissioner shall exercise his or her powers to
24 promulgate rules and regulations, or seek conforming state
25 legislation, consistent with federal law, in an effort to best fulfill
26 the purposes of this division.

27 140301. (a) To the extent permitted by federal law, an
28 employee entitled to health or related benefits under a contract or
29 plan that, under federal law, preempts provisions of this division,
30 shall first seek benefits under that contract or plan before receiving
31 benefits from the system under this division.

32 (b) No benefits shall be denied under the system created by this
33 division unless the employee has failed to take reasonable steps
34 to secure like benefits from the contract or plan, if those benefits
35 are available.

36 (c) Nothing in this section shall preclude a person from receiving
37 benefits from the system under this division that are superior to
38 benefits available to the person under an existing contract or plan.

1 (d) Nothing in this division is intended, nor shall this division
2 be construed, to discourage recourse to contracts or plans that are
3 protected by federal law.

4 (e) To the extent permitted by federal law, a health care provider
5 shall first seek payment from the contract or plan, before submitting
6 bills to the system.

7
8 Article 5. Subrogation
9

10 140302. (a) It is the intent of the Legislature in enacting this
11 division to establish a single public payer for all health care
12 services in the State of California. However, until such time as the
13 role of all other payers for health care services has been terminated,
14 costs for health care services shall be collected from collateral
15 sources whenever health care services provided to an individual
16 are, or may be, covered services under a policy of insurance, health
17 care service plan, or other collateral source available to that
18 individual, or for which the individual has a right of action for
19 compensation to the extent permitted by law.

20 (b) As used in this article, collateral source includes all of the
21 following:

22 (1) Insurance policies written by insurers, including the medical
23 components of automobile, homeowners, and other forms of
24 insurance.

25 (2) Health care service plans and pension plans.

26 (3) Employers.

27 (4) Employee benefit contracts.

28 (5) Government benefit programs.

29 (6) A judgment for damages for personal injury.

30 (7) Any third party who is or may be liable to an individual for
31 health care services or costs.

32 (c) "Collateral source" does not include either of the following:

33 (1) A contract or plan that is subject to federal preemption.

34 (2) Any governmental unit, agency, or service, to the extent that
35 subrogation is prohibited by law.

36 (d) An entity described in subdivision (b) is not excluded from
37 the obligations imposed by this article by virtue of a contract or
38 relationship with a governmental unit, agency, or service.

1 (e) The commissioner shall attempt to negotiate waivers, seek
2 federal legislation, or make other arrangements to incorporate
3 collateral sources in California into the system.

4 140303. Whenever an individual receives health care services
5 under the system and he or she is entitled to coverage,
6 reimbursement, indemnity, or other compensation from a collateral
7 source, he or she shall notify the health care provider and provide
8 information identifying the collateral source, the nature and extent
9 of coverage or entitlement, and other relevant information. The
10 health care provider shall forward this information to the
11 commissioner. The individual entitled to coverage, reimbursement,
12 indemnity, or other compensation from a collateral source shall
13 provide additional information as requested by the commissioner.

14 140304. (a) The system shall seek reimbursement from the
15 collateral source for services provided to the individual and may
16 institute appropriate action, including suit, to recover the
17 reimbursement. Upon demand, the collateral source shall pay to
18 the Healthcare Fund the sums it would have paid or expended on
19 behalf of the individual for the health care services provided by
20 the system.

21 (b) In addition to any other right to recovery provided in this
22 article, the commissioner shall have the same right to recover the
23 reasonable value of benefits from a collateral source as provided
24 to the Director of Health Care Services by Article 3.5 (commencing
25 with Section 14124.70) of Chapter 7 of Part 3 of Division 9 of the
26 Welfare and Institutions Code, in the manner so provided.

27 140305. (a) If a collateral source is exempt from subrogation
28 or the obligation to reimburse the system as provided in this article,
29 the commissioner may require that an individual who is entitled
30 to health care services from the source first seek those services
31 from that source before seeking those services from the system.

32 (b) To the extent permitted by federal law, contractual retiree
33 health benefits provided by employers shall be subject to the same
34 subrogation as other contracts, allowing the system to recover the
35 cost of health care services provided to individuals covered by the
36 retiree benefits, unless and until arrangements are made to transfer
37 the revenues of the benefits directly to the system.

38 140306. (a) Default, underpayment, or late payment of any
39 tax or other obligation imposed by this division shall result in the

remedies and penalties provided by law, except as provided in this section.

(b) Eligibility for benefits under Chapter 4 (commencing with Section 140400) shall not be impaired by any default, underpayment, or late payment of any tax or other obligation imposed by this chapter.

140307. The agency and the commissioner shall be exempt from the regulatory oversight and review of the Office of Administrative Law pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. Actions taken by the agency, including, but not limited to, the negotiating or setting of rates, fees, or prices, and the promulgation of any and all regulations, shall be exempt from any review by the Office of Administrative Law, except for Sections 11344.1, 11344.2, 11344.3, and 11344.6 of the Government Code, addressing the publication of regulations.

140308. The agency shall adopt regulations to implement the provisions of this division. The regulations may initially be adopted as emergency regulations in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), but those emergency regulations shall be in effect only from the effective date of this division until the conclusion of the transition period.

CHAPTER 4. ELIGIBILITY

140400. All California residents shall be eligible for the system. Residency shall be based upon physical presence in the state with the intent to reside. The commissioner shall establish standards and a simplified procedure to demonstrate proof of residency.

140401. The commissioner shall establish a procedure to enroll eligible residents and provide each eligible individual with identification that can be used by health care providers to determine eligibility for services.

140402. (a) It is the intent of the Legislature for the system to provide health care coverage to California residents who are temporarily out of the state. The commissioner shall determine eligibility standards for residents temporarily out of state for longer than 90 days who intend to return and reside in California and for nonresidents temporarily employed in California. The

1 commissioner may establish financial arrangements with medical
2 providers in other states and foreign countries in order to facilitate
3 coverage for California residents who are temporarily out of the
4 state.

5 (b) Coverage for emergency care obtained out of state shall be
6 at prevailing local rates. Coverage for nonemergency care obtained
7 out of state shall be according to rates and conditions established
8 by the commissioner. The commissioner may require that a resident
9 be transported back to California when prolonged treatment of an
10 emergency condition is necessary and when that transport will not
11 adversely affect a patient's care or condition.

12 140403. Visitors to California shall be billed for all services
13 received under the system. The commissioner may establish
14 intergovernmental arrangements with other states and countries
15 to provide reciprocal coverage for temporary visitors.

16 140404. All persons eligible for health care benefits from
17 California employers but who are working in another jurisdiction
18 shall be eligible for health care benefits under this division provided
19 that they make payments equivalent to the payments they would
20 be required to make if they were residing in California.

21 140404.1. All persons who under an employer-employee
22 contract or under statute are eligible for retiree health care benefits,
23 including retirees who elect to reside outside of California, shall
24 remain eligible for those benefits in accordance with the contract
25 or the statute.

26 140405. Unmarried, unemancipated minors shall be deemed
27 to have the residency of their parent or guardian. If a minor's
28 parents are deceased and a legal guardian has not been appointed,
29 or if a minor has been emancipated by court order, the minor may
30 establish his or her own residency.

31 140406. (a) An individual shall be presumed to be eligible if
32 he or she arrives at a health facility and is unconscious, comatose,
33 or otherwise unable, because of his or her physical or mental
34 condition, to document eligibility or to act on his or her own behalf,
35 or if the patient is a minor, the patient shall be presumed to be
36 eligible, and the health facility shall provide care as if the patient
37 were eligible.

38 (b) Any individual shall be presumed to be eligible when brought
39 to a health facility pursuant to any provision of Section 5150 of
40 the Welfare and Institutions Code.

