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AMENDED IN SENATE FEBRUARY 13, 1998  
AMENDED IN SENATE FEBRUARY 6, 1998  
AMENDED IN SENATE JULY 9, 1997  
AMENDED IN SENATE JUNE 24, 1997  
AMENDED IN ASSEMBLY JUNE 2, 1997  
AMENDED IN ASSEMBLY APRIL 10, 1997

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

**ASSEMBLY BILL**

**No. 607**

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**Introduced by Assembly Member Scott**  
**(Coauthors: Assembly Members Aroner, Kuehl, Martinez,**  
**Ortiz, and Wayne)**  
(Coauthors: Senators Karnette, Solis, Vasconcellos, and  
Watson)

February 25, 1997

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

LEGISLATIVE COUNSEL'S DIGEST

AB 607, as amended, Scott. Health care service plans.

Existing law provides for the licensure and regulation of health care service plans by the Department of Corporations. Existing law requires each plan's disclosure form to contain prescribed information regarding the coverage provided by

the plan. Existing law provides that a willful violation of the provisions governing health care service plans is subject to criminal sanction.

This bill would require a plan’s disclosure form to contain a notice providing enrollees and prospective enrollees with certain information, including the importance of reading the disclosure form and evidence of coverage, notice of the plan’s telephone numbers, and other information. It would also require each plan to provide with the disclosure form for individual and small group plan contracts a uniform Health Plan Benefits and Coverage Matrix, that would include specified information in order to facilitate comparisons between plan contracts. The bill would provide that the provisions regarding ~~the use of and content of disclosure forms and~~ the matrix do not apply to any coverage provided by a plan for the Medi-Cal or Medicare program.

By imposing this requirement on health care service plans, this bill would impose a state-mandated local program by changing the definition of a crime.

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



1 presented in a reasonably uniform manner so as to  
2 facilitate comparisons between plan contracts of the same  
3 or other types of plans. Nothing contained in this chapter  
4 shall preclude the commissioner from permitting the  
5 disclosure form to be included with the evidence of  
6 coverage or plan contract.

7 The disclosure form shall provide for at least the  
8 following information, in concise and specific terms,  
9 relative to the plan, together with additional information  
10 as may be required by the commissioner, in connection  
11 with the plan or plan contract:

12 (1) The principal benefits and coverage of the plan,  
13 including coverage for acute care and subacute care.

14 (2) The exceptions, reductions, and limitations that  
15 apply to the plan.

16 (3) The full premium cost of the plan.

17 (4) Any copayment, coinsurance, or deductible  
18 requirements that may be incurred by the member or the  
19 member's family in obtaining coverage under the plan.

20 (5) The terms under which the plan may be renewed  
21 by the plan member, including any reservation by the  
22 plan of any right to change premiums.

23 (6) A statement that the disclosure form is a summary  
24 only, and that the plan contract itself should be consulted  
25 to determine governing contractual provisions. On the  
26 first page of the disclosure form, a notice that conforms  
27 with all of the following conditions:

28 (A) States that the evidence of coverage discloses the  
29 terms and conditions of coverage and that the applicant  
30 has a right to view the evidence of coverage prior to  
31 enrollment. If the evidence of coverage is not combined  
32 with the disclosure form, the notice shall specify where  
33 the evidence of coverage can be obtained prior to  
34 enrollment.

35 (B) Includes a statement that the disclosure and the  
36 evidence of coverage should be read completely and  
37 carefully and that individuals with special health care  
38 needs should read carefully those sections that apply to  
39 them.



