

AMENDED IN SENATE MARCH 30, 2016

SENATE BILL

No. 1010

Introduced by Senator Hernandez

February 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: ~~1385.045~~ of, to add Section 1367.245 to, and to add Chapter 9 (commencing with Section 127675) to Part 2 of Division 107 of the Health and Safety Code, and to amend Section 10181.45 of, and to add Section 10123.204 to, the Insurance Code, relating to health care.

LEGISLATIVE COUNSEL'S DIGEST

SB 1010, as amended, Hernandez. ~~Health care coverage: rate review: care: prescription drug costs.~~

Existing law, the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene Act), 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, for health care service plan contracts or health insurance policies in the individual or small group markets and for health care service plan contracts and health insurance policies in the large group market.

This bill would require health care service plans or health insurers that file the above-described rate information to report to DMHC or DOI, on a date no later than the reporting of the rate information, specified cost information regarding covered prescription drugs,

including generic drugs, brand name drugs, specialty drugs, and prescription drugs provided in an outpatient setting or sold in a retail setting. The information reported would include, but not be limited to, the 25 most frequently prescribed drugs and the average wholesale price for each drug and the 25 most costly drugs by total plan or insurer spending and the average wholesale price for each drug. DMHC and DOI would be required to compile the reported information into a consumer-friendly report that demonstrates the overall impact of drug costs on health care premiums and publish the reports on their Internet Web sites by January 1 of each year. Except for the report, DMHC and DOI would be required to keep confidential all information provided pursuant to these provisions.

Because a willful violation of the Knox-Keene Act is a crime, this bill would impose a state-mandated local program.

This bill would require a manufacturer of a branded prescription drug to notify state purchasers, health care service plans, health insurers, and the chairs of specified Senate and Assembly committees if it is increasing the wholesale acquisition cost of the drug by more than 10% during any 12-month period or if it intends to introduce to market a prescription drug that has a wholesale acquisition cost of \$10,000 or more annually or per course of treatment. The bill would require a manufacturer of a generic prescription drug with a specified price to notify state purchasers, health care service plans, health insurers, and the chairs of specified Senate and Assembly committees if it is increasing the wholesale acquisition cost of the drug by more than 10% during any 12-month period. The bill would require a manufacturer, within 30 days of notification of a price increase, or of the introduction to market of a prescription drug that has a wholesale acquisition cost of \$10,000 or more annually or per course of treatment, to report specified information regarding the drug price to each state purchaser, health care service plan, and health insurer, and would require a manufacturer who fails to provide the required information within the 30 days to be subject to a civil penalty of \$1,000 per day. The bill would also require the Legislature to conduct an annual public hearing regarding the price increases and information reported, as prescribed.

Existing law requires, for large group health care service plan contracts and health insurance policies, each health care service plan or health insurer to file with DMHC or DOI the weighted average rate increase for all large group benefit designs during the 12-month period

ending January 1 of the following calendar year, and to also disclose specified information for the aggregate rate information for the large group market.

This bill would add to that disclosure of information for the aggregate rate information for the large group market, the requirement for health care service plans or health insurers to disclose specified cost information regarding covered prescription drugs, including generic drugs, brand name drugs excluding specialty drugs, and specialty drugs dispensed at a pharmacy, network pharmacy, or mail order pharmacy for outpatient use.

Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

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.

~~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 1367.245 is added to the Health and
2 Safety Code, immediately preceding Section 1367.25, to read:
3 1367.245. (a) (1) A health care service plan that reports rate
4 information pursuant to Section 1385.03 or 1385.045 shall report
5 the information described in paragraph (2) to the department on
6 a date no later than it reports the rate information.
7 (2) For all covered prescription drugs, including generic drugs,
8 brand name drugs, specialty drugs, and prescription drugs
9 provided in an outpatient setting or sold in a retail setting, all of
10 the following shall be reported:
11 (A) The 25 most frequently prescribed drugs and the average
12 wholesale price for each drug.
13 (B) The 25 most costly drugs by total plan spending and the
14 average wholesale price for each drug.
15 (C) The 25 drugs with the highest year-over-year increase and
16 the average wholesale price for each drug.
17 (b) The department shall compile the information reported
18 pursuant to subdivision (a) into a consumer-friendly report that
19 demonstrates the overall impact of drug costs on health care
20 premiums. The data in the report shall be aggregated and shall
21 not reveal information specific to individual health care service
22 plans.
23 (c) For the purposes of this section, a “specialty drug” is one
24 that exceeds the threshold for a specialty drug under the Medicare
25 Part D program (Medicare Prescription Drug, Improvement, and
26 Modernization Act of 2003 (Public Law 108-173)).
27 (d) By January 1 of each year, the department shall publish on
28 its Internet Web site the report required pursuant to subdivision
29 (b).