1 (c) Any individual involuntarily committed to an acute
2 psychiatric facility or to a hospital with psychiatric beds pursuant
3 to Section 5150 of the Welfare and Institutions Code, providing
4 for involuntary commitment, shall be presumed eligible.

5 (d) All health facilities subject to state and federal provisions
6 governing emergency medical treatment shall continue to comply
7 with those provisions.

8 (e) In the event of an influx of people into the state for the
9 purposes of receiving medical care, the commissioner shall
10 establish an eligibility waiting period and other criteria needed to
11 ensure the fiscal stability of the system.

12
13 CHAPTER 5. BENEFITS
14

15 140500. Any eligible individual may choose to receive services
16 under the system from any willing professional health care provider
17 participating in the system. No health care provider may refuse to
18 care for a patient solely on any basis that is specified in the
19 prohibition of employment discrimination contained in the
20 *California* Fair Employment and Housing Act (Part 2.8
21 (commencing with Section 12900) of Division 3 of Title 2 of the
22 Government Code).

23 140500.01. A resident of the state in a family with an annual
24 or monthly net nonexempt household income equal to or less than
25 200 percent of the federal poverty level is eligible for no-cost
26 Medi-Cal and shall be entitled to not less than the full scope of
27 benefits available under the Medi-Cal program, pursuant to Section
28 14021 of, and Article 4 (commencing with Section 14131) of
29 Chapter 7 of Division 9 of, the Welfare and Institutions Code, as
30 provided on January 1, 2010.

31 140501. Covered benefits under this chapter shall include all
32 medical care determined to be medically appropriate by the
33 individual's health care provider, but are subject to limitations set
34 forth in Section 140503. Covered benefits include, but are not
35 limited to, all of the following:

36 (a) Inpatient and outpatient health facility services.

37 (b) Inpatient and outpatient professional health care provider
38 services by licensed health care professionals.

39 (c) Diagnostic imaging, laboratory services, and other diagnostic
40 and evaluative services.

- 1 (d) Durable medical equipment, appliances, and assistive
- 2 technology, including prosthetics, eyeglasses, and hearing aids
- 3 and their repair.
- 4 (e) Rehabilitative care.
- 5 (f) Emergency transportation and necessary transportation for
- 6 health care services for disabled and indigent persons.
- 7 (g) Language interpretation and translation for health care
- 8 services, including sign language for those unable to speak, or
- 9 hear, or who are language impaired, and Braille translation or other
- 10 services for those with no or low vision.
- 11 (h) Child and adult immunizations and preventive care.
- 12 (i) Health education.
- 13 (j) Hospice care.
- 14 (k) Home health care.
- 15 (l) Prescription drugs that are listed on the system's formulary.
- 16 Nonformulary prescription drugs may be included if standards and
- 17 criteria established by the commissioner are met.
- 18 (m) Mental and behavioral health care.
- 19 (n) Dental care.
- 20 (o) Podiatric care.
- 21 (p) Chiropractic care.
- 22 (q) Acupuncture.
- 23 (r) Blood and blood products.
- 24 (s) Emergency care services.
- 25 (t) Vision care.
- 26 (u) Adult day care.
- 27 (v) Case management and coordination to ensure services
- 28 necessary to enable a person to remain safely in the least restrictive
- 29 setting.
- 30 (w) Substance abuse treatment.
- 31 (x) Care of up to 100 days in a skilled nursing facility following
- 32 hospitalization.
- 33 (y) Dialysis.
- 34 (z) Benefits offered by a bona fide church, sect, denomination,
- 35 or organization whose principles include healing entirely by prayer
- 36 or spiritual means provided by a duly authorized and accredited
- 37 practitioner or nurse of that bona fide church, sect, denomination,
- 38 or organization.
- 39 (aa) Chronic disease management.
- 40 (ab) Family planning services and supplies.

1 (ac) For persons under 21 years of age, early and periodic
2 screening, diagnostic, and treatment services, as defined in Section
3 1396d(r) of Title 42 of the United States Code, whether or not
4 those services are covered benefits for persons who are 21 years
5 of age or older.

6 140502. The commissioner may expand benefits beyond the
7 minimum benefits described in this chapter when expansion meets
8 the intent of this division and when there are sufficient funds to
9 cover the expansion.

10 140503. The following health care services shall be excluded
11 from coverage by the system:

12 (a) Health care services determined to have no medical
13 indication by the commissioner and the chief medical officer.

14 (b) Surgery, dermatology, orthodontia, prescription drugs, and
15 other procedures primarily for cosmetic purposes, unless required
16 to correct a congenital defect, restore or correct a part of the body
17 that has been altered as a result of injury, disease, or surgery, or
18 determined to be medically necessary by a qualified, licensed
19 health care provider in the system.

20 (c) Private rooms in inpatient health facilities where appropriate
21 nonprivate rooms are available, unless determined to be medically
22 necessary by a qualified, licensed health care provider in the
23 system.

24 (d) Services of a health care provider or facility that is not
25 licensed or accredited by the state except for approved services
26 provided to a California resident who is temporarily out of the
27 state.

28 140504. (a) During the initial two years of the system's
29 operation, the commissioner shall not impose a deductible payment
30 or copayment other than for treatment by a specialist if no referral
31 was made by the primary care provider pursuant to Section 140601.
32 The commissioner shall determine the amount of the copayment
33 or deductible imposed pursuant to this subdivision. The
34 commissioner and the Healthcare Policy Board shall review the
35 deductible and copayment provisions annually, commencing in
36 the third year of the system's operation, to determine whether they
37 should be included in the system.

38 (b) Commencing in the third year of the system's operation, the
39 commissioner may impose a deductible payment and copayment
40 pursuant to the determination made under subdivision (a), except

1 as specified under subdivisions (c) and (d). The amount of the
2 deductible payment and the copayment combined shall not exceed
3 two hundred fifty dollars (\$250) per person each year and five
4 hundred dollars (\$500) per family each year, except the deductible
5 payment and copayment for treatment by a specialist without a
6 referral from the primary care provider pursuant to Section 140601
7 shall not be subject to this limitation and shall be established by
8 the commissioner.

9 (c) No copayments or deductible payments may be established
10 for preventive care as determined by a patient's primary care
11 provider.

12 (d) No copayments or deductible payments may be established
13 when prohibited by federal law.

14 (e) No deductible payments or copayments may be imposed on
15 a person who is eligible for benefits under the Medi-Cal program
16 (Chapter 7 (commencing with Section 14000) of Part 3 of Division
17 9 of the Welfare and Institutions Code), except for treatment by a
18 specialist without a referral from the primary care provider pursuant
19 to Section 140601.

20 (f) The commissioner shall establish standards and procedures
21 for waiving copayments or deductible payments for a person who
22 demonstrates, to the commissioner's satisfaction, that the person
23 lacks the financial means to pay the copayment or deductible.
24 Waivers of copayments or deductible payments shall not affect
25 the reimbursement of health care providers.

26 (g) Any copayments established pursuant to this section and
27 collected by health care providers shall be transmitted to the
28 Treasurer to be deposited to the credit of the Healthcare Fund.

29 (h) Nothing in this division shall be construed to diminish the
30 benefits that an individual has under a collective bargaining
31 agreement.

32 (i) Nothing in this division shall preclude employees from
33 receiving benefits available to them under a collective bargaining
34 agreement or other employee-employer agreement that are superior
35 to benefits under this division.

36 CHAPTER 6. DELIVERY OF CARE

37
38
39 140600. (a) All health care providers licensed or accredited
40 to practice in California may participate in the system.

1 (b) No health care provider whose license or accreditation is
2 suspended or revoked may participate in the system.

