

AMENDED IN ASSEMBLY MAY 23, 2014

AMENDED IN ASSEMBLY APRIL 22, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1962**

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**Introduced by Assembly Member Skinner**  
**(Coauthors: Assembly Members Bocanegra, Bonilla, Bonta, Holden,**  
**Nestande, Pan, Waldron, and Weber)**  
**(Coauthors: Senators Berryhill and Mitchell)**

February 19, 2014

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An act to ~~amend Section 1367.003 of, and to add Section 1367.004 to, to the Health and Safety Code, and to amend Section 10112.25 of, and to add Section 10112.26 to, to the Insurance Code, relating to health care coverage.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1962, as amended, Skinner. Dental plans: medical loss ratios: ~~rebates; reports.~~

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. *Existing law also provides for the regulation of health insurers by the Department of Insurance.* Existing law requires a health care service plan or health insurer to comply with specified minimum medical loss ratios and requires a plan or insurer to provide an annual rebate to enrollees and insureds if the ratio of the amount of premium revenue expended by the plan or insurer on specified costs to the total amount of premium revenue is less than a certain percentage. Existing law specifies that these requirements do not apply to specialized

health care service plan contracts or specialized health insurance policies.

~~This bill would require *health care services plans that issue, sell, renew, or offer* specialized dental health care service plan contracts and *health insurers that issue, sell, renew, or offer* specialized dental health insurance policies to comply with parallel requirements. The bill would authorize the departments to adopt regulations implementing these provisions and would require that those regulations parallel the regulations adopted with respect to full-service plan contracts and policies. to, no later than July 31, 2015, and each year thereafter, file a report, to be known as the MLR annual report, with the departments that contains the same information required in the federal Medical Loss Ratio (MLR) Annual Reporting Form. The bill would require the Department of Managed Health Care or the Department of Insurance, as applicable and, if a financial examination is determined to be necessary to verify the representations in the MLR annual report, to provide the health care service plan or health insurer with a notification before conducting the examination, and would require the plan or insurer to electronically submit to the appropriate department specified requested records, books, and papers. The bill would require each of the departments to submit a report to the Legislature by November 1, 2015, and by November 1 of each year thereafter that includes an analysis of the filings. The bill would declare the intent of the Legislature that the data reported pursuant to these provisions be considered by the Legislature in adopting a medical loss ratio standard for health care service plans and health insurers that cover dental services that would take effect no later than January 1, 2018. Because a willful violation of the bill's requirements by a health care service plan would be a crime, the bill would impose a state-mandated local program.~~

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

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

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

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

1     *SECTION 1. Section 1367.004 is added to the Health and*  
2 *Safety Code, to read:*

3     1367.004. (a) *A health care service plan that issues, sells,*  
4 *renews, or offers a specialized health care service plan contract*  
5 *covering dental services shall, no later than July 31, 2015, and*  
6 *each year thereafter, file a report, which shall be known as the*  
7 *MLR annual report, with the department that is organized by group*  
8 *and product type and contains the same information required in*  
9 *the federal Medical Loss Ratio (MLR) Annual Reporting Form*  
10 *(CMS-10418).*

11     (b) *The MLR reporting year shall be for the calendar year*  
12 *during which dental coverage is provided by the plan. All terms*  
13 *used in the MLR annual report shall have the same meaning as*  
14 *used in the federal Public Health Service Act (42 U.S.C. Sec.*  
15 *300gg-18), Part 158 (commencing with 158.101) of Title 45 of the*  
16 *Code of Federal Regulations, and Section 1367.003.*

17     (c) *If the director decides to conduct a financial examination,*  
18 *as described in Section 1382, because the director finds it*  
19 *necessary to verify the health care service plan's representations*  
20 *in the MLR annual report, the department shall provide the health*  
21 *care service plan with a notification 30 days before the*  
22 *commencement of the financial examination.*

