

Introduced by Senator HernandezFebruary 11, 2016

An act to amend Section 1385.03 of the Health and Safety Code, and to amend Section 10181.3 of the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 1010, as introduced, Hernandez. Health care coverage: rate review.

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 (DMHC) 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 (DOI). Existing law requires health care service plans and health insurers to file specified rate information with DMHC or DOI, as applicable, at least 60 days prior to implementing a rate change for individual or small group health care service plan contracts or health insurance policies. Existing law requires a plan or insurer to disclose as part of the filing, among other things, specified information by aggregate benefit category, such as physician services, ancillary services, and prescription drugs.

This bill would add as aggregate benefit categories "other medical professional services" and "other medical devices and therapies." 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 1385.03 of the Health and Safety Code
- 2 is amended to read:
- 3 1385.03. (a) All health care service plans shall file with the
- 4 department all required rate information for individual and small
- 5 group health care service plan contracts at least 60 days prior to
- 6 implementing any rate change.
- 7 (b) A plan shall disclose to the department all of the following
- 8 for each individual and small group rate filing:
- 9 (1) Company name and contact information.
- 10 (2) Number of plan contract forms covered by the filing.
- 11 (3) Plan contract form numbers covered by the filing.
- 12 (4) Product type, such as a preferred provider organization or
- 13 health maintenance organization.
- 14 (5) Segment type.
- 15 (6) Type of plan involved, such as for profit or not for profit.
- 16 (7) Whether the products are opened or closed.
- 17 (8) Enrollment in each plan contract and rating form.
- 18 (9) Enrollee months in each plan contract form.
- 19 (10) Annual rate.
- 20 (11) Total earned premiums in each plan contract form.
- 21 (12) Total incurred claims in each plan contract form.
- 22 (13) Average rate increase initially requested.
- 23 (14) Review category: initial filing for new product, filing for
- 24 existing product, or resubmission.
- 25 (15) Average rate of increase.
- 26 (16) Effective date of rate increase.
- 27 (17) Number of subscribers or enrollees affected by each plan
- 28 contract form.
- 29 (18) The plan’s overall annual medical trend factor assumptions
- 30 in each rate filing for all benefits and by aggregate benefit category,
- 31 including hospital inpatient, hospital outpatient, physician services,
- 32 prescription drugs and other ancillary services, laboratory, and
- 33 radiology. A plan may provide aggregated additional data that

1 demonstrates or reasonably estimates year-to-year cost increases
2 in specific benefit categories in the geographic regions listed in
3 Sections 1357.512 and 1399.855. A health plan that exclusively
4 contracts with no more than two medical groups in the state to
5 provide or arrange for professional medical services for the
6 enrollees of the plan shall instead disclose the amount of its actual
7 trend experience for the prior contract year by aggregate benefit
8 category, using benefit categories that are, to the maximum extent
9 possible, the same or similar to those used by other plans.

10 (19) The amount of the projected trend attributable to the use
11 of services, price inflation, or fees and risk for annual plan contract
12 trends by aggregate benefit category, such as hospital inpatient,
13 hospital outpatient, physician services, *other medical professional*
14 *services, ancillary services*, prescription drugs and other ~~ancillary~~
15 ~~services~~, *medical devices and therapies*, laboratory, and radiology.
16 A health plan that exclusively contracts with no more than two
17 medical groups in the state to provide or arrange for professional
18 medical services for the enrollees of the plan shall instead disclose
19 the amount of its actual trend experience for the prior contract year
20 by aggregate benefit category, using benefit categories that are, to
21 the maximum extent possible, the same or similar to those used
22 by other plans.

23 (20) A comparison of claims cost and rate of changes over time.

24 (21) Any changes in enrollee cost sharing over the prior year
25 associated with the submitted rate filing.

26 (22) Any changes in enrollee benefits over the prior year
27 associated with the submitted rate filing.

28 (23) The certification described in subdivision (b) of Section
29 1385.06.

30 (24) Any changes in administrative costs.

31 (25) Any other information required for rate review under
32 PPACA.

33 (c) A health care service plan subject to subdivision (a) shall
34 also disclose the following aggregate data for all rate filings
35 submitted under this section in the individual and small group
36 health plan markets:

37 (1) Number and percentage of rate filings reviewed by the
38 following:

39 (A) Plan year.

40 (B) Segment type.

- 1 (C) Product type.
- 2 (D) Number of subscribers.
- 3 (E) Number of covered lives affected.

4 (2) The plan’s average rate increase by the following categories:

- 5 (A) Plan year.
- 6 (B) Segment type.
- 7 (C) Product type.