3 (c) If a health care provider is on probation, the licensing or the
4 accrediting agency shall monitor the health care provider in
5 question, pursuant to applicable California law. The licensing or
6 accrediting agency shall report to the chief medical officer at
7 intervals established by the chief medical officer, on the status of
8 health care providers who are on probation and on measures
9 undertaken to assist health care providers to return to practice and
10 to resolve complaints made by patients.

11 (d) Health care providers may accept eligible persons for care
12 according to the health care provider's ability to provide services
13 needed by the patient and according to the number of patients a
14 health care provider can treat without compromising safety and
15 care quality. A health care provider may accept patients in the
16 order of time of application.

17 (e) A health care provider shall not refuse to care for a patient
18 solely on any basis that is specified in the prohibition of
19 employment discrimination contained in the *California* Fair
20 Employment and Housing Act (Part 2.8 (commencing with Section
21 12900) of Division 3 of Title 2 of the Government Code).

22 (f) Choice of health care provider:

23 (1) Persons eligible for health care services under this division
24 may choose a primary care provider.

25 (A) Primary care providers include family practitioners, general
26 practitioners, internists and pediatricians, nurse practitioners and
27 physician assistants practicing under supervision as defined in
28 California codes, and doctors of osteopathy licensed to practice
29 as general doctors.

30 (B) Women may choose an obstetrician-gynecologist, in addition
31 to a primary care provider.

32 (2) Persons who choose to enroll with integrated health care
33 delivery systems, group medical practices, or essential community
34 providers that offer comprehensive services, shall retain
35 membership for at least one year after an initial three-month
36 evaluation period during which time they may withdraw for any
37 reason.

38 (A) The three-month period shall commence on the date when
39 an enrollee first sees a primary care provider.

1 (B) Persons who want to withdraw after the initial three-month
2 period shall request a withdrawal pursuant to dispute resolution
3 procedures established by the commissioner and may request
4 assistance from the patient advocate in the dispute process. The
5 dispute shall be resolved in a timely fashion and shall have no
6 adverse effect on the care a patient receives.

7 (3) Persons needing to change primary care providers because
8 of health care needs that their primary care provider cannot meet
9 may change primary care providers at any time.

10 140601. (a) Primary care providers shall coordinate the care
11 a patient receives or shall ensure that a patient's care is coordinated.

12 (b) (1) Patients shall have a referral from their primary care
13 provider, or from a health care provider rendering care to them in
14 the emergency room or other accredited emergency setting, or
15 from a health care provider treating a patient for an emergency
16 condition in any setting, or from their obstetrician-gynecologist,
17 to see a physician or nonphysician specialist whose services are
18 covered by this division, unless the patient agrees to assume the
19 costs of care or pay a copayment, if implemented by the
20 commissioner pursuant to Section 140504. A referral shall not be
21 required to see a dentist or to see an ophthalmologist or optometrist
22 for a routine vision examination.

23 (2) Referrals shall be based on the medical needs of the patient
24 and on guidelines, which shall be established by the chief medical
25 officer to support clinical decisionmaking.

26 (3) Referrals shall not be restricted or provided solely because
27 of financial considerations. The chief medical officer shall monitor
28 referral patterns and intervene as necessary to ~~assure~~ ensure that
29 referrals are neither restricted nor provided solely because of
30 financial considerations.

31 (4) For the first six months of the system's operation, no
32 specialist referral or copayment shall be required for patients who
33 had been receiving care from a specialist prior to the initiation of
34 the system. Beginning with the seventh month of the system's
35 operation, all patients shall be required to obtain a referral from a
36 primary or emergency care provider for specialty care if the care
37 is to be paid for by the system. No referral is required if a patient
38 pays the full cost of the specialty care and the specialist accepts
39 that payment arrangement.

1 (5) Where referral processes are in place prior to the initiation
2 of the system, the chief medical officer shall review the referral
3 processes to ~~assure~~ *ensure* that they meet the system's standards
4 for care quality and shall ~~assure~~ *ensure* needed changes are
5 implemented so that all Californians receive the same standards
6 of care quality and access to specialty care.

7 (6) A specialist may serve as the primary care provider if the
8 patient and the provider agree to this arrangement and if the
9 provider agrees to coordinate the patient's care or to ensure that
10 the care the patient receives is coordinated.

11 (7) The commissioner shall establish or ensure the establishment
12 of a computerized referral registry to facilitate the referral process
13 and to allow a specialist and a patient to easily determine whether
14 a referral has been made pursuant to this division.

15 (8) A patient may appeal the denial of a referral through the
16 dispute resolution procedures established by the commissioner
17 and may request the assistance of the patient advocate during the
18 dispute resolution process.

19 140602. (a) The purpose of the Office of Health Planning is
20 to plan for the short- and long-term health care needs of the
21 population pursuant to the health care and finance standards
22 established by the commissioner and by this division.

23 (b) The office shall be headed by a director appointed by the
24 commissioner. The director shall serve pursuant to provisions of
25 subdivisions (c), (d), and (e) of Section 140100 and subdivisions
26 (j) and (k) of Section 140101.

27 (c) The director shall do all the following:

28 (1) Administer all aspects of the Office of Health Planning.

29 (2) Serve on the Healthcare Policy Board.

30 (3) Establish performance criteria in measurable terms for health
31 care goals in consultation with the chief medical officer, the
32 regional planning directors, and regional medical officers and
33 others with experience in health care outcomes measurement and
34 evaluation.

35 (4) Evaluate the effectiveness of performance criteria in
36 accurately measuring quality of care, administration, and planning.

37 (5) Assist the health care regions to develop operating and
38 capital requests pursuant to health care and financial guidelines
39 established by the commissioner and by this division. In assisting
40 regions, the director shall do all of the following:

- 1 (A) Identify medically underserved areas and health care service
2 and asset shortages.
- 3 (B) Identify disparities in health outcomes.
- 4 (C) Establish conventions for the definition, collection, storage,
5 analysis, and transmission of data for use by the system.
- 6 (D) Establish electronic systems that support dissemination of
7 information to health care providers and patients about integrated
8 health ~~network~~ *networks* and integrated health care delivery
9 systems and community-based health care resources.
- 10 (E) Support establishment of comprehensive health care
11 databases using uniform methodology that is compatible among
12 the regions and between the regions and the agency.
- 13 (F) Provide information to support effective regional planning
14 and innovation.
- 15 (G) Provide information to support interregional planning,
16 including planning for access to specialized centers that perform
17 a high volume of procedures for conditions requiring highly
18 specialized treatments, including emergency and trauma, and other
19 interregional access to needed care, and planning for coordinated
20 interregional capital investment.
- 21 (H) Provide information for, and participate in, earthquake
22 retrofit planning.
- 23 (I) Evaluate regional budget requests and make
24 recommendations to the commissioner about regional revenue
25 allocations.
- 26 (6) Estimate the health care workforce required to meet the
27 health care needs of the population pursuant to the standards and
28 goals established by the commissioner, the costs of providing the
29 needed workforce, and, in collaboration with regional planners,
30 educational institutions, the Governor, and the Legislature, develop
31 short- and long-term plans to meet those needs, including a plan
32 to finance needed training.
- 33 (7) Estimate the number and types of health facilities required
34 to meet the short- and long-term health care needs of the population
35 and the projected costs of needed facilities. In collaboration with
36 the commissioner, regional planning directors and regional medical
37 officers, the chief medical officer, the Governor, and the
38 Legislature, develop plans to finance and build needed facilities.

1 140603. The Technology Advisory Group shall explore the
2 feasibility and the value to the health of the population of the
3 following electronic initiatives:

4 (a) Establish integrated statewide health care databases to
5 support health care planning and determine which databases should
6 be established on a statewide basis and which should be established
7 on a regional basis.

8 (b) ~~Assure~~ *Ensure* that databases have uniform methodology
9 and formats that are compatible among the regions and between
10 the regions and the agency.