23     (d) *The health care service plan shall have 30 days from the*  
24 *date of notification to electronically submit to the department all*  
25 *requested records, books, and papers specified in subdivision (a)*  
26 *of Section 1381. The director may extend the time for a health care*  
27 *service plan to comply with this subdivision upon a finding of good*  
28 *cause.*

29     (e) *The department shall make available to the public all of the*  
30 *data provided to the department pursuant to this section.*

31     (f) (1) *The department shall submit a report to the Legislature*  
32 *by November 1, 2015, and by November 1 of each year thereafter,*  
33 *that includes an analysis of the filings.*

34     (2) *A report to the Legislature pursuant to paragraph (1) shall*  
35 *be submitted in compliance with Section 9795 of the Government*  
36 *Code.*

37     (g) *This section does not apply to a health care service plan*  
38 *contract issued, sold, renewed, or offered for health care services*

1 or coverage provided in the Medi-Cal program (Chapter 7  
2 (commencing with Section 14000) of Part 3 of Division 9 of the  
3 Welfare and Institutions Code), the Healthy Families Program  
4 (Part 6.2 (commencing with Section 12693) of Division 2 of the  
5 Insurance Code), the Access for Infants and Mothers Program  
6 (Part 6.3 (commencing with Section 12695) of Division 2 of the  
7 Insurance Code), the California Major Risk Medical Insurance  
8 Program (Part 6.5 (commencing with Section 12700) of Division  
9 2 of the Insurance Code), or the Federal Temporary High Risk  
10 Insurance Pool (Part 6.6 (commencing with Section 12739.5) of  
11 Division 2 of the Insurance Code), to the extent consistent with  
12 the federal Patient Protection and Affordable Care Act (Public  
13 Law 111-148).

14 (h) It is the intent of the Legislature that the data reported  
15 pursuant to this section be considered by the Legislature in  
16 adopting a medical loss ratio standard for health care service  
17 plans that cover dental services that would take effect no later  
18 than January 1, 2018.

19 SEC. 2. Section 10112.26 is added to the Insurance Code, to  
20 read:

21 10112.26. (a) A health insurer that issues, sells, renews, or  
22 offers a specialized health insurance policy covering dental  
23 services shall, no later than July 31, 2015, and each year  
24 thereafter, file a report, which shall be known as the MLR annual  
25 report, with the department that is organized by group and product  
26 type and contains the same information required in the federal  
27 Medical Loss Ratio (MLR) Annual Reporting Form (CMS-10418).

28 (b) The MLR reporting year shall be for the calendar year  
29 during which dental coverage is provided by the plan. All terms  
30 used in the MLR annual report shall have the same meaning as  
31 used in the federal Public Health Service Act (42 U.S.C. Sec.  
32 300gg-18) and Part 158 (commencing with 158.101) of Title 45  
33 of the Code of Federal Regulations.

34 (c) If the commissioner decides to conduct an examination, as  
35 described in Section 730, because the commissioner finds it  
36 necessary to verify the health insurer's representations in the MLR  
37 annual report, the department shall provide the health insurer  
38 with a notification 30 days before the commencement of the  
39 examination.

1 (d) The health insurer shall have 30 days from the date of  
2 notification to electronically submit to the department all requested  
3 records, books, and papers specified in subdivision (a) of Section  
4 733. The commissioner may extend the time for a health insurer  
5 to comply with this subdivision upon a finding of good cause.

6 (e) The department shall make available to the public all of the  
7 data provided to the department pursuant to this section.

8 (f) (1) The department shall submit a report to the Legislature  
9 by November 1, 2015, and by November 1 of each year thereafter,  
10 that includes an analysis of the filings.

11 (2) A report to the Legislature pursuant to paragraph (1) shall  
12 be submitted in compliance with Section 9795 of the Government  
13 Code.

