

AMENDED IN SENATE JULY 10, 1995  
AMENDED IN SENATE JUNE 19, 1995  
AMENDED IN ASSEMBLY MAY 30, 1995  
AMENDED IN ASSEMBLY MAY 1, 1995  
AMENDED IN ASSEMBLY APRIL 18, 1995  
AMENDED IN ASSEMBLY MARCH 22, 1995

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

**ASSEMBLY BILL**

**No. 73**

---

---

**Introduced by Assembly Member Friedman**

December 21, 1994

---

---

An act to amend Section 1399.56 of, and to add Section ~~1368.5~~ 1368.02 to, the Health and Safety Code, and to amend Section 796.02 of the Insurance Code, relating to health coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 73, as amended, Friedman. Health care coverage: complaints: employee bonus compensation.

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 Commissioner of Corporations. Existing law also provides for the regulation of policies of disability insurance by the Insurance Commissioner.

Existing law requires that health care service plan contracts and disability insurance policy contracts meet certain

requirements. Willful violation of the Knox-Keene Health Care Service Plan Act of 1975 or related regulations is a misdemeanor.

Under existing law, it is prohibited for persons retained to review claims for health care services by disability insurers to be compensated based on a percentage of the amount by which a claim is reduced for payment.

This bill would also prohibit the compensation of those persons being based on the number of claims or the cost of services for which the person has denied authorization or payment, and would impose the same prohibitions on persons retained to review claims by health care service plans.

Existing law requires the Insurance Commissioner to establish a program to investigate complaints and respond to inquiries and bring enforcement actions against insurers, including, among other things, the installation of a toll-free telephone number dedicated to the handling of complaints and inquiries.

This bill would require the Commissioner of Corporations to establish and maintain a toll-free telephone number for the purpose of receiving complaints and inquiries regarding health care service plans, and would require every health care service plan to publish this toll-free number on ~~every evidence of coverage booklet, or an addendum~~ *certain documents issued by the plan by specified dates*, together with a *prescribed* statement explaining that the toll-free number is available for the purpose of receiving complaints and inquiries about plans. ~~The bill would require that the plan publish a statement informing subscribers and enrollees that they should follow the grievance procedure before using the toll-free number.~~

By changing the definition of a crime for violation of the Knox-Keene Health Care Service Plan Act of 1975, this 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 1368.5 is added to the Health and~~  
2 ~~Safety Code, to read:~~  
3     ~~1368.5. (a) The commissioner shall establish and~~  
4 ~~maintain a toll-free telephone number for the purpose of~~  
5 ~~receiving complaints and inquiries regarding health care~~  
6 ~~service plans regulated by the commissioner.~~  
7     ~~(b) Every health care service plan shall publish the~~  
8 ~~toll-free number required by this section on every~~  
9 ~~evidence of coverage booklet together with a statement~~  
10 ~~explaining that the toll-free number is available for the~~  
11 ~~purpose of receiving complaints and inquiries about~~  
12 ~~plans.~~  
13     ~~(c) If the revised evidence of coverage is not published~~  
14 ~~and distributed to all enrollees on or before March 1, 1996,~~  
15 ~~the plan shall publish and distribute to all enrollees an~~  
16 ~~addendum to the evidence of coverage containing the~~  
17 ~~information specified in subdivisions (b) and (d) on or~~  
18 ~~before March 1, 1996.~~  
19     ~~(d) Every health care service plan shall publish,~~  
20 ~~together with the toll-free number, a statement~~  
21 ~~informing subscribers and enrollees that they should~~  
22 ~~follow the grievance procedure established pursuant to~~  
23 ~~Section 1368 before using the toll-free number.~~  
24     ~~SECTION 1. Section 1368.02 is added to the Health~~  
25 ~~and Safety Code, immediately following Section 1368, to~~  
26 ~~read:~~  
27     ~~1368.02. (a) The commissioner shall establish and~~  
28 ~~maintain a toll-free telephone number for the purpose of~~  
29 ~~receiving complaints and inquiries regarding health care~~  
30 ~~service plans regulated by the commissioner.~~  
31     ~~(b) Every health care service plan shall publish the~~  
32 ~~toll-free number required by this section on every new~~  
33 ~~plan contract, on every evidence of coverage, on copies~~  
34 ~~of plan grievance procedures, on plan complaint forms,~~  
35 ~~and on all written notices to enrollees required under the~~



1 grievance process of the plan. The toll-free number shall  
2 be displayed by the plan in each of these documents in  
3 12-point boldface type in the following regular type  
4 statement:

5 'The California Department of Corporations is  
6 responsible for regulating health care service plans. The  
7 department has a toll-free telephone number  
8 (1-(800)\_\_\_-\_\_\_\_) to receive complaints and  
9 inquiries regarding health plans. If you have a grievance  
10 against the health plan, you should contact the plan and  
11 use the plan's grievance process. If you need the  
12 Department's help with a complaint involving an  
13 emergency grievance or with a grievance that has not  
14 been satisfactorily resolved by the plan, you may call the  
15 department's toll-free telephone number.'

16 (c) If the plan's revised evidence of coverage is not  
17 published and distributed to all enrollees on or before  
18 April 1, 1996, the plan shall provide all enrollees the  
19 statement specified in subdivision (b) by April 1, 1996, in  
20 a written notification document dealing solely with the  
21 grievance process and each plan's revised evidence of  
22 coverage shall include the statement specified in  
23 subdivision (b) no later than January 1, 1997.

24 SEC. 2. Section 1399.56 of the Health and Safety Code  
25 is amended to read:

26 1399.56. Compensation of a person retained by a  
27 health care service plan to review claims for health care  
28 services shall not be based on either of the following:

29 (a) A percentage of the amount by which a claim is  
30 reduced for payment.

31 (b) The number of claims or the cost of services for  
32 which the person has denied authorization or payment.

33 SEC. 3. Section 796.02 of the Insurance Code is  
34 amended to read:

35 796.02. Compensation of a person retained by a  
36 disability insurer to review claims for health care services  
37 shall not be based on either of the following:

38 (a) A percentage of the amount by which a claim is  
39 reduced for payment.



1 (b) The number of claims or the cost of services for  
2 which the person has denied authorization or payment.

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

13 Notwithstanding Section 17580 of the Government  
14 Code, unless otherwise specified, the provisions of this act  
15 shall become operative on the same date that the act  
16 takes effect pursuant to the California Constitution.

