

AMENDED IN SENATE AUGUST 4, 1997

AMENDED IN SENATE JUNE 26, 1997

AMENDED IN ASSEMBLY APRIL 9, 1997

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

ASSEMBLY BILL

No. 1377

Introduced by Assembly Member Gallegos

February 28, 1997

~~An act to amend Section 1382 of the Health and Safety Code, relating to health care service plans. An act to amend Sections 1382 and 1383.1 of the Health and Safety Code, and to repeal Section 11512.61 of the Insurance Code, relating to health coverage.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1377, as amended, Gallegos. Health care service plans.

Existing law requires the Commissioner of Corporations to conduct an examination of the fiscal and administrative affairs of a health care service plan and each person with whom the plan has made arrangements for administrative, management, or financial services, not less frequently than once every 5 years.

Existing law requires reports of all examinations to be open to public inspection, except that no examination may be made public unless the plan has had an opportunity to file a response within 30 days.

This bill would extend that period to 45 days and require the commissioner to issue a prescribed final report. The bill would

require the commissioner to append the plan’s response in a prescribed manner, if requested in writing by the plan.

Existing law prohibits deficiencies found in the examination from being made public if they are corrected in a prescribed time.

This bill would delete that provision.

Under existing law, every health care service plan is required to file with the Department of Corporations a written policy describing the manner in which it determines if a second medical opinion is medically necessary and appropriate. Under existing law, disability insurers and nonprofit hospital service plans are similarly required to file their written policies with the Department of Insurance, but the law provides that their written policies are not subject to approval or disapproval by the department.

This bill would amend this provision as applied to health care service plans to provide that the written policy filed with the department is not subject to approval or disapproval by the Department of Corporations. It would also delete the requirement that nonprofit hospital service plans file the written policy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

- 1 SECTION 1. Section 1382 of the Health and Safety
- 2 Code is amended to read:
- 3 1382. (a) The commissioner shall conduct an
- 4 examination of the fiscal and administrative affairs of any
- 5 health care service plan, and each person with whom the
- 6 plan has made arrangements for administrative,
- 7 management, or financial services, as often as deemed
- 8 necessary to protect the interest of subscribers or
- 9 enrollees, but not less frequently than once every five
- 10 years.
- 11 (b) The expense of conducting any additional or
- 12 nonroutine examinations pursuant to this section, and the
- 13 expense of conducting any additional or nonroutine
- 14 medical surveys pursuant to Section 1380 shall be charged



1 against the plan being examined or surveyed. The
2 amount shall include the actual salaries or compensation
3 paid to the persons making the examination or survey, the
4 expenses incurred in the course thereof, and overhead
5 costs in connection therewith as fixed by the
6 commissioner. In determining the cost of examinations or
7 surveys, the commissioner may use the estimated average
8 hourly cost for all persons performing examinations or
9 surveys of plans for the fiscal year. The amount charged
10 shall be remitted by the plan to the commissioner. If
11 recovery of these costs cannot be made from the plan,
12 these costs may be added to, but subject to the limitation
13 of, the assessment provided for in subdivision (b) of
14 Section 1356.

15 (c) Reports of all examinations shall be open to public
16 inspection, except that no examination shall be made
17 public, unless the plan has had an opportunity to review
18 the examination report and file a statement or response
19 within 45 days of the date that the department provided
20 the report to the plan. After reviewing the plan's
21 response, the commissioner shall issue a final report that
22 excludes any survey information, legal findings, or
23 conclusions determined by the commissioner to be in
24 error, describes compliance efforts, identifies
25 deficiencies that have been corrected by the plan on or
26 before the time the commissioner receives the plan's
27 response, and describes remedial actions for deficiencies
28 requiring longer periods for the remedy required by the
29 commissioner or proposed by the plan.

30 (d) If requested in writing by the plan, the
31 commissioner shall append the plan's response to the final
32 report issued pursuant to subdivision (c). The plan may
33 modify its response or statement at any time and provide
34 modified copies to the department for public distribution
35 not later than 10 days from the date of notification from
36 the department that the final report will be made
37 available to the public. The addendum to the response or
38 statement shall also be made available to the public.

39 (e) Notwithstanding subdivision (c), any health care
40 service plan that contracts with the State Department of



1 Health Services to provide service to Medi-Cal
 2 beneficiaries pursuant to Chapter 8 (commencing with
 3 Section 14200) of Part 3 of Division 9 of the Welfare and
 4 Institutions Code may make a written request to the
 5 commissioner to permit the State Department of Health
 6 Services to review its examination report.

7 (f) Upon receipt of the written request described in
 8 subdivision ~~(d)~~ (e), the commissioner may, consistent
 9 with Section 6254.5 of the Government Code, permit the
 10 State Department of Health Services to review the plan's
 11 examination report.

12 (g) Nothing in this section shall be construed as
 13 affecting the commissioner's authority pursuant to
 14 Article 7 (commencing with Section 1386) or Article 8
 15 (commencing with Section 1390).

16 *SEC. 2. Section 1383.1 of the Health and Safety Code*
 17 *is amended to read:*

18 1383.1. (a) On or before July 1, 1997, every health
 19 care service plan shall file with the department a written
 20 policy, *which is not subject to approval or disapproval by*
 21 *the department*, describing the manner in which the plan
 22 determines if a second medical opinion is medically
 23 necessary and appropriate. Notice of the policy and
 24 information regarding the manner in which an enrollee
 25 may receive a second medical opinion shall be provided
 26 to all enrollees in the plan's evidence of coverage. The
 27 written policy shall describe the manner in which
 28 requests for a second medical opinion are reviewed by
 29 the plan.

30 (b) This section shall not apply to any health care
 31 service plan contract authorized under Article 5.6
 32 (commencing with Section 1374.60).

33 (c) Nothing in this section shall require a health care
 34 service plan to cover services or provide benefits that are
 35 not otherwise covered under the terms and conditions of
 36 the plan contract, nor to provide services through
 37 providers who are not under contract with the plan.

38 *SEC. 3. Section 11512.61 of the Insurance Code is*
 39 *repealed.*



1 ~~11512.61. On or before July 1, 1997, every nonprofit~~
2 ~~hospital service plan shall file with the department a~~
3 ~~written policy, which is not subject to approval or~~
4 ~~disapproval by the department, describing the manner in~~
5 ~~which the plan determines if a second medical opinion is~~
6 ~~medically necessary and appropriate. Notice of the policy~~
7 ~~and information regarding the manner in which a~~
8 ~~member may receive a second medical opinion shall be~~
9 ~~provided to all members. The written policy shall~~
10 ~~describe the manner in which requests for a second~~
11 ~~medical opinion are reviewed by the plan.~~

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