14 (g) This section does not apply to an insurance policy issued,  
15 sold, renewed, or offered for health care services or coverage  
16 provided in the Medi-Cal program (Chapter 7 (commencing with  
17 Section 14000) 15 of Part 3 of Division 9 of the Welfare and  
18 Institutions Code), the Healthy Families Program (Part 6.2  
19 (commencing with Section 12693) of Division 2 of the Insurance  
20 Code), the Access for Infants and Mothers Program (Part 6.3  
21 (commencing with Section 12695) of Division 2 of the Insurance  
22 Code), the California Major Risk Medical Insurance Program  
23 (Part 6.5 (commencing with Section 12700) of Division 2 of the  
24 Insurance Code), or the Federal Temporary High Risk Insurance  
25 Pool (Part 6.6 (commencing with Section 12739.5) of Division 2  
26 of the Insurance Code), to the extent consistent with the federal  
27 Patient Protection and Affordable Care Act (Public Law 111-148).

28 (h) It is the intent of the Legislature that the data reported  
29 pursuant to this section be considered by the Legislature in  
30 adopting a medical loss ratio standard for health insurers that  
31 cover dental services that would take effect no later than January  
32 1, 2018.

33 SEC. 3. No reimbursement is required by this act pursuant to  
34 Section 6 of Article XIII B of the California Constitution because  
35 the only costs that may be incurred by a local agency or school  
36 district will be incurred because this act creates a new crime or  
37 infraction, eliminates a crime or infraction, or changes the penalty  
38 for a crime or infraction, within the meaning of Section 17556 of  
39 the Government Code, or changes the definition of a crime within

1 *the meaning of Section 6 of Article XIII B of the California*  
2 *Constitution.*

3 ~~SECTION 1. Section 1367.003 of the Health and Safety Code~~  
4 ~~is amended to read:~~

5 ~~1367.003. (a) Every health care service plan that issues, sells,~~  
6 ~~renews, or offers health care service plan contracts for health care~~  
7 ~~coverage in this state, including a grandfathered health plan, but~~  
8 ~~not including specialized health care service plan contracts, except~~  
9 ~~as provided in Section 1367.004, shall provide an annual rebate~~  
10 ~~to each enrollee under such coverage, on a pro rata basis, if the~~  
11 ~~ratio of the amount of premium revenue expended by the health~~  
12 ~~care service plan on the costs for reimbursement for clinical~~  
13 ~~services provided to enrollees under such coverage and for~~  
14 ~~activities that improve health care quality to the total amount of~~  
15 ~~premium revenue, excluding federal and state taxes and licensing~~  
16 ~~or regulatory fees and after accounting for payments or receipts~~  
17 ~~for risk adjustment, risk corridors, and reinsurance, is less than the~~  
18 ~~following:~~

19 ~~(1) With respect to a health care service plan offering coverage~~  
20 ~~in the large group market, 85 percent.~~

21 ~~(2) With respect to a health care service plan offering coverage~~  
22 ~~in the small group market or in the individual market, 80 percent.~~

23 ~~(b) Every health care service plan that issues, sells, renews, or~~  
24 ~~offers health care service plan contracts for health care coverage~~  
25 ~~in this state, including a grandfathered health plan, shall comply~~  
26 ~~with the following minimum medical loss ratios:~~

27 ~~(1) With respect to a health care service plan offering coverage~~  
28 ~~in the large group market, 85 percent.~~

29 ~~(2) With respect to a health care service plan offering coverage~~  
30 ~~in the small group market or in the individual market, 80 percent.~~

31 ~~(c) (1) The total amount of an annual rebate required under this~~  
32 ~~section shall be calculated in an amount equal to the product of~~  
33 ~~the following:~~

34 ~~(A) The amount by which the percentage described in paragraph~~  
35 ~~(1) or (2) of subdivision (a) exceeds the ratio described in paragraph~~  
36 ~~(1) or (2) of subdivision (a).~~

37 ~~(B) The total amount of premium revenue, excluding federal~~  
38 ~~and state taxes and licensing or regulatory fees and after accounting~~  
39 ~~for payments or receipts for risk adjustment, risk corridors, and~~  
40 ~~reinsurance.~~