1 (e) After the report required in subdivision (b) is released, the
2 department shall include the report as part of the public meeting
3 required pursuant to subdivision (b) of Section 1385.045.

4 (f) Except for the report required pursuant to subdivision (b),
5 the department shall keep confidential all of the information
6 provided to the department pursuant to this section, and that
7 information shall be exempt from disclosure under the California
8 Public Records Act (Chapter 3.5 (commencing with Section 6250)
9 of Division 7 of Title 1 of the Government Code).

10 SEC. 2. Section 1385.045 of the Health and Safety Code is
11 amended to read:

12 1385.045. (a) For large group health care service plan
13 contracts, each health plan shall file with the department the
14 weighted average rate increase for all large group benefit designs
15 during the 12-month period ending January 1 of the following
16 calendar year. The average shall be weighted by the number of
17 enrollees in each large group benefit design in the plan's large
18 group market and adjusted to the most commonly sold large group
19 benefit design by enrollment during the 12-month period. For the
20 purposes of this section, the large group benefit design includes,
21 but is not limited to, benefits such as basic health care services
22 and prescription drugs. The large group benefit design shall not
23 include cost sharing, including, but not limited to, deductibles,
24 copays, and coinsurance.

25 (b) (1) A plan shall also submit any other information required
26 pursuant to any regulation adopted by the department to comply
27 with this article.

28 (2) The department shall conduct an annual public meeting
29 regarding large group rates within three months of posting the
30 aggregate information described in this section in order to permit
31 a public discussion of the reasons for the changes in the rates,
32 benefits, and cost sharing in the large group market. The meeting
33 shall be held in either the Los Angeles area or the San Francisco
34 Bay area.

35 (c) A health care service plan subject to subdivision (a) shall
36 also disclose the following for the aggregate rate information for
37 the large group market submitted under this section:

38 (1) For rates effective during the 12-month period ending
39 January 1 of the following year, number and percentage of rate
40 changes reviewed by the following:

- 1 (A) Plan year.
2 (B) Segment type, including whether the rate is community
3 rated, in whole or in part.
4 (C) Product type.
5 (D) Number of enrollees.
6 (E) The number of products sold that have materially different
7 benefits, cost sharing, or other elements of benefit design.
8 (2) For rates effective during the 12-month period ending
9 January 1 of the following year, any factors affecting the base rate,
10 and the actuarial basis for those factors, including all of the
11 following:
12 (A) Geographic region.
13 (B) Age, including age rating factors.
14 (C) Occupation.
15 (D) Industry.
16 (E) Health status factors, including, but not limited to,
17 experience and utilization.
18 (F) Employee, and employee and dependents, including a
19 description of the family composition used.
20 (G) Enrollees' share of premiums.
21 (H) Enrollees' cost sharing.
22 (I) Covered benefits in addition to basic health care services,
23 as defined in Section 1345, and other benefits mandated under this
24 article.
25 (J) Which market segment, if any, is fully experience rated and
26 which market segment, if any, is in part experience rated and in
27 part community rated.
28 (K) Any other factor that affects the rate that is not otherwise
29 specified.
30 (3) (A) The plan's overall annual medical trend factor
31 assumptions for all benefits and by aggregate benefit category,
32 including hospital inpatient, hospital outpatient, physician services,
33 prescription drugs and other ancillary services, laboratory, and
34 radiology for the applicable 12-month period ending January 1 of
35 the following year. A health plan that exclusively contracts with
36 no more than two medical groups in the state to provide or arrange
37 for professional medical services for the enrollees of the plan shall
38 instead disclose the amount of its actual trend experience for the
39 prior contract year by aggregate benefit category, using benefit

1 categories, to the maximum extent possible, that are the same as,
2 or similar to, those used by other plans.

