

AMENDED IN ASSEMBLY AUGUST 5, 1996

AMENDED IN ASSEMBLY JUNE 28, 1996

AMENDED IN ASSEMBLY JUNE 18, 1996

AMENDED IN SENATE MAY 20, 1996

AMENDED IN SENATE APRIL 29, 1996

SENATE BILL

No. 1805

Introduced by Senator Rosenthal
(Principal coauthor: Assembly Member Alby)

February 22, 1996

An act to amend Section 1386 of the Health and Safety Code, and to add Section 10120.5 to the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 1805, as amended, Rosenthal. Health care coverage.

Existing law provides for the licensure and regulation of health care service plans administered by the Commissioner of Corporations and authorizes the commissioner to suspend or revoke a license or assess civil penalties if the licensee has committed any of the prescribed acts or omissions that constitute grounds for disciplinary action.

Existing law states that it is the public policy of the state that licensed health care practitioners, as defined, be encouraged to advocate for medically appropriate health care, as defined, for their patients. Existing law provides that the application and rendering by any person, as defined, of a decision that

penalizes a health care practitioner principally for advocating for medically appropriate health care violates public policy.

This bill would provide that a violation of those provisions, and provisions proposed to be added by AB 3013, by health care service plans or certain disability insurers, would also be a violation of the Insurance Code, and would constitute grounds for disciplinary action against a health care service plan by the Commissioner of Corporations.

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 1386 of the Health and Safety
2 Code is amended to read:

3 1386. (a) The commissioner may suspend or revoke
4 any license issued under this chapter to a health care
5 service plan or assess civil penalties if the commissioner
6 determines that the licensee has committed any of the
7 acts or omissions constituting grounds for disciplinary
8 action.

9 (b) The following acts or omissions constitute grounds
10 for disciplinary action by the commissioner:

11 (1) The plan is operating at variance with the basic
12 organizational documents as filed pursuant to Section
13 1351 or 1352, or with its published plan, or in any manner
14 contrary to that described in, and reasonably inferred,
15 from the plan as contained in its application for licensure
16 and annual report, or any modification thereof, unless
17 amendments allowing the variation have been submitted
18 to, and approved by, the commissioner.

19 (2) The plan has issued, or permits others to use,
20 evidence of coverage or uses a schedule of charges for
21 health care services which do not comply with those
22 published in the latest evidence of coverage found
23 unobjectionable by the commissioner.

24 (3) The health care service plan does not provide basic
25 health care services to its enrollees and subscribers as set
26 forth in the evidence of coverage. This subdivision shall



1 not apply to specialized health care service plan
2 contracts.

3 (4) The plan is no longer able to meet the standards set
4 forth in Article 5 (commencing with Section 1367).

5 (5) The continued operation of the plan will constitute
6 a substantial risk to its subscribers and enrollees.

7 (6) The plan has violated or attempted to violate, or
8 conspired to violate, directly or indirectly, or assisted in
9 or abetted a violation or conspiracy to violate any
10 provision of this chapter or any rule or regulation adopted
11 by the commissioner pursuant to this chapter.

12 (7) The plan has engaged in any conduct which
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1 act is substantially related to the qualifications, functions
2 or duties of a person engaged in business in accordance
3 with this chapter. The commissioner may revoke or deny
4 a license hereunder irrespective of a subsequent order
5 under the provisions of Section 1203.4 of the Penal Code.

6 (13) The plan violates Section 510, Section 2056, or
7 Section 2056.1 of the Business and Professions Code.

8 (c) The commissioner may prohibit any person from
9 serving as an officer, director, employee, associate, or
10 provider of any plan or solicitor firm, or of any
11 management company of any plan, or as a solicitor, if (1)
12 the prohibition is in the public interest and the person has
13 committed or caused, participated in, or had knowledge
14 of a violation of this chapter by a plan, management
15 company, or solicitor firm or if (2) the person was an
16 officer, director, employee, associate, or provider of a
17 plan or of a management company or solicitor firm of any
18 plan whose license has been suspended or revoked
19 pursuant to this section and the person had knowledge of,
20 or participated in, any of the prohibited acts for which the
21 license was suspended or revoked. A proceeding for the
22 issuance of an order under this subdivision may be
23 included with a proceeding against a plan under this
24 section or may constitute a separate proceeding, subject
25 in either case to appropriate notice and opportunity for
26 hearing to the person affected in accordance with
27 subdivision (a) of Section 1397.

28 SEC. 2. Section 10120.5 is added to the Insurance
29 Code, to read:

30 ~~10120.5. (a) It is the intent of the Legislature to~~
31 ~~guarantee that health care providers can communicate~~
32 ~~freely with their patients and act as advocates for their~~
33 ~~patients to ensure that contracting arrangements~~
34 ~~between disability insurers and providers do not~~
35 ~~jeopardize a patient's health care.~~

36 ~~(b)~~
37 10120.5. Any act by a disability insurer that covers
38 hospital, medical, or surgical expenses that violates
39 Section 510, Section 2056, or Section 2056.1 of the Business
40 and Professions Code shall also be a violation of this code.



1 SEC. 2.5. The reference to Section 2056.1 of the
2 Business and Professions Code as set forth in Sections 1
3 and 2 of this act shall have no effect unless Section 2056.1,
4 as added by Assembly Bill 3013, takes effect on or before
5 January 1, 1997.

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