1     ~~(2) A health care service plan shall provide any rebate owing~~  
2 ~~to an enrollee no later than August 1 of the calendar year following~~  
3 ~~the year for which the ratio described in subdivision (a) was~~  
4 ~~calculated.~~

5     ~~(d) (1) The director may adopt regulations in accordance with~~  
6 ~~the Administrative Procedure Act (Chapter 3.5 (commencing with~~  
7 ~~Section 11340) of Part 1 of Division 3 of Title 2 of the Government~~  
8 ~~Code) that are necessary to implement the medical loss ratio as~~  
9 ~~described under Section 2718 of the federal Public Health Service~~  
10 ~~Act (42 U.S.C. Sec. 300gg-18), and any federal rules or regulations~~  
11 ~~issued under that section.~~

12     ~~(2) The director may also adopt emergency regulations in~~  
13 ~~accordance with the Administrative Procedure Act (Chapter 3.5~~  
14 ~~(commencing with Section 11340) of Part 1 of Division 3 of Title~~  
15 ~~2 of the Government Code) when it is necessary to implement the~~  
16 ~~applicable provisions of this section and to address specific~~  
17 ~~conflicts between state and federal law that prevent implementation~~  
18 ~~of federal law and guidance pursuant to Section 2718 of the federal~~  
19 ~~Public Health Service Act (42 U.S.C. Sec. 300gg-18). The initial~~  
20 ~~adoption of the emergency regulations shall be deemed to be an~~  
21 ~~emergency and necessary for the immediate preservation of the~~  
22 ~~public peace, health, safety, or general welfare.~~

23     ~~(e) The department shall consult with the Department of~~  
24 ~~Insurance in adopting necessary regulations, and in taking any~~  
25 ~~other action for the purpose of implementing this section.~~

26     ~~(f) This section shall be implemented to the extent required by~~  
27 ~~federal law and shall comply with, and not exceed, the scope of~~  
28 ~~Section 2791 of the federal Public Health Service Act (42 U.S.C.~~  
29 ~~Sec. 300gg-91) and the requirements of Section 2718 of the federal~~  
30 ~~Public Health Service Act (42 U.S.C. Sec. 300gg-18) and any rules~~  
31 ~~or regulations issued under those sections.~~

32     ~~(g) Nothing in this section shall be construed to apply to~~  
33 ~~provisions of this chapter pertaining to financial statements, assets,~~  
34 ~~liabilities, and other accounting items to which subdivision (s) of~~  
35 ~~Section 1345 applies.~~

36     ~~(h) Nothing in this section shall be construed to apply to a health~~  
37 ~~care service plan contract or insurance policy issued, sold, renewed,~~  
38 ~~or offered for health care services or coverage provided in the~~  
39 ~~Medi-Cal program (Chapter 7 (commencing with Section 14000)~~  
40 ~~of Part 3 of Division 9 of the Welfare and Institutions Code), the~~

1 ~~Healthy Families Program (Part 6.2 (commencing with Section~~  
2 ~~12693) of Division 2 of the Insurance Code), the Access for Infants~~  
3 ~~and Mothers Program (Part 6.3 (commencing with Section 12695)~~  
4 ~~of Division 2 of the Insurance Code), the California Major Risk~~  
5 ~~Medical Insurance Program (Part 6.5 (commencing with Section~~  
6 ~~12700) of Division 2 of the Insurance Code), or the Federal~~  
7 ~~Temporary High Risk Insurance Pool (Part 6.6 (commencing with~~  
8 ~~Section 12739.5) of Division 2 of the Insurance Code), to the extent~~  
9 ~~consistent with the federal Patient Protection and Affordable Care~~  
10 ~~Act (Public Law 111-148).~~

11 ~~SEC. 2. Section 1367.004 is added to the Health and Safety~~  
12 ~~Code, to read:~~