3 (B) The amount of the projected trend separately attributable
4 to the use of services, price inflation, and fees and risk for annual
5 plan contract trends by aggregate benefit category, including
6 hospital inpatient, hospital outpatient, physician services,
7 prescription drugs and other ancillary services, laboratory, and
8 radiology. A health plan that exclusively contracts with no more
9 than two medical groups in the state to provide or arrange for
10 professional medical services for the enrollees of the plan shall
11 instead disclose the amount of its actual trend experience for the
12 prior contract year by aggregate benefit category, using benefit
13 categories that are, to the maximum extent possible, the same or
14 similar to those used by other plans.

15 (C) A comparison of the aggregate per enrollee per month costs
16 and rate of changes over the last five years for each of the
17 following:

- 18 (i) Premiums.
- 19 (ii) Claims costs, if any.
- 20 (iii) Administrative expenses.
- 21 (iv) Taxes and fees.

22 (D) Any changes in enrollee cost sharing over the prior year
23 associated with the submitted rate information, including both of
24 the following:

- 25 (i) Actual copays, coinsurance, deductibles, annual out of pocket
26 maximums, and any other cost sharing by the benefit categories
27 determined by the department.
- 28 (ii) Any aggregate changes in enrollee cost sharing over the
29 prior years as measured by the weighted average actuarial value,
30 weighted by the number of enrollees.

31 (E) Any changes in enrollee benefits over the prior year,
32 including a description of benefits added or eliminated, as well as
33 any aggregate changes, as measured as a percentage of the
34 aggregate claims costs, listed by the categories determined by the
35 department.

36 (F) Any cost containment and quality improvement efforts since
37 the plan's prior year's information pursuant to this section for the
38 same category of health benefit plan. To the extent possible, the
39 plan shall describe any significant new health care cost containment
40 and quality improvement efforts and provide an estimate of

1 potential savings together with an estimated cost or savings for
 2 the projection period.

3 (G) The number of products covered by the information that
 4 incurred the excise tax paid by the health plan.

5 (4) (A) *For covered prescription drugs, including generic drugs,*
 6 *brand name drugs excluding specialty drugs, and specialty drugs*
 7 *dispensed at a plan pharmacy, network pharmacy, or mail order*
 8 *pharmacy for outpatient use all of the following shall be disclosed:*

9 (i) *The percentage of the premium attributable to prescription*
 10 *drug costs for the prior year for each category of prescription*
 11 *drugs.*

12 (ii) *The year-over-year increase in the percentage of the*
 13 *premium attributable to each category of prescription drugs.*

14 (iii) *The year-over-year increase in per member, per month*
 15 *costs for drug prices compared to other components of the health*
 16 *care premium.*

17 (iv) *The specialty tier formulary list.*

18 (B) *The plan shall include the percentage of the premium*
 19 *attributable to prescription drugs administered in a doctor’s office*
 20 *that are part of the medical benefit as separate from the pharmacy*
 21 *benefit, if available.*

22 (d) The information required pursuant to this section shall be
 23 submitted to the department on or before October 1, 2016, and on
 24 or before October 1 annually thereafter. Information submitted
 25 pursuant to this section is subject to Section 1385.07.

26 *SEC. 3. Chapter 9 (commencing with Section 127675) is added*
 27 *to Part 2 of Division 107 of the Health and Safety Code, to read:*

28

29 *CHAPTER 9. PRESCRIPTION DRUG PRICING FOR STATE*
 30 *PURCHASERS*

31

32 *127675. (a) This chapter shall apply to any manufacturer of*
 33 *a prescription drug that is purchased or reimbursed by any of the*
 34 *following:*

35 (1) *A state purchaser in California, including, but not limited*
 36 *to, the Public Employees’ Retirement System, the State Department*
 37 *of Health Care Services, the Department of General Services, and*
 38 *the Department of Corrections and Rehabilitation, or an entity*
 39 *acting on behalf of a state purchaser.*

40 (2) *A health care service plan licensed pursuant to Section 1353.*

1 (3) A health insurer holding a valid outstanding certificate of
2 authority from the Insurance Commissioner.