11 (c) Establish mandatory database reporting requirements and
12 penalties for noncompliance. Monitor the effectiveness of reporting
13 and make needed improvements.

14 (d) Establish means for anonymous reporting to the chief
15 medical officer and regional medical officers of medical errors
16 and other related problems, and for anonymous reporting to the
17 commissioner and regional planning directors of problems related
18 to ineffective management, and establish guidelines for the
19 protection of persons coming forward to report these problems.

20 (e) In collaboration with the chief medical officer, the Office
21 of Patient Advocacy, and regional patient advocates, investigate
22 the costs and benefits of electronic and online scheduling systems
23 and means of health care provider-patient communication that
24 allow for electronic visits, and make recommendations to the chief
25 medical officer regarding the use of these concepts in the system.

26 (f) In collaboration with the chief medical officer, establish
27 electronic systems and other means that support the use of
28 standards of care based on clinical efficacy to guide clinical
29 decisionmaking by all who provide services in the system.

30 (g) In collaboration with the chief medical officer, support the
31 development of disease management programs and their use in
32 the system.

33 (h) Establish electronic initiatives that reduce administration
34 costs.

35 (i) Collaborate with the chief medical officer and regional
36 medical officers to ~~assure~~ *ensure* the development of software
37 systems that link clinical guidelines to individual patient conditions,
38 and guide clinicians through diagnosis and treatment algorithms
39 derived from research based on clinical efficacy and best medical
40 practices.

1 (j) Collaborate with the chief medical officer and regional
2 medical officers to ~~assure~~ *ensure* the development of software
3 systems that offer health care providers access to guidelines that
4 are appropriate for their specialty and that include current
5 information on prevention and treatment of disease.

6 (k) In collaboration with the Partnerships for Health and regional
7 medical officers, establish Web-based, patient-centered information
8 systems that assist people to promote and maintain health and
9 provide information on health conditions and recent developments
10 in treatment.

11 (l) Establish electronic systems and other means to provide
12 patients with easily understandable information about the
13 performance of health care providers. This shall include, but not
14 be limited to, information about the experience that health care
15 providers have in the field or fields in which they deliver care, the
16 number of years they have practiced in their field and, in the case
17 of medical and surgical procedures, the number of procedures they
18 have performed in their area or areas of specialization.

19 (m) Establish electronic systems that facilitate health care
20 provider continuing medical education that meets licensure
21 requirements.

22 (n) Recommend to the commissioner means to link health care
23 research with the goals and priorities of the system.

24 140604. (a) The Director of the Office of Health Planning
25 shall establish standards for culturally and linguistically competent
26 care, which shall include, but not be limited to, all of the following:

27 (1) State Department of Health Care Services and the
28 Department of Managed Health Care guidelines for culturally and
29 linguistically sensitive care.

30 (2) Medi-Cal Managed Care Division (MMCD) Policy Letters
31 99-01 to 99-04 and MMCD All Plan Letter 99005.

32 (3) Subchapter 5 of the federal Civil Rights Act of 1964 (42
33 U.S.C. Sec. 2000d).

34 (4) United States Department of Health and Human Services'
35 Office of ~~for~~ Civil Rights; Title VI of the Civil Rights Act of 1964;
36 Policy Guidance on Prohibition Against National Origin
37 Discrimination as It Affects Persons with Limited English
38 Proficiency (February 1, 2002).

39 (5) United States Department of Health and Human Services'
40 Office of Minority Health; National Standards on Culturally and

1 Linguistically Appropriate Services (CLAS) in Health Care—Final
2 Report (December 22, 2000).

3 (b) The director shall annually evaluate the effectiveness of
4 standards for culturally and linguistically competent care and make
5 recommendations to the commissioner, the Office of Patient
6 Advocacy, and the chief medical officer for needed improvements.
7 In evaluating the standards for culturally and linguistically sensitive
8 care, the director shall establish a process to receive concerns and
9 comments from consumers.

10 (c) The director shall pursue available federal financial
11 participation for the provision of a language services program that
12 supports the system's goals.

13 140605. (a) Within the agency, the commissioner shall
14 establish the Office of Health Care Quality.

15 (b) The office shall be headed by the chief medical officer who
16 shall serve pursuant to provisions of subdivisions (c), (d), and (e)
17 of Section 140100 and subdivisions (j) and (k) of Section 140101
18 regarding qualifications for appointed officers of the system.

19 (c) The purpose of the Office of Health Care Quality is the
20 following:

21 (1) Support the delivery of high quality, coordinated health care
22 services that enhance health; prevent illness, disease, and disability;
23 slow the progression of chronic diseases; and improve personal
24 health management.

25 (2) Promote efficient care delivery.

26 (3) Establish processes for measuring, monitoring, and
27 evaluating the quality of care delivered in the system, including
28 the performance of individual health care providers.

29 (4) Establish means to make changes needed to improve health
30 care quality, including innovative programs that improve quality.

31 (5) Promote patient, health care provider, and employer
32 satisfaction with the system.

33 (6) Assist regional planning directors and medical officers in
34 the development and evaluation of regional operating and capital
35 budget requests.

36 140606. (a) In supporting the goals of the Office of Health
37 Care Quality, the chief medical officer shall do all of the following:

38 (1) Administer all aspects of the office.

39 (2) Serve on the Healthcare Policy Board.

(3) Collaborate with regional medical officers, regional planning directors, health care providers, consumers, the Director of the Office of Health Planning, the patient advocate of the Office of Patient Advocacy, and directors of Partnerships for Health to develop community-based networks of solo providers, small group practices, essential community providers, and providers of patient care support services in order to offer comprehensive, multidisciplinary, coordinated services to patients.

(4) Establish standards of care based on clinical efficacy for the system that shall serve as guidelines to support health care providers in the delivery of high quality care. Standards shall be based on the best evidence available at the time and shall be continually updated. Standards are intended to support the clinical judgment of individual health care providers, not to replace it, and to support clinical decisions based on the needs of individual patients.

(b) In establishing standards, the chief medical officer shall do all of the following:

(1) Draw on existing standards established by California health care institutions, on peer-created standards, and on standards developed by other institutions that have had a positive impact on care quality, such as the *federal* Centers for Disease Control and Prevention, the National Quality Forum, and the Agency for Health Care ~~Quality and Research~~ *and Quality*.

(2) Collaborate with regional medical officers in establishing regional goals, priorities, and a timetable for implementation of standards of care.

(3) ~~Assure~~ *Ensure* a process for patients to provide their views on standards of care to the patient advocate of the Office of Patient Advocacy who shall report those views to the chief medical officer.

(4) Collaborate with the Director of the Office of Health Planning and regional medical officers to support the development of computer software systems that link clinical guidelines to individual patient conditions, guide clinicians through diagnosis and treatment algorithms based on research and best medical practices based on clinical efficacy, offer access to guidelines appropriate to each medical specialty and to current information on disease prevention and treatment, and that support continuing medical education.

1 (5) Where referral processes for access to specialty care are in
2 place prior to the initiation of the system, the chief medical officer
3 shall review the referral processes to ~~assure~~ *ensure* that they meet
4 the system's standards for care quality and shall ensure that needed
5 changes are implemented, so that all Californians receive the same
6 standards of care quality.

7 (c) In collaboration with the Director of the Office of Health
8 Planning and regional medical officers, the chief medical officer
9 shall implement means to measure and monitor the quality of care
10 delivered in the system. Monitoring systems shall include, but
11 shall not be limited to, peer and patient performance reviews.

12 (d) The chief medical officer shall establish means to support
13 individual health care providers and health systems in correcting
14 quality of care problems, including timeframes for making needed
15 improvements and means to evaluate the effectiveness of
16 interventions.