13 ~~1367.004. (a) A health care service plan that issues, sells,~~  
14 ~~renews, or offers a specialized health care service plan contract~~  
15 ~~covering dental services shall provide an annual rebate to each~~  
16 ~~enrollee under that coverage, on a pro rata basis, if the ratio of the~~  
17 ~~amount of premium revenue expended by the health care service~~  
18 ~~plan on the costs for reimbursement for clinical services provided~~  
19 ~~to enrollees under that coverage and for activities that improve~~  
20 ~~dental care quality to the total amount of premium revenue,~~  
21 ~~excluding federal and state taxes and licensing or regulatory fees~~  
22 ~~and after accounting for payments or receipts for risk adjustment,~~  
23 ~~risk corridors, and reinsurance, is less than the following:~~

24 ~~(1) With respect to a health care service plan offering coverage~~  
25 ~~in the large group market, 85 percent.~~

26 ~~(2) With respect to a health care service plan offering coverage~~  
27 ~~in the small group market or in the individual market, 80 percent.~~

28 ~~(b) A health care service plan that issues, sells, renews, or offers~~  
29 ~~specialized health care service plan contracts covering dental~~  
30 ~~services in this state shall comply with the following minimum~~  
31 ~~medical loss ratios:~~

32 ~~(1) With respect to a health care service plan offering coverage~~  
33 ~~in the large group market, 85 percent.~~

34 ~~(2) With respect to a health care service plan offering coverage~~  
35 ~~in the small group market or in the individual market, 80 percent.~~

36 ~~(c) (1) The total amount of an annual rebate required under this~~  
37 ~~section shall be calculated in an amount equal to the product of~~  
38 ~~the following:~~

1 (A) The amount by which the percentage described in paragraph  
2 (1) or (2) of subdivision (a) exceeds the ratio described in paragraph  
3 (1) or (2) of subdivision (a):

4 (B) The total amount of premium revenue, excluding federal  
5 and state taxes and licensing or regulatory fees and after accounting  
6 for payments or receipts for risk adjustment, risk corridors, and  
7 reinsurance.

8 (2) A health care service plan shall provide any rebate owing  
9 to an enrollee no later than August 1 of the calendar year following  
10 the year for which the ratio described in subdivision (a) was  
11 calculated.

12 (d) (1) The director may adopt regulations in accordance with  
13 the Administrative Procedure Act (Chapter 3.5 (commencing with  
14 Section 11340) of Part 1 of Division 3 of Title 2 of the Government  
15 Code) that are necessary to implement the medical loss ratio as  
16 described in this section. The regulations shall parallel the  
17 regulations adopted under subdivision (d) of Section 1367.003.

18 (2) The director may also adopt emergency regulations in  
19 accordance with the Administrative Procedure Act (Chapter 3.5  
20 (commencing with Section 11340) of Part 1 of Division 3 of Title  
21 2 of the Government Code) as necessary to implement this section.  
22 The initial adoption of the emergency regulations shall be deemed  
23 to be an emergency and necessary for the immediate preservation  
24 of the public peace, health, safety, or general welfare. The  
25 emergency regulations shall be parallel to any emergency  
26 regulations adopted pursuant to subdivision (d) of Section  
27 1367.003.

28 (3) The department shall consult with the Department of  
29 Insurance in adopting necessary regulations, and in taking any  
30 other action for the purpose of implementing this section.

31 (e) Nothing in this section shall be construed to apply to  
32 provisions of this chapter pertaining to financial statements, assets,  
33 liabilities, and other accounting items to which subdivision (s) of  
34 Section 1345 applies.

35 (f) Nothing in this section shall be construed to apply to a health  
36 care service plan contract or insurance policy issued, sold, renewed,  
37 or offered for health care services or coverage provided in the  
38 Medi-Cal program (Chapter 7 (commencing with Section 14000)  
39 of Part 3 of Division 9 of the Welfare and Institutions Code), the  
40 Healthy Families Program (Part 6.2 (commencing with Section

1 12693) of Division 2 of the Insurance Code), the Access for Infants  
 2 and Mothers Program (Part 6.3 (commencing with Section 12695)  
 3 of Division 2 of the Insurance Code), the California Major Risk  
 4 Medical Insurance Program (Part 6.5 (commencing with Section  
 5 12700) of Division 2 of the Insurance Code), or the Federal  
 6 Temporary High Risk Pool (Part 6.6 (commencing with Section  
 7 12739.5) of Division 2 of the Insurance Code).

