

ASSEMBLY BILL

No. 162

Introduced by Assembly Member Alby

January 23, 1997

An act to amend Section 1363 of the Health and Safety Code, relating to health care service plans.

LEGISLATIVE COUNSEL'S DIGEST

AB 162, as introduced, Alby. Health care service plans: disclosure form.

Existing law provides for the licensure and regulation of health care service plans administered by the Commissioner of Corporations. Existing law requires each plan to use a disclosure form regarding the benefits, services, and terms of the plan contract. Under existing law, willful violation of any of these provisions is a crime.

This bill would repeal the requirement that the disclosure form contain a statement that the disclosure form is a summary only, and would require the disclosure form to contain a notice on the first page that conforms with enumerated conditions. By changing the definition of 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 1363 of the Health and Safety
2 Code is amended to read:
3 1363. (a) The commissioner shall require the use by
4 each plan of disclosure forms or materials containing
5 information regarding the benefits, services, and terms of
6 the plan contract as the commissioner may require, so as
7 to afford the public, subscribers, and enrollees with a full
8 and fair disclosure of the provisions of the plan in readily
9 understood language and in a clearly organized manner.
10 The commissioner may require that the materials be
11 presented in a reasonably uniform manner so as to
12 facilitate comparisons between plan contracts of the same
13 or other types of plans. Nothing contained in this chapter
14 shall preclude the commissioner from permitting the
15 disclosure form to be included with the evidence of
16 coverage or plan contract.
17 The disclosure form shall provide for at least the
18 following information, in concise and specific terms,
19 relative to the plan, together with additional information
20 as may be required by the commissioner, in connection
21 with the plan or plan contract:
22 (1) The principal benefits and coverage of the plan,
23 including coverage for acute care and subacute care.
24 (2) The exceptions, reductions, and limitations that
25 apply to the plan.
26 (3) The full premium cost of the plan.
27 (4) Any copayment, coinsurance, or deductible
28 requirements that may be incurred by the member or the
29 member's family in obtaining coverage under the plan.
30 (5) The terms under which the plan may be renewed
31 by the plan member, including any reservation by the
32 plan of any right to change premiums.
33 ~~(6) A statement that the disclosure form is a summary~~
34 ~~only, and that the plan contract itself should be consulted~~
35 ~~to determine governing contractual provisions~~ *On the*



1 *first page of the disclosure form, a notice that conforms*
2 *with all of the following conditions:*

3 (A) *Highlights some of the important features of the*
4 *plan, such as the major benefits covered and the fact that*
5 *exclusions and limitations may apply, and a statement*
6 *that the member has certain rights and responsibilities*
7 *under the plan contract.*

8 (B) *States that the evidence of coverage contains the*
9 *exact terms and conditions of coverage. If the evidence*
10 *of coverage is not combined with the disclosure form, the*
11 *notice shall specify how and when the evidence of*
12 *coverage may be obtained.*

13 (C) *Includes a statement that the disclosure and the*
14 *evidence of coverage should be read completely and*
15 *carefully and that individuals with special health care*
16 *needs should read carefully those sections that apply to*
17 *them.*

18 (D) *Includes the plan's telephone number or numbers*
19 *that may be used by an applicant to receive additional*
20 *information about the benefits of the plan or a statement*
21 *where the telephone number or numbers are located in*
22 *the disclosure form.*

23 (E) *Is printed in type no smaller than that used for the*
24 *remainder of the disclosure form and is displayed*
25 *prominently on the page.*

26 (7) *A statement as to when benefits shall cease in the*
27 *event of nonpayment of the prepaid or periodic charge*
28 *and the effect of nonpayment upon an enrollee who is*
29 *hospitalized or undergoing treatment for an ongoing*
30 *condition.*

31 (8) *To the extent that the plan permits a free choice*
32 *of provider to its subscribers and enrollees, the statement*
33 *shall disclose the nature and extent of choice permitted*
34 *and the financial liability which is, or may be, incurred by*
35 *the subscriber, enrollee, or a third party by reason of the*
36 *exercise of that choice.*

37 (9) *A summary of the provisions required by*
38 *subdivision (g) of Section 1373, if applicable.*

39 (10) *If the plan utilizes arbitration to settle disputes, a*
40 *statement of that fact.*



1 (11) A summary of, and a notice of the availability of,
2 the process the plan uses to authorize or deny health care
3 services under the benefits provided by the plan,
4 pursuant to Section 1363.5.

5 (12) A description of any limitations on the patient's
6 choice of primary care or specialty care physician based
7 on service area and limitations on the patient's choice of
8 acute care hospital care, subacute or transitional
9 inpatient care, or skilled nursing facility.

10 (13) General authorization requirements for referral
11 by a primary care physician to a specialty care physician.

12 (14) Conditions and procedures for disenrollment.

13 (b) All plans, solicitors, and representatives of a plan
14 shall, when presenting any plan contract for examination
15 or sale to an individual prospective plan member, provide
16 the individual with a properly completed disclosure form,
17 as prescribed by the commissioner pursuant to this
18 section for each plan so examined or sold.

19 (c) In the case of group contracts, the completed
20 disclosure form and evidence of coverage shall be
21 presented to the contractholder upon delivery of the
22 completed health care service plan agreement.

23 (d) Group contractholders shall disseminate copies of
24 the completed disclosure form to all persons eligible to be
25 a subscriber under the group contract at the time those
26 persons are offered the plan. Where the individual group
27 members are offered a choice of plans, separate
28 disclosure forms shall be supplied for each plan available.
29 Each group contractholder shall also disseminate or cause
30 to be disseminated copies of the evidence of coverage to
31 all subscribers enrolled under the group contract.

32 (e) In the case of conflicts between the group contract
33 and the evidence of coverage, the provisions of the
34 evidence of coverage shall be binding upon the plan
35 notwithstanding any provisions in the group contract
36 which may be less favorable to subscribers or enrollees.

37 (f) In addition to the other disclosures required by this
38 section, every health care service plan and any agent or
39 employee of the plan shall, when presenting a plan for
40 examination or sale to any individual purchaser or the



1 representative of a group consisting of 25 or fewer
2 individuals, disclose in writing the ratio of premium costs
3 to health services paid for plan contracts with individuals
4 and with groups of the same or similar size for the plan's
5 preceding fiscal year. A plan may report that information
6 by geographic area, provided the plan identifies the
7 geographic area and reports information applicable to
8 that geographic area.

9 SEC. 2. No reimbursement is required by this act
10 pursuant to Section 6 of Article XIII B of the California
11 Constitution because the only costs that may be incurred
12 by a local agency or school district will be incurred
13 because this act creates a new crime or infraction,
14 eliminates a crime or infraction, or changes the penalty
15 for a crime or infraction, within the meaning of Section
16 17556 of the Government Code, or changes the definition
17 of a crime within the meaning of Section 6 of Article
18 XIII B of the California Constitution.

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

