

AMENDED IN ASSEMBLY AUGUST 7, 1997

AMENDED IN ASSEMBLY JULY 10, 1997

AMENDED IN SENATE APRIL 24, 1997

**SENATE BILL**

**No. 1255**

---

---

**Introduced by Senator Polanco**

February 28, 1997

---

---

An act to amend Section 657 of the Business and Professions Code, to add Section 1371.22 to the Health and Safety Code, and to add Section 10126.5 to the Insurance Code, relating to health care.

LEGISLATIVE COUNSEL'S DIGEST

SB 1255, as amended, Polanco. Health care: payment of claims.

Existing law provides for the licensure and regulation of the healing arts professions and in this regard, authorizes health care providers, as defined, to grant discounts in health or medical claims submitted to ~~third-party~~ *3rd-party* payors when payment by the ~~third-party~~ *3rd-party* payor is made promptly within prescribed time limits.

This bill would revise this provision to delete the reference to ~~third-party~~ *3rd-party* payors, and instead authorize providers to grant discounts in health or medical claims when payment is made promptly within prescribed time limits. This bill would also expressly authorize a health care provider to grant discounts for health or medical care to any patient the provider has reasonable cause to believe is not eligible for, or entitled to, insurance reimbursement, or coverage under

Medi-Cal or by a health care service plan for the health or medical care provided. ~~The~~

*This bill would, in the case of a contract between a provider and a plan or a provider and an insurer issued, amended, or renewed on or after January 1, 1998, that requires the provider to accept as payment from the plan or insurer the lowest payment rate charged by the provider to any patient, prohibit this contract provision from being deemed to apply to, or take into consideration, any cash payment made to the provider by individual patients who do not have any private or public form of health coverage for the services rendered by the provider and to whom a discount was granted under those provisions.*

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 657 of the Business and
- 2 Professions Code is amended to read:
- 3 657. (a) The Legislature finds and declares all of the
- 4 following:
- 5 (1) Californians spend more than one hundred billion
- 6 dollars (\$100,000,000,000) annually on health care.
- 7 (2) In 1994, an estimated 6.6 million of California’s 32
- 8 million residents did not have any health insurance and
- 9 were ineligible for Medi-Cal.
- 10 (3) Many of California’s uninsured cannot afford basic,
- 11 preventative health care resulting in these residents
- 12 relying on emergency rooms for urgent health care, thus
- 13 driving up health care costs.
- 14 (4) Health care should be affordable and accessible to
- 15 all Californians.
- 16 (5) The public interest dictates that uninsured
- 17 Californians have access to basic, preventative health
- 18 care at affordable prices.
- 19 (b) To encourage the prompt payment of health or
- 20 medical care claims, health care providers are hereby
- 21 expressly authorized to grant discounts in health or
- 22 medical care claims when payment is made promptly



1 within time limits prescribed by the health care providers  
2 or institutions rendering the service or treatment.

3 (c) Notwithstanding any provision in any health care  
4 service plan contract or insurance contract to the  
5 contrary, health care providers are hereby expressly  
6 authorized to grant discounts for health or medical care  
7 provided to any patient the health care provider has  
8 reasonable cause to believe is not eligible for, or is not  
9 entitled to, insurance reimbursement, coverage under  
10 the Medi-Cal program, or coverage by a health care  
11 service plan for the health or medical care provided. Any  
12 discounted fee granted pursuant to this section shall not  
13 be deemed to be the health care provider's usual,  
14 customary, or reasonable fee for any other purposes,  
15 including, but not limited to, any health care service plan  
16 contract or insurance contract.

17 (d) "Health care provider," as used in this section,  
18 means any person licensed or certified pursuant to  
19 Division 2 (commencing with Section 500) of the  
20 Business and Professions Code, or licensed pursuant to  
21 the Osteopathic Initiative Act, or the Chiropractic  
22 Initiative Act, or licensed pursuant to Chapter 2.5  
23 (commencing with Section 1440) of Division 2 of the  
24 Health and Safety Code; and any clinic, health dispensary,  
25 or health facility, licensed pursuant to Division 2  
26 (commencing with Section 1200) of the Health and  
27 Safety Code.

28 SEC. 2. Section 1371.22 is added to the Health and  
29 Safety Code, immediately following Section 1371.2, to  
30 read:

31 1371.22. If a contract between a health care service  
32 plan and a provider requires that the provider accept, as  
33 payment from the plan, the lowest payment rate charged  
34 by the provider to any patient or third party, this contract  
35 provision shall not be deemed to apply to, or take into  
36 consideration, any cash payments made to the provider  
37 by individual patients who do not have any private or  
38 public form of health care coverage for the service  
39 rendered by the provider, as described in subdivision (c)  
40 of Section 657 of the Business and Professions Code. *This*



1 *section shall apply to a provider contract that is issued,*  
2 *amended, or renewed on or after January 1, 1998.*

3 SEC. 3. Section 10126.5 is added to the Insurance  
4 Code, immediately following Section 10126, to read:

5 10126.5. If a disability insurance policy between an  
6 insurer that covers hospital, medical, or surgical expenses  
7 and a provider requires that the provider accept, as  
8 payment from the insurer, the lowest payment rate  
9 charged by the provider to any patient or third party, this  
10 policy provision shall not be deemed to apply to, or take  
11 into consideration, any cash payments made to the  
12 provider by individual patients who do not have any  
13 private or public form of health care coverage for the  
14 service rendered by the provider, as described in  
15 subdivision (c) of Section 657 of the Business and  
16 Professions Code. *This section shall apply to a provider*  
17 *contract that is issued, amended, or renewed on or after*  
18 *January 1, 1998.*

