

AMENDED IN SENATE MAY 5, 2009
AMENDED IN SENATE APRIL 2, 2009

SENATE BILL

No. 56

Introduced by Senator Alquist

January 20, 2009

An act to add Section 1347 to, and to add Chapter 1.6 (commencing with Section 155) to Part 1 of Division 1 of, the Health and Safety Code, relating to health benefits.

LEGISLATIVE COUNSEL'S DIGEST

SB 56, as amended, Alquist. California Health Benefits Service Program.

Existing law creates various health benefits programs administered by the Managed Risk Medical Insurance Board and the State Department of Health Care Services.

The bill would create the California Health Benefits Service Program within the State Department of Health Care Services for the purpose of expanding cost-effective public health coverage options to the uninsured and purchasers of health insurance. The bill would require the department to perform various duties, subject to the availability of sufficient private donations, as determined by the Department of Finance, relative to creation of joint ventures between certain county-organized health plans and various other entities. The bill would require these joint ventures to be licensed as health care service plans and, subject to the availability of sufficient private donations, as determined by the Department of Finance, would create a stakeholder committee, as specified. The bill would also authorize the Director of Managed Health Care to provide regulatory and program flexibilities

to facilitate licensing of specified entities providing coverage pursuant to the bill.

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. (a) The Legislature finds and declares as follows:

2 (1) Due to the economic downturn, hundreds of thousands of
3 Californians are joining the ranks of the uninsured or are looking
4 to publicly financed programs for their health care coverage.

5 (2) Compared to persons with health care coverage, the
6 uninsured are less likely to have a regular source of care, are likely
7 to delay seeing a doctor, and are less likely to receive preventive
8 health care services.

9 (3) Based on recent data collected by the Kaiser Family
10 Foundation, health care costs continue to rise at a faster rate than
11 general inflation and average wage growth.

12 (4) President Obama has pledged to seek the adoption of major
13 health care reforms at the national level, which are likely to include,
14 at a minimum, additional funding for states as well as increased
15 flexibility for states in how they administer their health care
16 systems.

17 (b) In light of these findings, it is the intent of the Legislature
18 to enact and implement comprehensive reforms in the state's health
19 care delivery system by 2012 that will accomplish all of the
20 following:

21 (1) Ensure that all Californians have access to affordable, high
22 quality health care coverage.

23 (2) Ensure that the responsibility for providing and paying for
24 health care coverage is equitably shared between employers,
25 individuals, and government.

26 (3) Help contain the long-range rate of growth of health care
27 costs.

28 (4) Reform insurance underwriting and rating practices by
29 reducing the use of medical status or conditions as criteria for the
30 offering or rating of individual insurance products.

31 (5) Improve the health status of Californians and reduce health
32 disparities over time.

1 (6) Ensure fair and adequate payments to health care providers
2 who provide services under the state's publicly funded health care
3 programs.

4 (c) It is further the intent of the Legislature to enact specific
5 reforms by 2010 that will help provide a foundation for any
6 successful health care reform in California, and that will
7 accomplish all of the following:

8 (1) Ensure that all children in the state have access to affordable,
9 high quality health care coverage.

10 (2) Encourage greater use of electronic medical records and
11 other health information technology by health care providers.

12 (3) Make comparative health care cost and quality data more
13 readily available to consumers and purchasers.

14 (4) Make it easier for individuals and small employers to shop
15 for and compare the benefits and costs of competing health plans.

16 (5) Allow all workers to set aside money to pay for health care
17 coverage on a pretax basis.

18 (6) Begin to draw down federal funds that are available for
19 covering low-income adults and families.

20 (7) Reduce the use of medical underwriting in the individual
21 health insurance market, cap health care service plans' and insurers'
22 administrative costs and profits, and establish minimum benefit
23 standards for health plans offered in the state.

24 (8) Allow health plans and employers to offer incentives for
25 enrollees to enroll in and use preventive health care programs that
26 will improve their health.

27 (9) Address health care workforce shortages and better prepare
28 persons for careers in the health care delivery system.

29 (10) Facilitate the formation of public insurer entities, including
30 through better integration of county local initiatives and organized
31 health systems.

32 SEC. 2. Chapter 1.6 (commencing with Section 155) is added
33 to Part 1 of Division 1 of the Health and Safety Code, to read:

34
35 CHAPTER 1.6. CALIFORNIA HEALTH BENEFITS SERVICE
36

37 155. (a) The California Health Benefits Service Program is
38 hereby created within the State Department of Health Care Services
39 for the purpose of expanding cost-effective public health coverage
40 options to the uninsured and purchasers of health insurance,

1 including individuals, families, employers, and other health plan
2 sponsors. The program shall do all of the following:

3 (1) Identify statutory, regulatory, or financial barriers or
4 incentives that should be addressed to facilitate the establishment
5 and maintenance of one or more joint ventures between health
6 plans that contract with, or are governed, owned, or operated by,
7 a county board of supervisors, a county special commission, a
8 county-organized health system, or a county health authority
9 authorized by Section 14018.7, 14087.31, 14087.35, 14087.36,
10 14087.38, 14087.96, or Article 2.8 (commencing with Section
11 14087.5) of Chapter 7 of Part 3 of Division 9 of the Welfare and
12 Institutions Code, as well as the County Medical Services Program.

