

AMENDED IN ASSEMBLY APRIL 21, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1163

Introduced by Assembly Member Rodriguez

February 27, 2015

An act to add Section 1399.3 to the Health and Safety Code, and to add Section 769.56 to the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 1163, as amended, Rodriguez. Health care services plan and health insurers: agents and brokers: notice of contract changes.

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.

This bill would prohibit a material change made by a health care service plan or a health insurer to the terms and conditions of a contract between the plan or insurer and an agent or broker from becoming effective until the plan or insurer has delivered to the agent or broker, written or electronic notice of the change or changes to the contract, within a specified time period. These provisions would not apply if the material change is agreed to by the plan or insurer and the agent or broker, or if the change at issue is required pursuant to state or federal law.

This bill would exempt violations of the provisions relating to health care service plans from the from criminal offense and other disciplinary provisions of the Knox-Keene Health Care Service Plan Act of 1975.

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

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

1 SECTION 1. Section 1399.3 is added to the Health and Safety
2 Code, to read:

3 1399.3. (a) A material change made by a health care service
4 plan, as defined in subdivision (f) of Section 1345, to the terms
5 and conditions of a contract between the health care service plan
6 and an agent or broker shall not become effective until the health
7 care service plan has delivered to the agent or broker, at least ~~120~~
8 60 days prior to the effective date of the change, written or
9 electronic notice indicating the change or changes to the contract.
10 For purposes of this section, ~~“material” means a provision in a~~
11 ~~contract to which a reasonable person would attach importance in~~
12 ~~determining the action to be taken upon the provision. a “material~~
13 ~~change” is a change that causes the contract not to reflect the~~
14 ~~terms the parties originally intended to be the basis for their mutual~~
15 ~~contractual obligations.~~

16 (b) Subdivision (a) shall not apply under either of the following
17 circumstances:

18 (1) The change to the contract is mutually agreed upon by the
19 health care service plan and the agent or broker.

20 (2) The change to the contract is required by state or federal
21 law.

22 (c) This section is not subject to Article 7 (commencing with
23 Section 1386) or Article 8 (commencing with Section 1390).

24 SEC. 2. Section 769.56 is added to the Insurance Code, to read:

25 769.56. (a) A material change made by a health insurer, as
26 defined in subdivision (b) of Section 106, to the terms and
27 conditions of a contract between the health insurer and an agent
28 or broker shall not become effective until the health insurer has
29 delivered to the agent or broker, at least ~~120~~ 60 days prior to the
30 effective date of the change, written or electronic notice indicating
31 the change or changes to the contract. For purposes of this section,
32 ~~“material” means a provision in a contract to which a reasonable~~
33 ~~person would attach importance in determining the action to be~~
34 ~~taken upon the provision. a “material change” is a change that~~

1 *causes the contract not to reflect the terms the parties originally*
2 *intended to be the basis for their mutual contractual obligations.*

3 (b) Subdivision (a) shall not apply under either of the following
4 circumstances:

5 (1) The change to the contract is mutually agreed upon by the
6 health insurer and the agent or broker.

7 (2) The change to the contract is required by state or federal
8 law.

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