- 1 (C) Includes the plan's telephone number or numbers  
2 that may be used by an applicant to receive additional  
3 information about the benefits of the plan or a statement  
4 where the telephone number or numbers are located in  
5 the disclosure form.
- 6 (D) For individual contracts, and small group plan  
7 contracts as defined in Article 3.1 (commencing with  
8 Section 1357), the disclosure form shall state where the  
9 Health Plan Benefits and Coverage Matrix is located.
- 10 (E) Is printed in type no smaller than that used for the  
11 remainder of the disclosure form and is displayed  
12 prominently on the page.
- 13 (7) A statement as to when benefits shall cease in the  
14 event of nonpayment of the prepaid or periodic charge  
15 and the effect of nonpayment upon an enrollee who is  
16 hospitalized or undergoing treatment for an ongoing  
17 condition.
- 18 (8) To the extent that the plan permits a free choice  
19 of provider to its subscribers and enrollees, the statement  
20 shall disclose the nature and extent of choice permitted  
21 and the financial liability which is, or may be, incurred by  
22 the subscriber, enrollee, or a third party by reason of the  
23 exercise of that choice.
- 24 (9) A summary of the provisions required by  
25 subdivision (g) of Section 1373, if applicable.
- 26 (10) If the plan utilizes arbitration to settle disputes, a  
27 statement of that fact.
- 28 (11) A summary of, and a notice of the availability of,  
29 the process the plan uses to authorize or deny health care  
30 services under the benefits provided by the plan,  
31 pursuant to Section 1363.5.
- 32 (12) A description of any limitations on the patient's  
33 choice of primary care or specialty care physician based  
34 on service area and limitations on the patient's choice of  
35 acute care hospital care, subacute or transitional  
36 inpatient care, or skilled nursing facility.
- 37 (13) General authorization requirements for referral  
38 by a primary care physician to a specialty care physician.
- 39 (14) Conditions and procedures for disenrollment.



1 (b) (1) As of July 1, 1999, the commissioner shall  
2 require each plan offering a contract to an individual or  
3 small group to provide with the disclosure form for  
4 individual and small group plan contracts a uniform  
5 Health Plan Benefits and Coverage Matrix containing the  
6 plan's major provisions in order to facilitate comparisons  
7 between plan contracts. The uniform matrix shall  
8 include, ~~but not be limited to, the following information,~~  
9 ~~with the applicable copayments pertaining to each, in the~~  
10 ~~the following category descriptions together with the~~  
11 ~~corresponding copayments and limitations in the~~  
12 following sequence:

- 13 ~~(1) Deductibles.~~
- 14 ~~(2) Lifetime maximums.~~
- 15 ~~(3) Professional services.~~
- 16 ~~(4) Outpatient services.~~
- 17 ~~(5) Hospitalization services.~~
- 18 ~~(6) Emergency health coverage.~~
- 19 ~~(7) Prescription drug coverage.~~
- 20 ~~(8) Durable medical equipment.~~
- 21 ~~(9) Mental health services.~~
- 22 ~~(10) Chemical dependency services.~~
- 23 ~~(11) Home health services.~~
- 24 (A) *Deductibles.*
- 25 (B) *Lifetime maximums.*
- 26 (C) *Professional services.*
- 27 (D) *Outpatient services.*
- 28 (E) *Hospitalization services.*
- 29 (F) *Emergency health coverage.*
- 30 (G) *Ambulance services.*
- 31 (H) *Prescription drug coverage.*
- 32 (I) *Durable medical equipment.*
- 33 (J) *Mental health services.*
- 34 (K) *Chemical dependency services.*
- 35 (L) *Home health services.*
- 36 (M) *Other.*

37 (2) *The following statement shall be placed at the top*  
38 *of the matrix in all capital letters in at least 10-point*  
39 *boldface type:*

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1 *THIS MATRIX IS INTENDED TO BE USED TO*  
2 *HELP YOU COMPARE COVERAGE BENEFITS*  
3 *AND IS A SUMMARY ONLY. THE EVIDENCE OF*  
4 *COVERAGE AND PLAN CONTRACT SHOULD*  
5 *BE CONSULTED FOR A DETAILED*  
6 *DESCRIPTION OF COVERAGE BENEFITS AND*  
7 *LIMITATIONS.*

8

9 (c) Nothing in this section shall prevent a plan from  
10 using appropriate footnotes or disclaimers to reasonably  
11 and fairly describe coverage arrangements in order to  
12 clarify any part of the matrix that may be unclear.

13 (d) 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 (e) 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 (f) 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 (g) 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 (h) 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 (i) ~~This section~~ *Subdivision (b)* shall not apply to any  
10 coverage provided by a plan for the Medi-Cal program or  
11 the Medicare program pursuant to Title XVIII and Title  
12 XIX of the Social Security Act.

13 SEC. 2. No reimbursement is required by this act  
14 pursuant to Section 6 of Article XIII B of the California  
15 Constitution because the only costs that may be incurred  
16 by a local agency or school district will be incurred  
17 because this act creates a new crime or infraction,  
18 eliminates a crime or infraction, or changes the penalty  
19 for a crime or infraction, within the meaning of Section  
20 17556 of the Government Code, or changes the definition  
21 of a crime within the meaning of Section 6 of Article  
22 XIII B of the California Constitution.

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

