

AMENDED IN ASSEMBLY APRIL 21, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 2088

Introduced by Assembly Member Roger Hernández

February 20, 2014

An act to add ~~Sections 10112.8 and~~ *Section 1367.010 to the Health and Safety Code, and to add Section 10112.9 to the Insurance Code, relating to health care coverage.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2088, as amended, Roger Hernández. Health insurance: minimum value: ~~specified disease and hospital confinement policies: large group market policies.~~

Existing law, the federal Patient Protection and Affordable Care Act (PPACA), enacts various health care coverage market reforms that take effect January 1, 2014, and exempts health insurance coverage that provides excepted benefits from those reforms. PPACA requires each state to establish an American Health Benefits Exchange and allows qualified individuals to obtain premium assistance for coverage purchased through the Exchange. PPACA specifies that this premium assistance is not available if the individual is eligible for affordable employer-sponsored coverage that provides minimum value, as specified.

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 provides for the regulation of health insurers by the Insurance Commissioner. Existing law requires that health benefit plans issued by health insurers *and health care service*

plans in the small group market and the individual market comply with specified requirements. Existing law defines a health benefit plan for ~~this purpose~~ *the purpose of health benefit plans issued by health insurers* to exclude a policy or certificate of specified disease or hospital confinement indemnity if the insurer certifies to the commissioner that the policy is being offered as supplemental health insurance and not as a substitute for essential health benefits. Existing law requires an insurer issuing these policies in the small group market or the individual market to require that the persons to be covered are covered by coverage that is not designed to serve as supplemental coverage.

This bill would extend that requirement to *a health care service plan that offers, amends, or renews a group health plan contract and an insurer issuing a policy of specified disease or hospital confinement indemnity or a policy that does not provide 60% minimum value in the large group market.* The bill would require *a health care service plan and an insurer issuing those plan contracts and policies in the large group market to file a certification with the director or commissioner stating that the policies are being offered or marketed as supplemental health insurance and not as a substitute for minimum essential coverage. By expanding the scope of an existing crime, this 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: ~~no~~-yes.

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

- 1 SECTION 1. ~~Section 10112.8 is added to the Insurance Code,~~
- 2 ~~to read:~~
- 3 ~~10112.8. (a) An insurer issuing a policy or certificate of~~
- 4 ~~specified disease or hospital confinement indemnity to a large~~
- 5 ~~group shall require that the persons to be covered by the policy~~
- 6 ~~are covered by an individual or group policy or contract that~~
- 7 ~~arranges or provides medical, hospital, and surgical coverage not~~
- 8 ~~designed to supplement other private or governmental plans.~~

1 ~~(b) An insurer issuing a policy or certificate of specified disease~~
2 ~~or hospital confinement indemnity to a large group shall comply~~
3 ~~with the following, in addition to complying with subdivision (a):~~

4 ~~(1) The insurer shall file, on or before March 1 of each year, a~~
5 ~~certification with the commissioner that contains the statement~~
6 ~~and information described in paragraph (2).~~

7 ~~(2) The certification required in paragraph (1) shall contain the~~
8 ~~following:~~

9 ~~(A) A statement from the insurer certifying that policies or~~
10 ~~certificates described in this section (i) are being offered and~~
11 ~~marketed as supplemental health insurance and not as a substitute~~
12 ~~for coverage that provides minimum essential coverage as defined~~
13 ~~in Section 5000A of the federal Internal Revenue Code, and (ii)~~
14 ~~the disclosure form as described in Section 10603 contains the~~
15 ~~following statement prominently on the first page: “This is a~~
16 ~~supplement to health insurance. It is not a substitute for essential~~
17 ~~health benefits or minimum essential coverage as defined in federal~~
18 ~~law.”~~

19 ~~(B) A summary description of each policy or certificate~~
20 ~~described in this section, including the average annual premium~~
21 ~~rates, or range of premium rates in cases where premiums vary by~~
22 ~~age, gender, or other factors, charged for the policies and~~
23 ~~certificates issued or delivered in this state.~~

24 ~~(3) In the case of a policy or certificate that is described in this~~
25 ~~section and that is offered for the first time in this state with respect~~
26 ~~to plan years on or after January 1, 2015, the insurer files with the~~
27 ~~commissioner the information and statement required in paragraph~~
28 ~~(2) at least 30 days prior to the date that the policy or certificate~~
29 ~~is issued or delivered in this state.~~

30 ~~(e) As used in this section, the following definitions apply:~~

31 ~~(1) “Large group” means a group that is not a small employer,~~
32 ~~as defined in Section 10753.~~

33 ~~(2) “Policies or certificates of specified disease” and “policies~~
34 ~~or certificates of hospital confinement indemnity” mean policies~~
35 ~~or certificates of insurance sold to an insured to supplement other~~
36 ~~health insurance coverage as specified in this section.~~

37 *SECTION 1. Section 1367.010 is added to the Health and*
38 *Safety Code, immediately following Section 1367.009, to read:*

39 *1367.010. (a) A health care service plan that offers, amends,*
40 *or renews a group plan contract that does not provide a minimum*

1 value of at least 60 percent to a large group shall require that the
2 persons to be covered by the plan contract are covered by an
3 individual or group plan contract that arranges or provides
4 medical, hospital, and surgical coverage not designed to
5 supplement other private or governmental plans.