8 SEC. 3. ~~Section 10112.25 of the Insurance Code is amended~~  
 9 ~~to read:~~

10 ~~10112.25. (a) Every health insurer that issues, sells, renews,~~  
 11 ~~or offers health insurance policies for health care coverage in this~~  
 12 ~~state, including a grandfathered health plan, but not including~~  
 13 ~~specialized health insurance policies, except as provided in Section~~  
 14 ~~10112.26, shall provide an annual rebate to each insured under~~  
 15 ~~such coverage, on a pro rata basis, if the ratio of the amount of~~  
 16 ~~premium revenue expended by the health insurer on the costs for~~  
 17 ~~reimbursement for clinical services provided to insureds under~~  
 18 ~~such coverage and for activities that improve health care quality~~  
 19 ~~to the total amount of premium revenue, excluding federal and~~  
 20 ~~state taxes and licensing or regulatory fees and after accounting~~  
 21 ~~for payments or receipts for risk adjustment, risk corridors, and~~  
 22 ~~reinsurance, is less than the following:~~

23 ~~(1) With respect to a health insurer offering coverage in the~~  
 24 ~~large group market, 85 percent.~~

25 ~~(2) With respect to a health insurer offering coverage in the~~  
 26 ~~small group market or in the individual market, 80 percent.~~

27 ~~(b) Every health insurer that issues, sells, renews, or offers health~~  
 28 ~~insurance policies for health care coverage in this state, including~~  
 29 ~~a grandfathered health plan, shall comply with the following~~  
 30 ~~minimum medical loss ratios:~~

31 ~~(1) With respect to a health insurer offering coverage in the~~  
 32 ~~large group market, 85 percent.~~

33 ~~(2) With respect to a health insurer offering coverage in the~~  
 34 ~~small group market or in the individual market, 80 percent.~~

35 ~~(c) (1) The total amount of an annual rebate required under this~~  
 36 ~~section shall be calculated in an amount equal to the product of~~  
 37 ~~the following:~~

38 ~~(A) The amount by which the percentage described in paragraph~~  
 39 ~~(1) or (2) of subdivision (a) exceeds the ratio described in paragraph~~  
 40 ~~(1) or (2) of subdivision (a).~~

1 ~~(B) The total amount of premium revenue, excluding federal~~  
2 ~~and state taxes and licensing or regulatory fees and after accounting~~  
3 ~~for payments or receipts for risk adjustment, risk corridors, and~~  
4 ~~reinsurance.~~

5 ~~(2) A health insurer shall provide any rebate owing to an insured~~  
6 ~~no later than August 1 of the calendar year following the year for~~  
7 ~~which the ratio described in subdivision (a) was calculated.~~

8 ~~(d) (1) The commissioner may adopt regulations in accordance~~  
9 ~~with the Administrative Procedure Act (Chapter 3.5 (commencing~~  
10 ~~with Section 11340) of Part 1 of Division 3 of Title 2 of the~~  
11 ~~Government Code) that are necessary to implement the medical~~  
12 ~~loss ratio as described under Section 2718 of the federal Public~~  
13 ~~Health Service Act (42 U.S.C. Sec. 300gg-18), and any federal~~  
14 ~~rules or regulations issued under that section.~~

15 ~~(2) The commissioner may also adopt emergency regulations~~  
16 ~~in accordance with the Administrative Procedure Act (Chapter 3.5~~  
17 ~~(commencing with Section 11340) of Part 1 of Division 3 of Title~~  
18 ~~2 of the Government Code) when it is necessary to implement the~~  
19 ~~applicable provisions of this section and to address specific~~  
20 ~~conflicts between state and federal law that prevent implementation~~  
21 ~~of federal law and guidance pursuant to Section 2718 of the federal~~  
22 ~~Public Health Service Act (42 U.S.C. Sec. 300gg-18). The initial~~  
23 ~~adoption of the emergency regulations shall be deemed to be an~~  
24 ~~emergency and necessary for the immediate preservation of the~~  
25 ~~public peace, health, safety, or general welfare.~~