17 (e) In collaboration with regional medical officers, regional
18 planning directors, and the Director of the Office of Health
19 Planning, the chief medical officer shall establish means to identify
20 medical errors and their causes and develop plans to prevent them.
21 Means shall include a process for anonymous reporting of errors
22 and guidelines to protect those who report the errors against
23 recrimination, including job demotion, promotion discrimination,
24 or job loss.

25 (f) The chief medical officer shall convene an annual statewide
26 conference to discuss medical errors that occurred during the year,
27 their causes, means to prevent errors, and the effectiveness of
28 efforts to decrease errors.

29 (g) The chief medical officer shall recommend to the
30 commissioner a benefits package based on clinical efficacy for the
31 system, including priorities for needed benefit improvements. In
32 making recommendations, the chief medical officer shall do all of
33 the following:

- 34 (1) Identify safe and effective treatments.
35 (2) Evaluate and draw on existing benefit packages.
36 (3) Receive comments and recommendations from health care
37 providers about benefits that meet the needs of their patients.
38 (4) Receive comments and recommendations made directly by
39 patients or indirectly through the Office of Patient Advocacy.

1 (5) Identify and recommend to the commissioner and the
2 Healthcare Policy Board innovative approaches to health
3 promotion, disease and injury prevention, education, research, and
4 care delivery for possible inclusion in the benefit package.

5 (6) Identify complementary and alternative modalities that have
6 been shown by the National Institutes of Health, ~~Division of~~
7 *National Center for* Complementary and Alternative Medicine to
8 be safe and effective for possible inclusion as covered benefits.

9 (7) Recommend to the commissioner and update as appropriate,
10 pharmaceutical and durable and nondurable medical equipment
11 formularies based on clinical efficacy. In establishing the
12 formularies, the chief medical officer shall establish a Pharmacy
13 and Therapeutics Committee composed of pharmacy and health
14 care providers, representatives of health facilities and organizations
15 having system formularies in place at the time the system is
16 implemented, and other experts that shall do all of the following:

17 (A) Identify safe and effective pharmaceutical agents for use in
18 the system.

19 (B) Draw on existing standards and formularies.

20 (C) Identify experimental drugs and drug treatment protocols
21 for possible inclusion in the formulary.

22 (D) Review formularies in a timely fashion to ensure that safe
23 and effective drugs are available and that unsafe drugs are removed
24 from use.

25 (E) ~~Assure~~ *Ensure* the timely dissemination of information
26 needed to prescribe safely and effectively to all California health
27 care providers and the development and utilization of electronic
28 dispensing systems that decrease pharmaceutical dispensing errors.

29 (8) Establish standards and criteria and a process for health care
30 providers to seek authorization for prescribing pharmaceutical
31 agents and durable and nondurable medical equipment that are not
32 included in the system's formulary. No standard or criteria shall
33 impose an undue administrative burden on patients or health care
34 providers, including pharmacies and pharmacists, and none shall
35 delay care a patient needs.

36 (9) Develop standards and criteria and a process for health care
37 providers to request authorization for services and treatments,
38 including experimental treatments that are not included in the
39 system's benefit package.

1 (A) Where such processes are in place when the system is
2 initiated, the chief medical officer shall review those processes to
3 ensure that they meet the system's standards for care quality and
4 shall ensure that needed changes are implemented so that all
5 Californians receive the same standards of care quality.

6 (B) No standard or criteria shall impose an undue administrative
7 burden on a health care provider or a patient and none shall delay
8 the care a patient needs.

9 (10) In collaboration with the Director of the Office of Health
10 Planning, regional planning directors and regional medical officers,
11 identify on a regional basis appropriate ratios of general medical
12 providers to specialty medical providers and appropriate ratios of
13 medical providers to patients in order to meet the health care needs
14 of the population and the goals of the system.

15 (11) Recommend to the commissioner and to the Payments
16 Board, financial and nonfinancial incentives and other means to
17 achieve recommended provider ratios.

18 (12) Collaborate with the Director of the Office of Health
19 Planning and regional medical officers and patient advocates in
20 the development of electronic initiatives, pursuant to Section
21 140603.

22 (13) Collaborate with the commissioner, the regional medical
23 officers, and the Directors of the Payments Board and the
24 Healthcare Fund to formulate a health care provider reimbursement
25 model that promotes the delivery of coordinated, high quality
26 health care services in all sectors of the system and creates financial
27 and other incentives for the delivery of high quality health care.

28 (14) Establish or ~~assure~~ *ensure* the establishment of continuing
29 medical education programs about advances in the delivery of high
30 quality health care.

31 (15) Annually report to the commissioner, the Healthcare Policy
32 Board, and the public on the quality of health care delivered in the
33 system, including improvements that have been made and problems
34 that have been identified during the year, goals for care
35 improvement in the coming year, and plans to meet these goals.

36 (h) No person working within the agency or a member of the
37 Pharmacy and Therapeutics Committee or serving as a consultant
38 to the agency or to the Pharmacy and Therapeutics Committee,
39 may receive fees or remuneration of any kind from a
40 pharmaceutical company.

1 140607. (a) The patient advocate of the Office of Patient
2 Advocacy, in collaboration with the chief medical officer, the
3 regional patient advocates, medical officers, and planning directors
4 shall establish a program in the agency and in each region called
5 the Partnerships for Health.

6 (b) The purpose of the Partnerships for Health is to improve
7 health through community health initiatives, to support the
8 development of innovative means to improve health care quality,
9 to promote efficient coordinated care delivery, and to educate the
10 public about the following:

11 (1) Personal maintenance of health.

12 (2) Prevention of disease.

13 (3) Improvement in communication between patients and
14 providers.

15 (4) Improving quality of care.

16 (c) The patient advocate shall work with the community and
17 health care providers in proposing Partnerships for Health projects
18 and in developing project budget requests that shall be included
19 in the regional budget request to the commissioner.

20 (d) In developing educational programs, the Partnerships for
21 Health shall collaborate with educators in the region.

22 (e) Partnerships for Health shall support the coordination of
23 system and public health programs.

24 140610. (a) The patient advocate of the Office of Patient
25 Advocacy, in consultation with the chief medical officer, shall
26 establish a grievance system for all grievances involving the delay,
27 denial, or modification of health care services. The patient advocate
28 shall do all of the following with regard to the grievance regarding
29 delay, denial, or modification of health care services:

30 (1) Establish and maintain a grievance system approved by the
31 commissioner under which enrollees of the system may submit
32 their grievances to the system. The system shall provide reasonable
33 procedures that shall ensure adequate consideration of enrollee
34 grievances and rectification when appropriate.

35 (2) Inform enrollees upon enrollment in the system and annually
36 hereafter of the procedure for processing and resolving grievances.
37 The information shall include the location and telephone number
38 where grievances may be submitted.

1 (3) Provide printed and electronic access for enrollees who wish
2 to register grievances. The forms used by the system shall be
3 approved by the commissioner in advance as to format.

4 (4) (A) Provide for a written acknowledgment within five
5 calendar days of the receipt of a grievance. Grievances received
6 by telephone, by facsimile, by e-mail, or online through the
7 system's Internet Web site that are resolved by the next business
8 day following receipt are exempt from the requirements of this
9 subparagraph and paragraph (5). The acknowledgment shall advise
10 the complainant of the following:

11 (i) That the grievance has been received.

12 (ii) The date of receipt.

13 (iii) The name, telephone number, and address of the system
14 representative who may be contacted about the grievance.

15 (B) The patient advocate shall maintain a log of all grievances.
16 The log shall be periodically reviewed by the patient advocate and
17 shall include the following information for each complaint:

18 (i) The date of the call.

19 (ii) The name of the enrollee.

20 (iii) The enrollee's system identification number.