6 (b) A health care service plan may offer, market, or sell a health
7 plan contract in the large group market that provides a minimum
8 of less than 60 percent if the health care service plan complies
9 with the following, in addition to complying with subdivision (a):

10 (1) The health care service plan files, on or before March 1 of
11 each year, a certification with the director that contains the
12 statement and information described in paragraph (2).

13 (2) The certification required in paragraph (1) shall contain
14 the following:

15 (A) A statement from the health care service plan certifying that
16 group plan contract described in this section (i) are being offered
17 and marketed as supplemental health insurance and not as a
18 substitute for coverage that provides minimum essential coverage
19 as defined in Section 5000A of the federal Internal Revenue Code,
20 and (ii) the disclosure form as described in Section 1363 contains
21 the following statement prominently on the first page:

22 “This is a supplement to health insurance. It is not a substitute
23 for essential health benefits or minimum essential coverage as
24 defined in federal law.”

25 (B) A summary description of each group plan contract
26 described in this section, including the average annual premium
27 rates, or range of premium rates in cases where premiums vary
28 by age, gender, or other factors, charged for the group plan
29 contracts.

30 (3) In the case of a group plan contract that is described in this
31 section and that is offered for the first time in this state with respect
32 to plan years on or after January 1, 2015, the health care service
33 plan files with the director the information and statement required
34 in paragraph (2) at least 30 days prior to the date that the plan
35 contract is issued or delivered in this state.

36 (c) For purposes of this section, a plan provides a minimum
37 value of at least 60 percent if it complies with Section 36B(c)(2)(C)
38 of the federal Internal Revenue Code and any regulations or
39 guidance adopted under that section.

40 (d) For purposes of this section, the following definitions apply:

1 (1) “Large group health care service plan contract” means a
2 group health care service plan contract other than a contract
3 issued to a small employer, as defined in Section 1357, 1357.500,
4 or 1357.600.

5 (2) “Plan year” has the meaning set forth in Section 144.103
6 of Title 45 of the Code of Federal Regulations.

7 SEC. 2. Section 10112.9 is added to the Insurance Code, to
8 read:

9 10112.9. (a) An insurer issuing a policy or certificate of health
10 insurance that does not provide a minimum value of at least 60
11 percent to a large group shall require that the persons to be covered
12 by the policy are covered by an individual or group policy or
13 contract that arranges or provides medical, hospital, and surgical
14 coverage not designed to supplement other private or government
15 plans.

16 (b) An insurer may offer, market, or sell a policy or certificate
17 of health insurance in the large group market that provides a
18 minimum value of less than 60 percent if the insurer offering the
19 policy or certificate complies with the following, in addition to
20 complying with subdivision (a):

21 (1) The insurer files, on or before March 1 of each year, a
22 certification with the commissioner that contains the statement
23 and information described in paragraph (2).

24 (2) The certification required in paragraph (1) shall contain the
25 following:

26 (A) A statement from the insurer certifying that policies or
27 certificates described in this section (i) are being offered and
28 marketed as supplemental health insurance and not as a substitute
29 for coverage that provides minimum essential coverage as defined
30 in Section 5000A of the federal Internal Revenue Code, and (ii)
31 the disclosure form as described in Section 10603 contains the
32 following statement prominently on the first page: “~~This~~

33 “*This* is a supplement to health insurance. It is not a substitute
34 for essential health benefits or minimum essential coverage as
35 defined in federal law.”

36 (B) A summary description of each policy or certificate
37 described in this section, including the average annual premium
38 rates, or range of premium rates in cases where premiums vary by
39 age, gender, or other factors, charged for the policies and
40 certificates issued or delivered in this state.

1 (3) In the case of a policy or certificate that is described in this
2 section and that is offered for the first time in this state with respect
3 to plan years on or after January 1, 2015, the insurer files with the
4 commissioner the information and statement required in paragraph
5 (2) at least 30 days prior to the date that the policy or certificate
6 is issued or delivered in this state.

7 (c) For purposes of this section, a plan provides a minimum
8 value of at least 60 percent if it complies with Section 36B(c)(2)(C)
9 of the federal Internal Revenue Code and any regulations or
10 guidance adopted under that section.

11 (d) For purposes of this section, the following definitions apply:

12 (1) "Large group" means a group that is not a small employer,
13 as defined in Section 10753.

14 (2) "Plan year" has the meaning set forth in Section 144.103
15 of Title 45 of the Code of Federal Regulations.

16 *SEC. 3. No reimbursement is required by this act pursuant to*
17 *Section 6 of Article XIII B of the California Constitution because*
18 *the only costs that may be incurred by a local agency or school*
19 *district will be incurred because this act creates a new crime or*
20 *infraction, eliminates a crime or infraction, or changes the penalty*
21 *for a crime or infraction, within the meaning of Section 17556 of*
22 *the Government Code, or changes the definition of a crime within*
23 *the meaning of Section 6 of Article XIII B of the California*
24 *Constitution.*

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CORRECTIONS:

Text—Page 5.