3 (b) (1) A manufacturer of a branded prescription drug shall
4 notify each state purchaser, health care service plan, or health
5 insurer if it is increasing the wholesale acquisition cost of a
6 prescription drug by more than 10 percent during any 12-month
7 period or if it intends to introduce to market a prescription drug
8 that has a wholesale acquisition cost of ten thousand dollars
9 (\$10,000) or more annually or per course of treatment. The notice
10 shall be provided in writing at least 60 days prior to the planned
11 effective date of the increase. A copy of the notice shall be provided
12 concurrently to the Chairs of the Senate Committee on
13 Appropriations, the Senate Committee on Budget and Fiscal
14 Review, the Assembly Committee on Appropriations, and the
15 Assembly Committee on Budget.

16 (2) A manufacturer of a generic prescription drug with a price
17 of one hundred dollars (\$100) or more per 30-day supply shall
18 notify a state purchaser, health care service plan, or health insurer
19 if it is increasing the wholesale acquisition cost of the prescription
20 drug by more than 10 percent during a 12-month period. The notice
21 shall be provided in writing at least 60 days prior to the planned
22 effective date of the increase. A copy of the notice shall be provided
23 concurrently to the Chairs of the Senate Committee on
24 Appropriations, the Senate Committee on Budget and Fiscal
25 Review, the Assembly Committee on Appropriations, and the
26 Assembly Committee on Budget.

27 (3) (A) Within 30 days of notification of a price increase, or of
28 the introduction to market of a prescription drug that has a
29 wholesale acquisition cost of ten thousand dollars (\$10,000) or
30 more annually or per course of treatment, a manufacturer shall
31 report all of the following information to each state purchaser,
32 health care service plan, or health insurer:

33 (i) A justification for the proposed increase in the price of the
34 drug, including all information and supporting documentation as
35 to why the increase is justified.

36 (ii) The total dollar amount of public funding received by the
37 manufacturer for the development and marketing, including, but
38 not limited to, state and federal tax credits, grants, and all other
39 public subsidies.

40 (iii) The expected marketing budget for the drug.

1 (iv) *The date the drug was purchased if it was not developed by*
2 *the manufacturer.*

3 (v) *A schedule of past price increases for the drug.*

4 (B) *Failure to report the information to state purchasers, health*
5 *care service plans, or health insurers shall result in a civil penalty*
6 *of one thousand dollars (\$1,000) per day for every day after the*
7 *30-day notification period.*

8 (c) *The Legislature shall conduct an annual public hearing*
9 *regarding the price increases and information reported pursuant*
10 *to this section. The hearing shall provide for public discussion of*
11 *the reasons for the price increases, emerging trends, decreases in*
12 *drug prices, and the impact on health care affordability and*
13 *premiums.*

14 (d) *This chapter shall not restrict the legal ability of a*
15 *pharmaceutical manufacturer to change prices as permitted under*
16 *federal law.*

17 SEC. 4. *Section 10123.204 is added to the Insurance Code,*
18 *immediately preceding Section 10123.206, to read:*

19 10123.204. (a) (1) *A health insurer that reports rate*
20 *information pursuant to Section 10181.3 or 10181.45 shall report*
21 *the information described in paragraph (2) to the department on*
22 *a date no later than it reports the rate information.*

23 (2) *For all covered prescription drugs, including generic drugs,*
24 *brand name drugs, specialty drugs, and prescription drugs*
25 *provided in an outpatient setting or sold in a retail setting, all of*
26 *the following shall be reported:*

27 (A) *The 25 most frequently prescribed drugs and the average*
28 *wholesale price for each drug.*

29 (B) *The 25 most costly drugs by total insurer spending and the*
30 *average wholesale price for each drug.*

31 (C) *The 25 drugs with the highest year-over-year increase and*
32 *the average wholesale price for each drug.*

33 (b) *The department shall compile the information reported*
34 *pursuant to subdivision (a) into a consumer-friendly report that*
35 *demonstrates the overall impact of drug costs on health care*
36 *premiums. The data in the report shall be aggregated and shall*
37 *not reveal information specific to individual health insurers.*

38 (c) *For the purposes of this section, a “specialty drug” is one*
39 *that exceeds the threshold for a specialty drug under the Medicare*

1 *Part D program (Medicare Prescription Drug, Improvement, and*
2 *Modernization Act of 2003 (Public Law 108-173)).*

3 *(d) By January 1 of each year, the department shall publish on*
4 *its Internet Web site the report required pursuant to subdivision*
5 *(b).*

6 *(e) After the report required in subdivision (b) is released, the*
7 *department shall include the report as part of the public meeting*
8 *required pursuant to subdivision (b) of Section 10181.45.*