8 (3) Any cost containment and quality improvement efforts since
9 the plan’s last rate filing for the same category of health benefit
10 plan. To the extent possible, the plan shall describe any significant
11 new health care cost containment and quality improvement efforts
12 and provide an estimate of potential savings together with an
13 estimated cost or savings for the projection period.

14 (d) The department may require all health care service plans to
15 submit all rate filings to the National Association of Insurance
16 Commissioners’ System for Electronic Rate and Form Filing
17 (SERFF). Submission of the required rate filings to SERFF shall
18 be deemed to be filing with the department for purposes of
19 compliance with this section.

20 (e) A plan shall submit any other information required under
21 PPACA. A plan shall also submit any other information required
22 pursuant to any regulation adopted by the department to comply
23 with this article.

24 SEC. 2. Section 10181.3 of the Insurance Code is amended to
25 read:

26 10181.3. (a) All health insurers shall file with the department
27 all required rate information for individual and small group health
28 insurance policies at least 60 days prior to implementing any rate
29 change.

30 (b) An insurer shall disclose to the department all of the
31 following for each individual and small group rate filing:

- 32 (1) Company name and contact information.
- 33 (2) Number of policy forms covered by the filing.
- 34 (3) Policy form numbers covered by the filing.
- 35 (4) Product type, such as indemnity or preferred provider
36 organization.
- 37 (5) Segment type.
- 38 (6) Type of insurer involved, such as for profit or not for profit.
- 39 (7) Whether the products are opened or closed.
- 40 (8) Enrollment in each policy and rating form.

- 1 (9) Insured months in each policy form.
- 2 (10) Annual rate.
- 3 (11) Total earned premiums in each policy form.
- 4 (12) Total incurred claims in each policy form.
- 5 (13) Average rate increase initially requested.
- 6 (14) Review category: initial filing for new product, filing for
- 7 existing product, or resubmission.
- 8 (15) Average rate of increase.
- 9 (16) Effective date of rate increase.
- 10 (17) Number of policyholders or insureds affected by each
- 11 policy form.
- 12 (18) The insurer’s overall annual medical trend factor
- 13 assumptions in each rate filing for all benefits and by aggregate
- 14 benefit category, including hospital inpatient, hospital outpatient,
- 15 physician services, prescription drugs and other ancillary services,
- 16 laboratory, and radiology. An insurer may provide aggregated
- 17 additional data that demonstrates or reasonably estimates
- 18 year-to-year cost increases in specific benefit categories in the
- 19 geographic regions listed in Sections 10753.14 and 10965.9. For
- 20 purposes of this paragraph, “major geographic region” shall be
- 21 defined by the department and shall include no more than nine
- 22 regions.
- 23 (19) The amount of the projected trend attributable to the use
- 24 of services, price inflation, or fees and risk for annual policy trends
- 25 by aggregate benefit category, such as hospital inpatient, hospital
- 26 outpatient, physician services, *other medical professional services,*
- 27 *ancillary services,* prescription drugs and other ~~ancillary services,~~
- 28 *medical devices and therapies,* laboratory, and radiology.
- 29 (20) A comparison of claims cost and rate of changes over time.
- 30 (21) Any changes in insured cost sharing over the prior year
- 31 associated with the submitted rate filing.
- 32 (22) Any changes in insured benefits over the prior year
- 33 associated with the submitted rate filing.
- 34 (23) The certification described in subdivision (b) of Section
- 35 10181.6.
- 36 (24) Any changes in administrative costs.
- 37 (25) Any other information required for rate review under
- 38 PPACA.

1 (c) An insurer subject to subdivision (a) shall also disclose the
2 following aggregate data for all rate filings submitted under this
3 section in the individual and small group health insurance markets:

4 (1) Number and percentage of rate filings reviewed by the
5 following:

- 6 (A) Plan year.
- 7 (B) Segment type.
- 8 (C) Product type.
- 9 (D) Number of policyholders.
- 10 (E) Number of covered lives affected.

11 (2) The insurer's average rate increase by the following
12 categories:

- 13 (A) Plan year.
- 14 (B) Segment type.
- 15 (C) Product type.

16 (3) Any cost containment and quality improvement efforts since
17 the insurer's last rate filing for the same category of health benefit
18 plan. To the extent possible, the insurer shall describe any
19 significant new health care cost containment and quality
20 improvement efforts and provide an estimate of potential savings
21 together with an estimated cost or savings for the projection period.

22 (d) The department may require all health insurers to submit all
23 rate filings to the National Association of Insurance
24 Commissioners' System for Electronic Rate and Form Filing
25 (SERFF). Submission of the required rate filings to SERFF shall
26 be deemed to be filing with the department for purposes of
27 compliance with this section.

28 (e) A health insurer shall submit any other information required
29 under PPACA. A health insurer shall also submit any other
30 information required pursuant to any regulation adopted by the
31 department to comply with this article.

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

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