21 (iv) The nature of the grievance.

22 (v) The nature of the resolution.

23 (vi) The name of the system representative who took the call
24 and resolved the grievance.

25 (5) Provide enrollees of the system with written responses to
26 grievances, with a clear and concise explanation of the reasons for
27 the system's response. The system response shall describe the
28 criteria used and the clinical reasons for its decision, including all
29 criteria and clinical reasons related to medical necessity.

30 (6) Keep in its files copies of all grievances, and the responses
31 thereto, for a period of five years.

32 (7) Establish and maintain an Internet Web site that shall provide
33 an online form that enrollees of the system can use to file with a
34 grievance online.

35 (b) In any case determined by the patient advocate to be a case
36 involving an imminent and serious threat to the health of the
37 enrollee, including, but not limited to, severe pain or the potential
38 loss of life, limb, or major bodily function, or in any other case
39 where the patient advocate determines that an earlier review is

1 warranted, an enrollee shall not be required to complete the
2 grievance process.

3 (c) If the enrollee is a minor, or is incompetent or incapacitated,
4 the parent, guardian, conservator, relative, or other designee of the
5 enrollee, as appropriate, may submit the grievance to the patient
6 advocate as a designated agent of the enrollee. Further, a health
7 care provider may join with, or otherwise assist, an enrollee, or
8 the agent, to submit the grievance to the patient advocate. In
9 addition, following submission of the grievance to the patient
10 advocate, the enrollee, or the agent, may authorize the health care
11 provider to assist, including advocating on behalf of the enrollee.
12 For purposes of this section, a “relative” includes the parent,
13 stepparent, spouse, domestic partner, adult son or daughter,
14 grandparent, brother, sister, uncle, or aunt of the enrollee.

15 (d) The patient advocate shall review the written documents
16 submitted with the enrollee’s grievance. The patient advocate may
17 ask for additional information, and may hold an informal meeting
18 with the involved parties, including health care providers who have
19 joined in submitting the grievance or who are otherwise assisting
20 or advocating on behalf of the enrollee. If after reviewing the
21 record, the patient advocate concludes that the grievance, in whole
22 or in part, is eligible for review under the independent medical
23 review system, the patient advocate shall immediately notify the
24 enrollee of that option and shall, if requested orally or in writing,
25 assist the enrollee in participating in the independent medical
26 review system.

27 (e) The patient advocate shall send a written notice of the final
28 disposition of the grievance, and the reasons therefor, to the
29 enrollee, to any health care provider that has joined with or is
30 otherwise assisting the enrollee, and to the commissioner within
31 30 calendar days of receipt of the grievance, unless the patient
32 advocate, in his or her discretion, determines that additional time
33 is reasonably necessary to fully and fairly evaluate the grievance.
34 In any case not eligible for independent medical review, the patient
35 advocate’s written notice shall include, at a minimum, the
36 following:

37 (1) A summary of findings and the reasons why the patient
38 advocate found the system to be, or not to be, in compliance with
39 any applicable laws, regulations, or orders of the commissioner.

1 (2) A discussion of the patient advocate's contact with any
2 health care provider, or any other independent expert relied on by
3 the patient advocate, along with a summary of the views and
4 qualifications of that health care provider or expert.

5 (3) If the enrollee's grievance is sustained in whole or in part,
6 information about any corrective action taken.

7 (f) The patient advocate's order shall be binding on the system.

8 (g) The patient advocate shall establish and maintain a system
9 of aging of grievances that are pending and unresolved for 30 days
10 or more that shall include a brief explanation of the reasons each
11 grievance is pending and unresolved for 30 days or more.

12 (h) The grievance or resolution procedures authorized by this
13 section shall be in addition to any other procedures that may be
14 available to any person, and failure to pursue, exhaust, or engage
15 in the procedures described in this section shall not preclude the
16 use of any other remedy provided by law.

17 (i) Nothing in this section shall be construed to allow the
18 submission to the patient advocate of any health care provider
19 grievance under this section. However, as part of a health care
20 provider's duty to advocate for medically appropriate health care
21 for his or her patients pursuant to Sections 510 and 2056 of the
22 Business and Professions Code, nothing in this subdivision shall
23 be construed to prohibit a health care provider from contacting
24 and informing the patient advocate about any concerns he or she
25 has regarding compliance with or enforcement of this division.

26 140612. (a) The patient advocate shall establish an independent
27 medical review system to act as an independent, external medical
28 review process for the system to provide timely examinations of
29 disputed health care services and coverage decisions regarding
30 experimental and investigational therapies to ensure the system
31 provides efficient, appropriate, high quality health care, and that
32 the system is responsive to enrollee disputes.

33 (b) For the purposes of this section, "disputed health care
34 service" means any health care service eligible for coverage and
35 payment under the system that has been denied, modified, or
36 delayed by a decision of the system, or by one of its contracting
37 health care providers, in whole or in part due to a finding that the
38 service is not medically necessary. A decision regarding a disputed
39 health care service relates to the practice of medicine and is not a
40 coverage decision. If the system, or one of its contracting providers,

1 issues a decision denying, modifying, or delaying health care
2 services, based in whole or in part on a finding that the proposed
3 health care services are not a covered benefit under the system,
4 the statement of decision shall clearly specify the provisions of
5 the system that exclude coverage.

6 (c) For the purposes of this section, “coverage decision” means
7 the approval or denial of the system, or by one of its contracting
8 entities, substantially based on a finding that the provision of a
9 particular service is included or excluded as a covered benefit
10 under the terms and conditions of the system.

11 (d) Coverage decisions regarding experimental or investigational
12 therapies for individual enrollees who meet all of the following
13 criteria are eligible for review by the independent medical review
14 system:

15 (1) (A) The enrollee has a life-threatening or seriously
16 debilitating condition.

17 (B) For purposes of this section, “life-threatening” means either
18 or both of the following:

19 (i) Diseases or conditions where the likelihood of death is high
20 unless the course of the disease is interrupted.

21 (ii) Diseases or conditions with potentially fatal outcomes, where
22 the end point of clinical intervention is survival.

23 (C) For purposes of this section, “seriously debilitating” means
24 diseases or conditions that cause major irreversible morbidity.

25 (2) The enrollee’s physician certifies that the enrollee has a
26 condition, as defined in paragraph (1), for which standard therapies
27 have not been effective in improving the condition of the enrollee,
28 for which standard therapies would not be medically appropriate
29 for the enrollee, or for which there is no more beneficial standard
30 therapy covered by the system than the therapy proposed pursuant
31 to paragraph (3).

32 (3) Either (A) the enrollee’s physician, who is under contract
33 with the system, has recommended a drug, device, procedure, or
34 other therapy that the physician certifies in writing is likely to be
35 more beneficial to the enrollee than any available standard
36 therapies, or (B) the enrollee, or the enrollee’s physician who is a
37 licensed, board-certified or board-eligible physician qualified to
38 practice in the area of practice appropriate to treat the enrollee’s
39 condition, has requested a therapy that, based on two documents
40 from the medical and scientific evidence, is likely to be more

1 beneficial for the enrollee than any available standard therapy. The
2 physician certification pursuant to this section shall include a
3 statement of the evidence relied upon by the physician in certifying
4 his or her recommendation. Nothing in this subdivision shall be
5 construed to require the system to pay for the services of a
6 nonparticipating physician provided pursuant to this division; that
7 are not otherwise covered pursuant to the system's benefits
8 package.

9 (4) The enrollee has been denied coverage by the system for a
10 drug, device, procedure, or other therapy recommended or
11 requested pursuant to paragraph (3).

12 (5) The specific drug, device, procedure, or other therapy
13 recommended pursuant to paragraph (3) would be a covered
14 service, except for the system's determination that the therapy is
15 experimental or investigational.