9 *(f) Except for the report required pursuant to subdivision (b),*
10 *the department shall keep confidential all of the information*
11 *provided to the department pursuant to this section, and that*
12 *information shall be exempt from disclosure under the California*
13 *Public Records Act (Chapter 3.5 (commencing with Section 6250)*
14 *of Division 7 of Title 1 of the Government Code).*

15 *SEC. 5. Section 10181.45 of the Insurance Code is amended*
16 *to read:*

17 10181.45. (a) For large group health insurance policies, each
18 health insurer shall file with the department the weighted average
19 rate increase for all large group benefit designs during the 12-month
20 period ending January 1 of the following calendar year. The
21 average shall be weighted by the number of insureds in each large
22 group benefit design in the insurer's large group market and
23 adjusted to the most commonly sold large group benefit design by
24 enrollment during the 12-month period. For the purposes of this
25 section, the large group benefit design includes, but is not limited
26 to, benefits such as basic health care services and prescription
27 drugs. The large group benefit design shall not include cost sharing,
28 including, but not limited to, deductibles, copays, and coinsurance.

29 (b) (1) A health insurer shall also submit any other information
30 required pursuant to any regulation adopted by the department to
31 comply with this article.

32 (2) The department shall conduct an annual public meeting
33 regarding large group rates within three months of posting the
34 aggregate information described in this section in order to permit
35 a public discussion of the reasons for the changes in the rates,
36 benefits, and cost sharing in the large group market. The meeting
37 shall be held in either the Los Angeles area or the San Francisco
38 Bay area.

1 (c) A health insurer subject to subdivision (a) shall also disclose
2 the following for the aggregate rate information for the large group
3 market submitted under this section:

4 (1) For rates effective during the 12-month period ending
5 January 1 of the following year, number and percentage of rate
6 changes reviewed by the following:

7 (A) Plan year.

8 (B) Segment type, including whether the rate is community
9 rated, in whole or in part.

10 (C) Product type.

11 (D) Number of insureds.

12 (E) The number of products sold that have materially different
13 benefits, cost sharing, or other elements of benefit design.

14 (2) For rates effective during the 12-month period ending
15 January 1 of the following year, any factors affecting the base rate,
16 and the actuarial basis for those factors, including all of the
17 following:

18 (A) Geographic region.

19 (B) Age, including age rating factors.

20 (C) Occupation.

21 (D) Industry.

22 (E) Health status factors, including, but not limited to,
23 experience and utilization.

24 (F) Employee, and employee and dependents, including a
25 description of the family composition used.

26 (G) Insureds' share of premiums.

27 (H) Insureds' cost sharing.

28 (I) Covered benefits in addition to basic health care services,
29 as defined in Section 1345 of the Health and Safety Code, and
30 other benefits mandated under this article.

31 (J) Which market segment, if any, is fully experience rated and
32 which market segment, if any, is in part experience rated and in
33 part community rated.

34 (K) Any other factor that affects the rate that is not otherwise
35 specified.

36 (3) (A) The insurer's overall annual medical trend factor
37 assumptions for all benefits and by aggregate benefit category,
38 including hospital inpatient, hospital outpatient, physician services,
39 prescription drugs and other ancillary services, laboratory, and
40 radiology for the applicable 12-month period ending January 1 of

1 the following year. A health insurer that exclusively contracts with
2 no more than two medical groups in the state to provide or arrange
3 for professional medical services for the health insurer's insureds
4 shall instead disclose the amount of its actual trend experience for
5 the prior contract year by aggregate benefit category, using benefit
6 categories, to the maximum extent possible, that are the same or
7 similar to those used by other insurers.

8 (B) The amount of the projected trend separately attributable
9 to the use of services, price inflation, and fees and risk for annual
10 policy trends by aggregate benefit category, including hospital
11 inpatient, hospital outpatient, physician services, prescription drugs
12 and other ancillary services, laboratory, and radiology. A health
13 insurer that exclusively contracts with no more than two medical
14 groups in the state to provide or arrange for professional medical
15 services for the insureds shall instead disclose the amount of its
16 actual trend experience for the prior contract year by aggregate
17 benefit category, using benefit categories that are, to the maximum
18 extent possible, the same or similar to those used by other insurers.

