

Introduced by Senator Mitchell

February 27, 2015

An act to amend Section 1367.003 of the Health and Safety Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 783, as introduced, Mitchell. Health care coverage.

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.

The federal Patient Protection and Affordable Care Act requires a health insurance issuer issuing health insurance coverage to comply with minimum medical loss ratios, and to provide an annual rebate to each insured if the medical loss ratio of the amount of the revenue expended by the issuer on costs to the total amount of premium revenue is less than a certain percentage, as specified. Existing law requires health care service plans to comply with those requirements.

This bill would make technical, nonsubstantive changes to the latter provision.

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 1367.003 of the Health and Safety Code
- 2 is amended to read:
- 3 1367.003. (a) Every health care service plan that issues, sells,
- 4 renews, or offers health care service plan contracts for health care

1 coverage in this state, including a grandfathered health plan, but
2 not including specialized health care service plan contracts, shall
3 provide an annual rebate to each enrollee under ~~such~~ *that* coverage,
4 on a pro rata basis, if the ratio of the amount of premium revenue
5 expended by the health care service plan on the costs for
6 reimbursement for clinical services provided to enrollees under
7 ~~such~~ *that* coverage and for activities that improve health care
8 quality to the total amount of premium revenue, excluding federal
9 and state taxes and licensing or regulatory fees and after accounting
10 for payments or receipts for risk adjustment, risk corridors, and
11 reinsurance, is less than the following:

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

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

16 (b) Every health care service plan that issues, sells, renews, or
17 offers health care service plan contracts for health care coverage
18 in this state, including a grandfathered health plan, shall comply
19 with the following minimum medical loss ratios:

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

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

24 (c) (1) The total amount of an annual rebate required under this
25 section shall be calculated in an amount equal to the product of
26 the following:

27 (A) The amount by which the percentage described in paragraph
28 (1) or (2) of subdivision (a) exceeds the ratio described in paragraph
29 (1) or (2) of subdivision (a).

30 (B) The total amount of premium revenue, excluding federal
31 and state taxes and licensing or regulatory fees and after accounting
32 for payments or receipts for risk adjustment, risk corridors, and
33 reinsurance.

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

38 (d) (1) The director may adopt regulations in accordance with
39 the Administrative Procedure Act (Chapter 3.5 (commencing with
40 Section 11340) of Part 1 of Division 3 of Title 2 of the Government

1 Code) that are necessary to implement the medical loss ratio as
2 described under Section 2718 of the federal Public Health Service
3 Act (42 U.S.C. Sec. 300gg-18), and any federal rules or regulations
4 issued under that section.

5 (2) The director may also adopt emergency regulations in
6 accordance with the Administrative Procedure Act (Chapter 3.5
7 (commencing with Section 11340) of Part 1 of Division 3 of Title
8 2 of the Government Code) when it is necessary to implement the
9 applicable provisions of this section and to address specific
10 conflicts between state and federal law that prevent implementation
11 of federal law and guidance pursuant to Section 2718 of the federal
12 Public Health Service Act (42 U.S.C. Sec. 300gg-18). The initial
13 adoption of the emergency regulations shall be deemed to be an
14 emergency and necessary for the immediate preservation of the
15 public peace, health, safety, or general welfare.

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

19 (f) This section shall be implemented to the extent required by
20 federal law and shall comply with, and not exceed, the scope of
21 Section 2791 of the federal Public Health Service Act (42 U.S.C.
22 Sec. 300gg-91) and the requirements of Section 2718 of the federal
23 Public Health Service Act (42 U.S.C. Sec. 300gg-18) and any rules
24 or regulations issued under those sections.

25 (g) ~~Nothing in this~~ This section shall *not* be construed to apply
26 to provisions of this chapter pertaining to financial statements,
27 assets, liabilities, and other accounting items to which subdivision
28 (s) of Section 1345 applies.

29 (h) ~~Nothing in this~~ This section shall *not* be construed to apply
30 to a health care service plan contract or insurance policy issued,
31 sold, renewed, or offered for health care services or coverage
32 provided in the Medi-Cal program (Chapter 7 (commencing with
33 Section 14000) of Part 3 of Division 9 of the Welfare and
34 Institutions Code), the Healthy Families Program (Part 6.2
35 (commencing with Section 12693) of Division 2 of the Insurance
36 Code), the Access for Infants and Mothers Program (Part 6.3
37 (commencing with Section 12695) of Division 2 of the Insurance
38 Code), the California Major Risk Medical Insurance Program (Part
39 6.5 (commencing with Section 12700) of Division 2 of the
40 Insurance Code), or the Federal Temporary High Risk Insurance

- 1 Pool (Part 6.6 (commencing with Section 12739.5) of Division 2
- 2 of the Insurance Code), to the extent consistent with the federal
- 3 Patient Protection and Affordable Care Act (Public Law 111-148).

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