

Introduced by Senator HernandezFebruary 26, 2015

An act to amend Section 1366.24 of the Health and Safety Code, and to amend Section 10128.54 of the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 503, as introduced, Hernandez. Cal-COBRA: disclosures.

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. The California Continuation Benefits Replacement Act (Cal-COBRA) requires health care service plans and health insurers providing coverage under a group benefit plan to employers of 2 to 19 eligible employees to offer a continuation of that coverage for a specified period of time to certain qualified beneficiaries, as specified. Existing law requires a group benefit plan that is subject to Cal-COBRA to make specified disclosures to covered employees, including that a covered employee who is considering declining continuation of coverage should be aware that companies selling individual health insurance may require a review of the employee's medical history that could result in a higher premium or denial of coverage.

This bill would eliminate the disclosure requirement described above.

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 1366.24 of the Health and Safety Code
2 is amended to read:

3 1366.24. (a) Every health care service plan evidence of
4 coverage, provided for group benefit plans subject to this article,
5 that is issued, amended, or renewed on or after January 1, 1999,
6 shall disclose to covered employees of group benefit plans subject
7 to this article the ability to continue coverage pursuant to this
8 article, as required by this section.

9 (b) This disclosure shall state that all enrollees who are eligible
10 to be qualified beneficiaries, as defined in subdivision (c) of
11 Section 1366.21, shall be required, as a condition of receiving
12 benefits pursuant to this article, to notify, in writing, the health
13 care service plan, or the employer if the employer contracts to
14 perform the administrative services as provided for in Section
15 1366.25, of all qualifying events as specified in paragraphs (1),
16 (3), (4), and (5) of subdivision (d) of Section 1366.21 within 60
17 days of the date of the qualifying event. This disclosure shall
18 inform enrollees that failure to make the notification to the health
19 care service plan, or to the employer when under contract to
20 provide the administrative services, within the required 60 days
21 will disqualify the qualified beneficiary from receiving continuation
22 coverage pursuant to this article. The disclosure shall further state
23 that a qualified beneficiary who wishes to continue coverage under
24 the group benefit plan pursuant to this article ~~must~~ *shall* request
25 the continuation in writing and deliver the written request, by
26 first-class mail, or other reliable means of delivery, including
27 personal delivery, express mail, or private courier company, to the
28 health care service plan, or to the employer if the plan has
29 contracted with the employer for administrative services pursuant
30 to subdivision (d) of Section 1366.25, within the 60-day period
31 following the later of (1) the date that the enrollee's coverage under
32 the group benefit plan terminated or will terminate by reason of a
33 qualifying event, or (2) the date the enrollee was sent notice
34 pursuant to subdivision (e) of Section 1366.25 of the ability to
35 continue coverage under the group benefit plan. The disclosure
36 required by this section shall also state that a qualified beneficiary
37 electing continuation shall pay to the health care service plan, in
38 accordance with the terms and conditions of the plan contract,

1 which shall be set forth in the notice to the qualified beneficiary
2 pursuant to subdivision (d) of Section 1366.25, the amount of the
3 required premium payment, as set forth in Section 1366.26. The
4 disclosure shall further require that the qualified beneficiary's first
5 premium payment required to establish premium payment be
6 delivered by first-class mail, certified mail, or other reliable means
7 of delivery, including personal delivery, express mail, or private
8 courier company, to the health care service plan, or to the employer
9 if the employer has contracted with the plan to perform the
10 administrative services pursuant to subdivision (d) of Section
11 1366.25, within 45 days of the date the qualified beneficiary
12 provided written notice to the health care service plan or the
13 employer, if the employer has contracted to perform the
14 administrative services, of the election to continue coverage in
15 order for coverage to be continued under this article. This
16 disclosure shall also state that the first premium payment ~~must~~
17 *shall* equal an amount sufficient to pay any required premiums
18 and all premiums due, and that failure to submit the correct
19 premium amount within the 45-day period will disqualify the
20 qualified beneficiary from receiving continuation coverage pursuant
21 to this article.

22 (c) The disclosure required by this section shall also describe
23 separately how qualified beneficiaries whose continuation coverage
24 terminates under a prior group benefit plan pursuant to subdivision
25 (b) of Section 1366.27 may continue their coverage for the balance
26 of the period that the qualified beneficiary would have remained
27 covered under the prior group benefit plan, including the
28 requirements for election and payment. The disclosure shall clearly
29 state that continuation coverage shall terminate if the qualified
30 beneficiary fails to comply with the requirements pertaining to
31 enrollment in, and payment of premiums to, the new group benefit
32 plan within 30 days of receiving notice of the termination of the
33 prior group benefit plan.

34 (d) Prior to August 1, 1998, every health care service plan shall
35 provide to all covered employees of employers subject to this
36 article a written notice containing the disclosures required by this
37 section, or shall provide to all covered employees of employers
38 subject to this section a new or amended evidence of coverage that
39 includes the disclosures required by this section. Any specialized
40 health care service plan that, in the ordinary course of business,

1 maintains only the addresses of employer group purchasers of
2 benefits and does not maintain addresses of covered employees,
3 may comply with the notice requirements of this section through
4 the provision of the notices to its employer group purchasers of
5 benefits.

6 (e) Every plan disclosure form issued, amended, or renewed on
7 and after January 1, 1999, for a group benefit plan subject to this
8 article shall provide a notice that, under state law, an enrollee may
9 be entitled to continuation of group coverage and that additional
10 information regarding eligibility for this coverage may be found
11 in the plan's evidence of coverage.