19 (C) A comparison of the aggregate per insured per month costs
20 and rate of changes over the last five years for each of the
21 following:

- 22 (i) Premiums.
- 23 (ii) Claims costs, if any.
- 24 (iii) Administrative expenses.
- 25 (iv) Taxes and fees.

26 (D) Any changes in insured cost sharing over the prior year
27 associated with the submitted rate information, including both of
28 the following:

- 29 (i) Actual copays, coinsurance, deductibles, annual out of pocket
30 maximums, and any other cost sharing by the benefit categories
31 determined by the department.
- 32 (ii) Any aggregate changes in insured cost sharing over the prior
33 years as measured by the weighted average actuarial value,
34 weighted by the number of insureds.

35 (E) Any changes in insured benefits over the prior year,
36 including a description of benefits added or eliminated as well as
37 any aggregate changes as measured as a percentage of the aggregate
38 claims costs, listed by the categories determined by the department.

39 (F) Any cost containment and quality improvement efforts made
40 since the insurer's prior year's information pursuant to this section

1 for the same category of health insurer. To the extent possible, the
2 insurer shall describe any significant new health care cost
3 containment and quality improvement efforts and provide an
4 estimate of potential savings together with an estimated cost or
5 savings for the projection period.

6 (G) The number of products covered by the information that
7 incurred the excise tax paid by the health insurer.

8 (4) (A) *For covered prescription drugs, including generic drugs,
9 brand name drugs excluding specialty drugs, and specialty drugs
10 dispensed at a pharmacy, network pharmacy, or mail order
11 pharmacy for outpatient use all of the following shall be disclosed:*

12 (i) *The percentage of the premium attributable to prescription
13 drug costs for the prior year for each category of prescription
14 drugs.*

15 (ii) *The year-over-year increase in the percentage of the
16 premium attributable to each category of prescription drugs.*

17 (iii) *The year-over-year increase in per member, per month
18 costs for drug prices compared to other components of the health
19 care premium.*

20 (iv) *The specialty tier formulary list.*

21 (B) *The insurer shall include the percentage of the premium
22 attributable to prescription drugs administered in a doctor's office
23 that are part of the medical benefit as separate from the pharmacy
24 benefit, if available.*

25 (d) The information required pursuant to this section shall be
26 submitted to the department on or before October 1, 2016, and on
27 or before October 1 annually thereafter. Information submitted
28 pursuant to this section is subject to Section 10181.7.

29 *SEC. 6. The Legislature finds and declares that Sections 1 and
30 4 of this act, which add Section 1367.245 to the Health and Safety
31 Code and Section 10123.204 to the Insurance Code, impose a
32 limitation on the public's right of access to the meetings of public
33 bodies or the writings of public officials and agencies within the
34 meaning of Section 3 of Article I of the California Constitution.
35 Pursuant to that constitutional provision, the Legislature makes
36 the following findings to demonstrate the interest protected by this
37 limitation and the need for protecting that interest:*

38 *In order to protect proprietary, confidential information reported
39 by prescription drug manufacturers, health care service plans,
40 and health insurers, and to protect the integrity of the competitive*

1 market, it is necessary that this act limit the public's right of access
2 to that information.

3 SEC. 7. No reimbursement is required by this act pursuant to
4 Section 6 of Article XIII B of the California Constitution because
5 the only costs that may be incurred by a local agency or school
6 district will be incurred because this act creates a new crime or
7 infraction, eliminates a crime or infraction, or changes the penalty
8 for a crime or infraction, within the meaning of Section 17556 of
9 the Government Code, or changes the definition of a crime within
10 the meaning of Section 6 of Article XIII B of the California
11 Constitution.

12 SECTION 1. ~~Section 1385.03 of the Health and Safety Code~~
13 ~~is amended to read:~~

14 ~~1385.03. (a) All health care service plans shall file with the~~
15 ~~department all required rate information for individual and small~~
16 ~~group health care service plan contracts at least 60 days prior to~~
17 ~~implementing any rate change.~~

18 ~~(b) A plan shall disclose to the department all of the following~~
19 ~~for each individual and small group rate filing:~~