13 ~~(2) Identify statutory, regulatory, or financial barriers or~~
14 ~~incentives that should be addressed before joint ventures among~~
15 ~~these health plans may be formed, or existing health plans or the~~
16 ~~County Medical Services Program may expand to serve other~~
17 ~~geographic areas, for the purposes of providing public health care~~
18 ~~services in counties where there is not a local initiative or~~
19 ~~county-organized health plan that contracts with the State~~
20 ~~Department of Health Care Services or the County Medical~~
21 ~~Services Program, participating in these joint ventures.~~

22 ~~(3)~~
23 (2) Report these initial findings to the committees of jurisdiction
24 in the Senate and Assembly on or before November 1, 2010.

25 ~~(4)~~
26 (3) Provide technical assistance to local health care delivery
27 entities, including local initiatives, county-organized health
28 systems, and the County Medical Services Program, to support
29 joint ventures and efforts by these entities to expand to serve other
30 geographic areas and specified populations, or to contract with
31 providers to provide health care services in counties where there
32 is not a local initiative or county-organized health plan that
33 contracts with the State Department of Health Care Services that
34 opts to participate in such joint ventures, or participation from the
35 County Medical Services Program.

36 ~~(5)~~
37 (4) Consistent with the report and recommendations provided
38 pursuant to this section and consistent with existing law, the
39 department may enter into contracts with joint ventures authorized

pursuant to this section to provide medical services to specified populations, as determined by the program.

(b) Health plans that contract with or are governed, owned, or operated by, a county board of supervisors, a county special commission, a county-organized health system, or county health authority authorized by Section 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, 14087.96, or Article 2.8 (commencing with Section 14087.5) of Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code, and the County Medical Services Program, may form joint ventures to create integrated networks of public health plans that pool risk and share networks.

(1) In forming joint ventures, participating health plans shall seek to contract with designated public hospitals, county health clinics, community health centers, and other traditional safety net providers.

(2) All joint ventures and health care networks established pursuant to this section shall seek licensure as a health care service plan consistent with the Knox-Keene Health Care Service Plan Act of 1975 (Chapter 2.2 (commencing with Section 1340) of Division 2 ~~of this code~~). Prior to commencement of enrollment, the joint venture or health care network shall be licensed pursuant to that act.

(3) No more than two joint ventures shall be established pursuant to this section until the California Health Benefits Service Program submits its initial findings to the Senate and Assembly pursuant to paragraph ~~(3)~~ (2) of subdivision (a).

(c) (1) There is hereby created the California Health Benefits Service Program Stakeholder Committee. The committee shall be comprised of 10 members appointed as follows:

(A) The Director of Health Care Services shall appoint six members, including two representatives of local initiatives authorized under the Welfare and Institutions Code, a representative of county-organized health systems, a representative of the County Medical Services Program, a representative of health care providers, and a representative of employers.

(B) The Senate Committee on Rules shall appoint two members, including a labor representative and a representative of health care consumers.

(C) The Speaker of the Assembly shall appoint two members, including a representative of local initiatives authorized under the

1 Welfare and Institutions Code, and a representative of organized
2 labor.

3 (2) The committee shall meet at least quarterly to provide input
4 to the program and assist the program in carrying out its
5 responsibilities as outlined in this section.

6 (3) The members of the committee shall serve without
7 compensation, and no public funds may be used to compensate
8 members for expenses.

9 (d) On or before November 1, 2010, and annually thereafter,
10 the department shall update the committees of jurisdiction in the
11 Senate and Assembly on implementation of this section and make
12 recommendations, as applicable, on changes necessary to
13 implement this section. The update shall also include progress on
14 the purpose of this section and recommendations on resources,
15 policy, and legislative changes necessary to build and implement
16 a system of public health coverage throughout California. The
17 update shall describe the projects proposed or established pursuant
18 to this section, including, but not limited to, the participating
19 providers, the groups covered, the physicians and hospitals in the
20 network, and the counties served.

21 (e) The committee shall consult with relevant departments,
22 including the Department of Managed Health Care, in the
23 implementation of this chapter.

24 (f) Nothing in this section shall be construed to prohibit any
25 other licensed health care service plan not mentioned in
26 subdivisions (b) and (c) from entering into joint ventures or
27 contracts with the State Department of Health Care Services to
28 provide services in counties in which there is not a Medi-Cal
29 managed care health plan that contracts with the department.

30 (g) No public funds shall be used to implement the duties
31 described in paragraphs (1) to ~~(4)~~ (3), inclusive, of subdivision
32 (a), or to support the activities of the committee established
33 pursuant to subdivision (c). The department shall implement the
34 duties described in paragraphs (1) to ~~(4)~~ (3), inclusive, of
35 subdivision (a), and shall convene the committee established
36 pursuant to subdivision (c), only upon a determination made by
37 the Department of Finance that private donations in an amount
38 sufficient to fully support these duties and activities have been
39 deposited with the state.

1 SEC. 3. Section 1347 is added to the Health and Safety Code,
2 to read:

3 1347. The director is authorized to provide regulatory and
4 program flexibilities to facilitate new, modified, or combined
5 licenses of local initiatives and county-organized health systems,
6 and the County Medical Services Program created pursuant to this
7 chapter or the California Health Benefits Service Program, that
8 seek licensure for regional or statewide networks for the purposes
9 of contracting with the Managed Risk Medical Insurance Board,
10 or for the purposes of providing coverage in the individual and
11 group coverage markets. In providing those flexibilities, the
12 director shall ensure that the health plans established pursuant to
13 this section meet essential financial, capacity, and consumer
14 protection requirements of this chapter.