16 (e) (1) All enrollee grievances involving a disputed health care
17 service are eligible for review under the independent medical
18 review system if the requirements of this section are met. If the
19 patient advocate finds that a grievance involving a disputed health
20 care service does not meet the requirements of this section for
21 review under the independent medical review system, the enrollee's
22 grievance shall be treated as a request for the patient advocate to
23 review the grievance. All other enrollee grievances, including
24 grievances involving coverage decisions, remain eligible for review
25 by the patient advocate.

26 (2) In any case in which an enrollee or health care provider
27 asserts that a decision to deny, modify, or delay health care services
28 was based, in whole or in part, on consideration of medical
29 appropriateness, the patient advocate shall have the final authority
30 to determine whether the grievance is more properly resolved
31 pursuant to an independent medical review as provided under this
32 section.

33 (3) The patient advocate shall be the final arbiter when there is
34 a question as to whether an enrollee grievance is a disputed health
35 care service or a coverage decision. The patient advocate shall
36 establish a process to complete an initial screening of an enrollee
37 grievance. If there appears to be any medical appropriateness issue,
38 the grievance shall be resolved pursuant to an independent medical
39 review.

1 (f) For purposes of this chapter, an enrollee may designate an
2 agent to act on his or her behalf. The agent may join with or
3 otherwise assist the enrollee in seeking an independent medical
4 review, and may advocate on behalf of the enrollee.

5 (g) The independent medical review process authorized by this
6 section is in addition to any other procedures or remedies that may
7 be available.

8 (h) The Office of Patient Advocacy shall prominently display
9 in every relevant informational brochure, on copies of the system's
10 procedures for resolving grievances, on letters of denials issued
11 by either the system or its contracting providers, on the grievance
12 forms, and on all written responses to grievances, information
13 concerning the right of an enrollee to request an independent
14 medical review in cases where the enrollee believes that health
15 care services have been improperly denied, modified, or delayed
16 by the system, or by one of its contracting providers.

17 (i) An enrollee may apply to the patient advocate for an
18 independent medical review when all of the following conditions
19 are met:

20 (1) (A) The enrollee's health care provider has recommended
21 a health care service as medically appropriate.

22 (B) The enrollee has received urgent care or emergency services
23 that a health care provider determined was medically appropriate.

24 (C) The enrollee seeks coverage for experimental or
25 investigational therapies.

26 (D) The enrollee, in the absence of a health care provider
27 recommendation under subparagraph (A) or the receipt of urgent
28 care or emergency services by a health care provider under
29 subparagraph (B), has been seen by a system health care provider
30 for the diagnosis or treatment of the medical condition for which
31 the enrollee seeks independent review. The system shall expedite
32 access to a system health care provider upon request of an enrollee.
33 The system health care provider need not recommend the disputed
34 health care service as a condition for the enrollee to be eligible for
35 an independent medical review.

36 (2) The disputed health care service has been denied, modified,
37 or delayed by the system, or by one of its contracting providers,
38 based in whole or in part on a decision that the health care service
39 is not medically appropriate.

(3) The enrollee has filed a grievance with the patient advocate and the disputed decision is upheld or the grievance remains unresolved after 30 days. The enrollee shall not be required to participate in the system's grievance process for more than 30 days. In the case of a grievance that requires expedited review, the enrollee shall not be required to participate in the system's grievance process for more than three days.

(j) An enrollee may apply to the patient advocate for an independent medical review of a decision to deny, modify, or delay health care services, based in whole or in part on a finding that the disputed health care services are not medically appropriate, within six months of any of the qualifying periods or events. The patient advocate may extend the application deadline beyond six months if the circumstances of a case warrant the extension.

(k) The enrollee shall pay no application or processing fees of any kind.

(l) Upon notice from the patient advocate that the enrollee has applied for an independent medical review, the system or its contracting providers shall provide to the independent medical review organization designated by the patient advocate a copy of all of the following documents within three business days of the system's receipt of the patient advocate's notice of a request by an enrollee for an independent medical review:

(1) (A) A copy of all of the enrollee's medical records in the possession of the system or its contracting providers relevant to each of the following:

(i) The enrollee's medical condition.

(ii) The health care services being provided by the system and its contracting providers for the condition.

(iii) The disputed health care services requested by the enrollee for the condition.

(B) Any newly developed or discovered relevant medical records in the possession of the system or its contracting providers after the initial documents are provided to the independent medical review organization shall be forwarded immediately to the independent medical review organization. The system shall concurrently provide a copy of medical records required by this subparagraph to the enrollee or the enrollee's health care provider, if authorized by the enrollee, unless the offer of medical records is declined or otherwise prohibited by law. The confidentiality of

1 all medical record information shall be maintained pursuant to
2 applicable state and federal laws.

3 (2) A copy of all information provided to the enrollee by the
4 system and any of its contracting providers concerning their
5 decisions regarding the enrollee's condition and care, and a copy
6 of any materials the enrollee or the enrollee's health care provider
7 submitted to the system and to the system's contracting providers
8 in support of the enrollee's request for disputed health care service.
9 This documentation shall include the written response to the
10 enrollee's grievance. The confidentiality of any enrollee medical
11 information shall be maintained pursuant to applicable state and
12 federal laws.

13 (3) A copy of any other relevant documents or information used
14 by the system or its contracting providers in determining whether
15 disputed health care services should have been provided, and any
16 statements by the system and its contracting providers explaining
17 the reasons for the decision to deny, modify, or delay disputed
18 health care services on the basis of medical necessity. The system
19 shall concurrently provide a copy of documents required by this
20 paragraph, except for any information found by the patient advocate
21 to be legally privileged information, to the enrollee and the
22 enrollee's health care provider.

23 The patient advocate and the independent review organization
24 shall maintain the confidentiality of any information found by the
25 patient advocate to be the proprietary information of the system.

26 140614. (a) If there is an imminent and serious threat to the
27 health of the enrollee, all necessary information and documents
28 shall be delivered to an independent medical review organization
29 within 24 hours of approval of the request for review. In reviewing
30 a request for review, the patient advocate may waive the
31 requirement that the enrollee follow the system's grievance process
32 in extraordinary and compelling cases, if the patient advocate finds
33 that the enrollee has acted reasonably.

34 (b) The patient advocate shall expeditiously review requests
35 and immediately notify the enrollee in writing as to whether the
36 request for an independent medical review has been approved, in
37 whole or in part, and, if not approved, the reasons therefor. The
38 system shall promptly issue a notification to the enrollee, after
39 submitting all of the required material to the independent medical
40 review organization that includes an annotated list of documents

1 submitted and offer the enrollee the opportunity to request copies
2 of those documents from the system. The patient advocate shall
3 promptly approve an enrollee's request whenever the system has
4 agreed that the case is eligible for an independent medical review.
5 To the extent an enrollee's request for independent review is not
6 approved by the patient advocate, the enrollee's request shall be
7 treated as an immediate request for the patient advocate to review
8 the grievance.

9 (c) An independent medical review organization shall conduct
10 the review in accordance with a process approved by the patient
11 advocate. The review shall be limited to an examination of the
12 medical necessity of the disputed health care services and shall
13 not include any consideration of coverage decisions or other issues.

14 (d) The patient advocate shall contract with one or more
15 independent medical review organizations in the state to conduct
16 reviews for purposes of this section. The independent medical
17 review organizations shall be independent of the system. The
18 patient advocate may establish additional requirements, including
19 conflict-of-interest standards, consistent with the purposes of this
20 section that an organization shall be required to meet in order to
21 qualify for participation in the independent medical review system
22 and to assist the patient advocate in carrying out its responsibilities.

23 (e) The independent medical review organizations and the
24 medical professionals retained to conduct reviews shall be deemed
25 to be medical consultants for purposes of Section 43.98 of the Civil
26 Code.