- 20 ~~(1) Company name and contact information.~~
- 21 ~~(2) Number of plan contract forms covered by the filing.~~
- 22 ~~(3) Plan contract form numbers covered by the filing.~~
- 23 ~~(4) Product type, such as a preferred provider organization or~~
24 ~~health maintenance organization.~~
- 25 ~~(5) Segment type.~~
- 26 ~~(6) Type of plan involved, such as for profit or not for profit.~~
- 27 ~~(7) Whether the products are opened or closed.~~
- 28 ~~(8) Enrollment in each plan contract and rating form.~~
- 29 ~~(9) Enrollee months in each plan contract form.~~
- 30 ~~(10) Annual rate.~~
- 31 ~~(11) Total earned premiums in each plan contract form.~~
- 32 ~~(12) Total incurred claims in each plan contract form.~~
- 33 ~~(13) Average rate increase initially requested.~~
- 34 ~~(14) Review category: initial filing for new product, filing for~~
35 ~~existing product, or resubmission.~~
- 36 ~~(15) Average rate of increase.~~
- 37 ~~(16) Effective date of rate increase.~~
- 38 ~~(17) Number of subscribers or enrollees affected by each plan~~
39 ~~contract form.~~

1 ~~(18) The plan’s overall annual medical trend factor assumptions~~
2 ~~in each rate filing for all benefits and by aggregate benefit category,~~
3 ~~including hospital inpatient, hospital outpatient, physician services,~~
4 ~~prescription drugs and other ancillary services, laboratory, and~~
5 ~~radiology. A plan may provide aggregated additional data that~~
6 ~~demonstrates or reasonably estimates year-to-year cost increases~~
7 ~~in specific benefit categories in the geographic regions listed in~~
8 ~~Sections 1357.512 and 1399.855. A health plan that exclusively~~
9 ~~contracts with no more than two medical groups in the state to~~
10 ~~provide or arrange for professional medical services for the~~
11 ~~enrollees of the plan shall instead disclose the amount of its actual~~
12 ~~trend experience for the prior contract year by aggregate benefit~~
13 ~~category, using benefit categories that are, to the maximum extent~~
14 ~~possible, the same or similar to those used by other plans.~~

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

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

28 ~~(21) Any changes in enrollee cost sharing over the prior year~~
29 ~~associated with the submitted rate filing.~~

30 ~~(22) Any changes in enrollee benefits over the prior year~~
31 ~~associated with the submitted rate filing.~~

32 ~~(23) The certification described in subdivision (b) of Section~~
33 ~~1385.06.~~

34 ~~(24) Any changes in administrative costs.~~

35 ~~(25) Any other information required for rate review under~~
36 ~~PPACA.~~

37 ~~(e) A health care service plan subject to subdivision (a) shall~~
38 ~~also disclose the following aggregate data for all rate filings~~
39 ~~submitted under this section in the individual and small group~~
40 ~~health plan markets:~~

- 1 ~~(1) Number and percentage of rate filings reviewed by the~~
- 2 ~~following:~~
- 3 ~~(A) Plan year.~~
- 4 ~~(B) Segment type.~~
- 5 ~~(C) Product type.~~
- 6 ~~(D) Number of subscribers.~~
- 7 ~~(E) Number of covered lives affected.~~
- 8 ~~(2) The plan's average rate increase by the following categories:~~
- 9 ~~(A) Plan year.~~
- 10 ~~(B) Segment type.~~
- 11 ~~(C) Product type.~~
- 12 ~~(3) Any cost containment and quality improvement efforts since~~
- 13 ~~the plan's last rate filing for the same category of health benefit~~
- 14 ~~plan. To the extent possible, the plan shall describe any significant~~
- 15 ~~new health care cost containment and quality improvement efforts~~
- 16 ~~and provide an estimate of potential savings together with an~~
- 17 ~~estimated cost or savings for the projection period.~~
- 18 ~~(d) The department may require all health care service plans to~~
- 19 ~~submit all rate filings to the National Association of Insurance~~
- 20 ~~Commissioners' System for Electronic Rate and Form Filing~~
- 21 ~~(SERFF). Submission of the required rate filings to SERFF shall~~
- 22 ~~be deemed to be filing with the department for purposes of~~
- 23 ~~compliance with this section.~~
- 24 ~~(e) A plan shall submit any other information required under~~
- 25 ~~PPACA. A plan shall also submit any other information required~~
- 26 ~~pursuant to any regulation adopted by the department to comply~~
- 27 ~~with this article.~~
- 28 ~~SEC. 2. Section 10181.3 of the Insurance Code is amended to~~
- 29 ~~read:~~
- 30 ~~10181.3. (a) All health insurers shall file with the department~~
- 31 ~~all required rate information for individual and small group health~~
- 32 ~~insurance policies at least 60 days prior to implementing any rate~~
- 33 ~~change.~~
- 34 ~~(b) An insurer shall disclose to the department all of the~~
- 35 ~~following for each individual and small group rate filing:~~
- 36 ~~(1) Company name and contact information.~~
- 37 ~~(2) Number of policy forms covered by the filing.~~
- 38 ~~(3) Policy form numbers covered by the filing.~~
- 39 ~~(4) Product type, such as indemnity or preferred provider~~
- 40 ~~organization.~~

