

**Assembly Bill No. 73**

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Passed the Assembly    September 11, 1995

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*Chief Clerk of the Assembly*

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Passed the Senate    September 6, 1995

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_ day  
of \_\_\_\_\_, 1995, at \_\_\_\_ o'clock \_\_M.

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*Private Secretary of the Governor*



## CHAPTER \_\_\_\_

An act to amend Section 1399.56 of, and to add Section 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, 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 regarding health care service plans, and would require every health care service plan to publish this toll-free number on 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 about plans. The bill would make this provision become operative only if SB 689 is enacted and revises certain licensing fee schedules.

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.

*The people of the State of California do enact as follows:*

SECTION 1. Section 1368.02 is added to the Health and Safety Code, immediately following Section 1368, to read:

1368.02. (a) The commissioner shall establish and maintain a toll-free telephone number for the purpose of receiving complaints regarding health care service plans regulated by the commissioner.

(b) Every health care service plan shall publish the toll-free number required by this section on every new plan contract, on every evidence of coverage, on copies of plan grievance procedures, on plan complaint forms, and on all written notices to enrollees required under the grievance process of the plan. The toll-free number shall be displayed by the plan in each of these documents in 12-point boldface type in the following regular type statement:



“The California Department of Corporations is responsible for regulating health care service plans. The department has a toll-free telephone number (1-(800)\_\_\_-\_\_\_\_) to receive complaints regarding health plans. If you have a grievance against the health plan, you should contact the plan and use the plan’s grievance process. If you need the Department’s help with a complaint involving an emergency grievance or with a grievance that has not been satisfactorily resolved by the plan, you may call the department’s toll-free telephone number.”

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

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

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

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

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

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

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

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

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

SEC. 4. Section 1 of this bill shall only become operative if Senate Bill 689 is enacted and amends Section



1356 of the Health and Safety Code to revise the licensing fee schedule for health care service plans and specialized health care service plans.

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

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



Approved \_\_\_\_\_, 1995

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*Governor*