26 ~~(e) The department shall consult with the Department of~~  
27 ~~Managed Health Care in adopting necessary regulations, and in~~  
28 ~~taking any other action for the purpose of implementing this~~  
29 ~~section.~~

30 ~~(f) This section shall be implemented to the extent required by~~  
31 ~~federal law and shall comply with, and not exceed, the scope of~~  
32 ~~Section 2791 of the federal Public Health Service Act (42 U.S.C.~~  
33 ~~Sec. 300gg-91) and the requirements of Section 2718 of the federal~~  
34 ~~Public Health Service Act (42 U.S.C. Sec. 300gg-18) and any rules~~  
35 ~~or regulations issued under those sections.~~

36 ~~(g) Nothing in this section shall be construed to apply to a health~~  
37 ~~care service plan contract or insurance policy issued, sold, renewed,~~  
38 ~~or offered for health care services or coverage provided in the~~  
39 ~~Medi-Cal program (Chapter 7 (commencing with Section 14000)~~  
40 ~~of Part 3 of Division 9 of the Welfare and Institutions Code), the~~

1 ~~Healthy Families Program (Part 6.2 (commencing with Section~~  
 2 ~~12693)), the Access for Infants and Mothers Program (Part 6.3~~  
 3 ~~(commencing with Section 12695)), the California Major Risk~~  
 4 ~~Medical Insurance Program (Part 6.5 (commencing with Section~~  
 5 ~~12700)), or the Federal Temporary High Risk Insurance Pool (Part~~  
 6 ~~6.6 (commencing with Section 12739.5)), to the extent consistent~~  
 7 ~~with the federal Patient Protection and Affordable Care Act (Public~~  
 8 ~~Law 111-148).~~

9 ~~SEC. 4. Section 10112.26 is added to the Insurance Code, to~~  
 10 ~~read:~~

11 ~~10112.26. (a) A health insurer that issues, sells, renews, or~~  
 12 ~~offers a specialized health insurance policy covering dental services~~  
 13 ~~shall provide an annual rebate to each insured under that coverage,~~  
 14 ~~on a pro rata basis, if the ratio of the amount of premium revenue~~  
 15 ~~expended by the insurer on the costs for reimbursement for clinical~~  
 16 ~~services provided to insureds under that coverage and for activities~~  
 17 ~~that improve dental care quality to the total amount of premium~~  
 18 ~~revenue, excluding federal and state taxes and licensing or~~  
 19 ~~regulatory fees and after accounting for payments or receipts for~~  
 20 ~~risk adjustment, risk corridors, and reinsurance, is less than the~~  
 21 ~~following:~~

22 ~~(1) With respect to a health insurer offering coverage in the~~  
 23 ~~large group market, 85 percent.~~

24 ~~(2) With respect to a health insurer offering coverage in the~~  
 25 ~~small group market or in the individual market, 80 percent.~~

26 ~~(b) A health insurer that issues, sells, renews, or offers~~  
 27 ~~specialized health insurance policies covering dental services in~~  
 28 ~~this state shall comply with the following minimum medical loss~~  
 29 ~~ratios:~~

30 ~~(1) With respect to a health insurer offering coverage in the~~  
 31 ~~large group market, 85 percent.~~

32 ~~(2) With respect to a health insurer offering coverage in the~~  
 33 ~~small group market or in the individual market, 80 percent.~~

34 ~~(c) (1) The total amount of an annual rebate required under this~~  
 35 ~~section shall be calculated in an amount equal to the product of~~  
 36 ~~the following:~~