12 ~~(f) Every disclosure issued, amended, or renewed on and after~~
13 ~~July 1, 2006, for a group benefit plan subject to this article shall~~
14 ~~include the following notice:~~

15 ~~“Please examine your options carefully before declining this~~
16 ~~coverage. You should be aware that companies selling individual~~
17 ~~health insurance typically require a review of your medical history~~
18 ~~that could result in a higher premium or you could be denied~~
19 ~~coverage entirely.”~~

20 SEC. 2. Section 10128.54 of the Insurance Code is amended
21 to read:

22 10128.54. (a) Every insurer's evidence of coverage for group
23 benefit plans subject to this article, that is issued, amended, or
24 renewed on or after January 1, 1999, shall disclose to covered
25 employees of group benefit plans subject to this article the ability
26 to continue coverage pursuant to this article, as required by this
27 section.

28 (b) This disclosure shall state that all insureds who are eligible
29 to be qualified beneficiaries, as defined in subdivision (c) of
30 Section 10128.51, shall be required, as a condition of receiving
31 benefits pursuant to this article, to notify, in writing, the insurer,
32 or the employer if the employer contracts to perform the
33 administrative services as provided for in Section 10128.55, of all
34 qualifying events as specified in paragraphs (1), (3), (4), and (5)
35 of subdivision (d) of Section 10128.51 within 60 days of the date
36 of the qualifying event. This disclosure shall inform insureds that
37 failure to make the notification to the insurer, or to the employer
38 when under contract to provide the administrative services, within
39 the required 60 days will disqualify the qualified beneficiary from
40 receiving continuation coverage pursuant to this article. The

1 disclosure shall further state that a qualified beneficiary who wishes
2 to continue coverage under the group benefit plan pursuant to this
3 article ~~must~~ *shall* request the continuation in writing and deliver
4 the written request, by first-class mail, or other reliable means of
5 delivery, including personal delivery, express mail, or private
6 courier company, to the disability insurer, or to the employer if
7 the plan has contracted with the employer for administrative
8 services pursuant to subdivision (d) of Section 10128.55, within
9 the 60-day period following the later of (1) the date that the
10 insured's coverage under the group benefit plan terminated or will
11 terminate by reason of a qualifying event, or (2) the date the insured
12 was sent notice pursuant to subdivision (e) of Section 10128.55
13 of the ability to continue coverage under the group benefit plan.
14 The disclosure required by this section shall also state that a
15 qualified beneficiary electing continuation shall pay to the disability
16 insurer, in accordance with the terms and conditions of the policy
17 or contract, which shall be set forth in the notice to the qualified
18 beneficiary pursuant to subdivision (d) of Section 10128.55, the
19 amount of the required premium payment, as set forth in Section
20 10128.56. The disclosure shall further require that the qualified
21 beneficiary's first premium payment required to establish premium
22 payment be delivered by first-class mail, certified mail, or other
23 reliable means of delivery, including personal delivery, express
24 mail, or private courier company, to the disability insurer, or to
25 the employer if the employer has contracted with the insurer to
26 perform the administrative services pursuant to subdivision (d) of
27 Section 10128.55, within 45 days of the date the qualified
28 beneficiary provided written notice to the insurer or the employer,
29 if the employer has contracted to perform the administrative
30 services, of the election to continue coverage in order for coverage
31 to be continued under this article. This disclosure shall also state
32 that the first premium payment ~~must~~ *shall* equal an amount
33 sufficient to pay all required premiums and all premiums due, and
34 that failure to submit the correct premium amount within the 45-day
35 period will disqualify the qualified beneficiary from receiving
36 continuation coverage pursuant to this article.

37 (c) The disclosure required by this section shall also describe
38 separately how qualified beneficiaries whose continuation coverage
39 terminates under a prior group benefit plan pursuant to Section
40 10128.57 may continue their coverage for the balance of the period

1 that the qualified beneficiary would have remained covered under
2 the prior group benefit plan, including the requirements for election
3 and payment. The disclosure shall clearly state that continuation
4 coverage shall terminate if the qualified beneficiary fails to comply
5 with the requirements pertaining to enrollment in, and payment of
6 premiums to, the new group benefit plan within 30 days of
7 receiving notice of the termination of the prior group benefit plan.

8 (d) Prior to August 1, 1998, every insurer shall provide to all
9 covered employees of employers subject to this article written
10 notice containing the disclosures required by this section, or shall
11 provide to all covered employees of employers subject to this
12 article a new or amended evidence of coverage that includes the
13 disclosures required by this section. Any insurer that, in the
14 ordinary course of business, maintains only the addresses of
15 employer group purchasers of benefits, and does not maintain
16 addresses of covered employees, may comply with the notice
17 requirements of this section through the provision of the notices
18 to its employer group purchases of benefits.

19 (e) Every disclosure form issued, amended, or renewed on and
20 after January 1, 1999, for a group benefit plan subject to this article
21 shall provide a notice that, under state law, an insured may be
22 entitled to continuation of group coverage and that additional
23 information regarding eligibility for this coverage may be found
24 in the evidence of coverage.

25 ~~(f) Every disclosure form issued, amended, or renewed on and~~
26 ~~after July 1, 2006, for a group benefit plan subject to this article~~
27 ~~shall include the following notice:~~

28 ~~“Please examine your options carefully before declining this~~
29 ~~coverage. You should be aware that companies selling individual~~
30 ~~health insurance typically require a review of your medical history~~
31 ~~that could result in a higher premium or you could be denied~~
32 ~~coverage entirely.”~~