- 1 ~~(5) Segment type.~~
- 2 ~~(6) Type of insurer involved, such as for profit or not for profit.~~
- 3 ~~(7) Whether the products are opened or closed.~~
- 4 ~~(8) Enrollment in each policy and rating form.~~
- 5 ~~(9) Insured months in each policy form.~~
- 6 ~~(10) Annual rate.~~
- 7 ~~(11) Total earned premiums in each policy form.~~
- 8 ~~(12) Total incurred claims in each policy form.~~
- 9 ~~(13) Average rate increase initially requested.~~
- 10 ~~(14) Review category: initial filing for new product, filing for~~
- 11 ~~existing product, or resubmission.~~
- 12 ~~(15) Average rate of increase.~~
- 13 ~~(16) Effective date of rate increase.~~
- 14 ~~(17) Number of policyholders or insureds affected by each~~
- 15 ~~policy form.~~
- 16 ~~(18) The insurer's overall annual medical trend factor~~
- 17 ~~assumptions in each rate filing for all benefits and by aggregate~~
- 18 ~~benefit category, including hospital inpatient, hospital outpatient,~~
- 19 ~~physician services, prescription drugs and other ancillary services,~~
- 20 ~~laboratory, and radiology. An insurer may provide aggregated~~
- 21 ~~additional data that demonstrates or reasonably estimates~~
- 22 ~~year-to-year cost increases in specific benefit categories in the~~
- 23 ~~geographic regions listed in Sections 10753.14 and 10965.9. For~~
- 24 ~~purposes of this paragraph, "major geographic region" shall be~~
- 25 ~~defined by the department and shall include no more than nine~~
- 26 ~~regions.~~
- 27 ~~(19) The amount of the projected trend attributable to the use~~
- 28 ~~of services, price inflation, or fees and risk for annual policy trends~~
- 29 ~~by aggregate benefit category, such as hospital inpatient, hospital~~
- 30 ~~outpatient, physician services, other medical professional services,~~
- 31 ~~ancillary services, prescription drugs and other medical devices~~
- 32 ~~and therapies, laboratory, and radiology.~~
- 33 ~~(20) A comparison of claims cost and rate of changes over time.~~
- 34 ~~(21) Any changes in insured cost sharing over the prior year~~
- 35 ~~associated with the submitted rate filing.~~
- 36 ~~(22) Any changes in insured benefits over the prior year~~
- 37 ~~associated with the submitted rate filing.~~
- 38 ~~(23) The certification described in subdivision (b) of Section~~
- 39 ~~10181.6.~~
- 40 ~~(24) Any changes in administrative costs.~~

1 ~~(25) Any other information required for rate review under~~
2 ~~PPACA.~~

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

6 ~~(1) Number and percentage of rate filings reviewed by the~~
7 ~~following:~~

8 ~~(A) Plan year.~~

9 ~~(B) Segment type.~~

10 ~~(C) Product type.~~

11 ~~(D) Number of policyholders.~~

12 ~~(E) Number of covered lives affected.~~

13 ~~(2) The insurer's average rate increase by the following~~
14 ~~categories:~~

15 ~~(A) Plan year.~~

16 ~~(B) Segment type.~~

17 ~~(C) Product type.~~

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

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

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

34 ~~SEC. 3. No reimbursement is required by this act pursuant to~~
35 ~~Section 6 of Article XIII B of the California Constitution because~~
36 ~~the only costs that may be incurred by a local agency or school~~
37 ~~district will be incurred because this act creates a new crime or~~
38 ~~infraction, eliminates a crime or infraction, or changes the penalty~~
39 ~~for a crime or infraction, within the meaning of Section 17556 of~~
40 ~~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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