37 ~~(A) The amount by which the percentage described in paragraph~~  
 38 ~~(1) or (2) of subdivision (a) exceeds the ratio described in paragraph~~  
 39 ~~(1) or (2) of subdivision (a).~~

1 ~~(B) The total amount of premium revenue, excluding federal~~  
2 ~~and state taxes and licensing or regulatory fees and after accounting~~  
3 ~~for payments or receipts for risk adjustment, risk corridors, and~~  
4 ~~reinsurance.~~

5 ~~(2) A health insurer shall provide any rebate owing to an insured~~  
6 ~~no later than August 1 of the calendar year following the year for~~  
7 ~~which the ratio described in subdivision (a) was calculated.~~

8 ~~(d) (1) The commissioner may adopt regulations in accordance~~  
9 ~~with the Administrative Procedure Act (Chapter 3.5 (commencing~~  
10 ~~with Section 11340) of Part 1 of Division 3 of Title 2 of the~~  
11 ~~Government Code) that are necessary to implement the medical~~  
12 ~~loss ratio as described in this section. The regulations shall parallel~~  
13 ~~the regulations adopted under subdivision (d) of Section 10112.25.~~

14 ~~(2) The commissioner may also adopt emergency regulations~~  
15 ~~in accordance with the Administrative Procedure Act (Chapter 3.5~~  
16 ~~(commencing with Section 11340) of Part 1 of Division 3 of Title~~  
17 ~~2 of the Government Code) as necessary to implement this section.~~  
18 ~~The initial adoption of the emergency regulations shall be deemed~~  
19 ~~to be an emergency and necessary for the immediate preservation~~  
20 ~~of the public peace, health, safety, or general welfare. The~~  
21 ~~emergency regulations shall be parallel to any emergency~~  
22 ~~regulations adopted pursuant to subdivision (d) of Section~~  
23 ~~10112.25.~~

24 ~~(3) The department shall consult with the Department of~~  
25 ~~Managed Health Care in adopting necessary regulations, and in~~  
26 ~~taking any other action for the purpose of implementing this~~  
27 ~~section.~~

28 ~~(e) Nothing in this section shall be construed to apply to~~  
29 ~~disability insurance for covered benefits in the single specialized~~  
30 ~~area of dental-only health care that pays benefits on a fixed benefit,~~  
31 ~~cash payment only basis.~~

32 ~~(f) Nothing in this section shall be construed to apply to a health~~  
33 ~~care service plan contract or insurance policy issued, sold, renewed,~~  
34 ~~or offered for health care services or coverage provided in the~~  
35 ~~Medi-Cal program (Chapter 7 (commencing with Section 14000)~~  
36 ~~of Part 3 of Division 9 of the Welfare and Institutions Code), the~~  
37 ~~Healthy Families Program (Part 6.2 (commencing with Section~~  
38 ~~12693) of Division 2 of the Insurance Code), the Access for Infants~~  
39 ~~and Mothers Program (Part 6.3 (commencing with Section 12695)~~  
40 ~~of Division 2 of the Insurance Code), the California Major Risk~~

1 ~~Medical Insurance Program (Part 6.5 (commencing with Section~~  
2 ~~12700) of Division 2 of the Insurance Code), or the Federal~~  
3 ~~Temporary High Risk Pool (Part 6.6 (commencing with Section~~  
4 ~~12739.5) of Division 2 of the Insurance Code).~~

5 ~~SEC. 5. No reimbursement is required by this act pursuant to~~  
6 ~~Section 6 of Article XIII B of the California Constitution because~~  
7 ~~the only costs that may be incurred by a local agency or school~~  
8 ~~district will be incurred because this act creates a new crime or~~  
9 ~~infraction, eliminates a crime or infraction, or changes the penalty~~  
10 ~~for a crime or infraction, within the meaning of Section 17556 of~~  
11 ~~the Government Code, or changes the definition of a crime within~~  
12 ~~the meaning of Section 6 of Article XIII B of the California~~  
13 ~~Constitution.~~