27 (f) The independent medical review organization, any experts
28 it designates to conduct a review, or any officer, patient advocate,
29 or employee of the independent medical review organization shall
30 not have any material professional, familial, or financial affiliation,
31 as determined by the patient advocate, with any of the following:

32 (1) The system.

33 (2) Any officer or employee of the system.

34 (3) A physician, the physician's medical group, or the
35 independent practice association involved in the health care service
36 in dispute.

37 (4) The facility or institution at which either the proposed health
38 care service, or the alternative service, if any, recommended by
39 the system, would be provided.

1 (5) The development or manufacture of the principal drug,
2 device, procedure, or other therapy proposed by the enrollee whose
3 treatment is under review, or the alternative therapy, if any,
4 recommended by the system.

5 (6) The enrollee or the enrollee's immediate family.

6 (g) In order to contract with the patient advocate for purposes
7 of this section, an independent medical review organization shall
8 meet all of the requirements pursuant to subdivision (d) of Section
9 1374.32.

10 140616. (a) Upon receipt of information and documents related
11 to a case, the medical professional reviewer or reviewers selected
12 to conduct the review by the independent medical review
13 organization shall promptly review all pertinent medical records
14 of the enrollee, provider reports, as well as any other information
15 submitted to the organization as authorized by the patient advocate
16 or requested from any of the parties to the dispute by the reviewers.
17 If reviewers request information from any of the parties, a copy
18 of the request and the response shall be provided to all of the
19 parties. The reviewer or reviewers shall also review relevant
20 information related to the criteria set forth in subdivision (b).

21 (b) Following its review, the reviewer or reviewers shall
22 determine whether the disputed health care service was medically
23 appropriate based on the specific medical needs of the patient and
24 any of the following:

25 (1) Peer-reviewed scientific and medical evidence regarding
26 the effectiveness of the disputed service.

27 (2) Nationally recognized professional standards.

28 (3) Expert opinion.

29 (4) Generally accepted standards of medical practice.

30 (5) Treatments likely to provide a benefit to an enrollee for
31 conditions for which other treatments are not clinically efficacious.

32 (c) The organization shall complete its review and make its
33 determination in writing, and in layperson's terms to the maximum
34 extent practicable, within 30 days of the receipt of the application
35 for review and supporting documentation, or within less time as
36 prescribed by the patient advocate. If the disputed health care
37 service has not been provided and the enrollee's health care
38 provider or the patient advocate certifies in writing that an
39 imminent and serious threat to the health of the enrollee may exist,
40 including, but not limited to, serious pain, the potential loss of life,

1 limb, or major bodily function, or the immediate and serious
2 deterioration of the health of the enrollee, the analyses and
3 determinations of the reviewers shall be expedited and rendered
4 within three days of the receipt of the information. Subject to the
5 approval of the patient advocate, the deadlines for analyses and
6 determinations involving both regular and expedited reviews may
7 be extended by the patient advocate for up to three days in
8 extraordinary circumstances or for good cause.

9 (d) The medical professionals' analyses and determinations
10 shall state whether the disputed health care service is medically
11 appropriate. Each analysis shall cite the enrollee's medical
12 condition, the relevant documents in the record, and the relevant
13 findings associated with the provisions of subdivision (b) to support
14 the determination. If more than one medical professional reviews
15 the case, the recommendation of the majority shall prevail. If the
16 medical professionals reviewing the case are evenly split as to
17 whether the disputed health care service should be provided, the
18 decision shall be in favor of providing the service.

19 (e) The independent medical review organization shall provide
20 the patient advocate, the system, the enrollee, and the enrollee's
21 health care provider with the analyses and determinations of the
22 medical professionals reviewing the case, and a description of the
23 qualifications of the medical professionals. The independent
24 medical review organization shall keep the names of the reviewers
25 confidential in all communications with entities or individuals
26 outside the independent medical review organization, except in
27 cases where the reviewer is called to testify and in response to
28 court orders. If more than one medical professional reviewed the
29 case and the result was differing determinations, the independent
30 medical review organization shall provide each of the separate
31 reviewer's analyses and determinations.

32 (f) The patient advocate shall immediately adopt the
33 determination of the independent medical review organization and
34 shall promptly issue a written decision to the parties that shall be
35 binding on the system.

36 (g) After removing the names of the parties, including, but not
37 limited to, the enrollee and all medical providers, the patient
38 advocate's decisions adopting a determination of an independent
39 medical review organization shall be made available by the patient
40 advocate to the public upon request, at the patient advocate's cost

1 and after considering applicable laws governing disclosure of
2 public records, confidentiality, and personal privacy.

3 140618. (a) Upon receiving the decision adopted by the patient
4 advocate that a disputed health care service is medically
5 appropriate, the system shall promptly implement the decision. In
6 the case of reimbursement for services already rendered, the health
7 care provider or enrollee, whichever applies, shall be paid within
8 five working days. In the case of services not yet rendered, the
9 system shall authorize the services within five working days of
10 receipt of the written decision from the patient advocate, or sooner
11 if appropriate for the nature of the enrollee's medical condition,
12 and shall inform the enrollee and health care provider of the
13 authorization.

14 (b) The system shall not engage in any conduct that has the
15 effect of prolonging the independent medical review process.

16 (c) The patient advocate shall require the system to promptly
17 reimburse the enrollee for any reasonable costs associated with
18 those services when the patient advocate finds that the disputed
19 health care services were a covered benefit and the services are
20 found by the independent medical review organization to have
21 been medically appropriate and the enrollee's decision to secure
22 the services outside of the system was reasonable under the
23 emergency or urgent medical circumstances.

24 140619. (a) The patient advocate shall utilize a competitive
25 bidding process and use any other information on program costs
26 reasonable to establish a per case reimbursement schedule to pay
27 the costs of independent medical review organization reviews,
28 which may vary depending on the type of medical condition under
29 review and on other relevant factors.

30 (b) The costs of the independent medical review system for
31 enrollees shall be borne by the system.

32 140620. The patient advocate shall, on a biannual basis, report
33 to the chief medical officer on the number, types, and outcomes
34 of all patient grievances relating to the denial, delay, or
35 modification of health care services.

36 CHAPTER 7. OTHER PROVISIONS

37
38
39 140700. Notwithstanding any other provision of law, the
40 operative date of this division, other than Article 2 (commencing

1 with Section 140230) of Chapter 3, shall be the earlier of the date
2 the Secretary of California Health and Human Services notifies
3 the Secretary of the Senate and the Chief Clerk of the Assembly
4 that he or she has determined that the Healthcare Fund will have
5 sufficient revenues to fund the costs of implementing this division
6 and the date the Secretary of California Health and Human Services
7 receives the necessary waiver referenced in Section 140701.

8 No state entity shall incur any transition or planning costs prior
9 to that date. However, this prohibition shall not apply to activities
10 of the California Healthcare Premium Commission, and Article 2
11 (commencing with Section 140230) of Chapter 3 of this division
12 shall become operative on January 1, ~~2012~~ 2013.

13 140701. The Secretary of California Health and Human
14 Services shall seek the necessary waiver under Section 1332 of
15 the federal Patient Protection and Affordable Care Act (Public
16 Law 111-148) in order for this division to be implemented,
17 pursuant to Section 140700.

18 SEC. 2. No reimbursement is required by this act pursuant to
19 Section 6 of Article XIII B of the California Constitution because
20 the only costs that may be incurred by a local agency or school
21 district will be incurred because this act creates a new crime or
22 infraction, eliminates a crime or infraction, or changes the penalty
23 for a crime or infraction, within the meaning of Section 17556 of
24 the Government Code, or changes the definition of a crime within
25 the meaning of Section 6 of Article XIII B of the California
26 Constitution.