

AMENDED IN ASSEMBLY APRIL 21, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1507**

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**Introduced by Assembly Member Logue**  
**(Coauthors: Assembly Members Achadjian, Allen, Conway,**  
**Donnelly, Beth Gaines, Grove, Hagman, Harkey, Jones, Melendez,**  
**Nestande, and Wagner, and Wilk)**

January 14, 2014

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An act to add Section 1367.011 to the Health and Safety Code, and to add Section 10112.299 to the Insurance Code, relating to health care coverage, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1507, as amended, Logue. Health care coverage.

Existing federal law, the federal Patient Protection and Affordable Care Act (PPACA), enacts various health care coverage market reforms that take effect with respect to plan years on or after January 1, 2014. Among other things, PPACA requires each health insurance issuer that offers health insurance coverage in the individual or group market in a state to accept every employer and individual in the state that applies for that coverage and to renew that coverage at the option of the plan sponsor or the individual. PPACA prohibits a group health plan and a health insurance issuer offering group or individual health insurance coverage from imposing any preexisting condition exclusion with respect to that plan or coverage. PPACA allows the premium rate charged by a health insurance issuer offering small group or individual coverage to vary only by rating area, age, tobacco use, and whether the coverage is for an individual or family and prohibits discrimination against individuals based on health status. PPACA requires a health insurance

issuer that offers coverage in the small group or individual market to ensure that the coverage includes the essential health benefits package, as defined. However, guidance issued under PPACA grants transitional relief to health insurance coverage in the individual or small group market in effect on October 1, 2013, that is renewed for a policy year starting between January 1, 2014, and October 1, 2014, and exempts that coverage from certain PPACA reforms, as specified.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care. Existing law also provides for the regulation of health insurers by the Department of Insurance. Existing law implements the PPACA reforms described above under the Knox-Keene Act and the laws governing health insurance.

This bill would allow an individual or small employer health benefit plan in effect on October 1, 2013, that does not qualify as a grandfathered health plan under PPACA to be renewed until October 1, 2014, and to continue to be in force until December 31, 2014. The bill would exempt an individual or small employer health benefit plan in effect on October 1, 2013, that does not qualify as a grandfathered health plan under PPACA and that is renewed between January 1, 2014, and October 1, 2014, from various provisions of state law that implement the PPACA reforms described above. The bill would require that these provisions be implemented only to the extent permitted by PPACA.

The bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . 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 1367.011 is added to the Health and
- 2 Safety Code, to read:
- 3 1367.011. (a) An individual or small employer health benefit
- 4 plan in effect on October 1, 2013, that does not qualify as a
- 5 grandfathered health plan under Section 1251 of PPACA may be
- 6 renewed until October 1, 2014, and may continue to be in force
- 7 until December 31, 2014, subject to applicable federal law, any
- 8 other requirements imposed ~~by~~ under this chapter, and any
- 9 requirements imposed by the health benefit plan.

(b) An individual or small employer health benefit plan in effect on October 1, 2013, that does not qualify as a grandfathered health plan under Section 1251 of PPACA and that is renewed for a plan or policy year starting between January 1, 2014, and October 1, 2014, inclusive, shall be treated as a “grandfathered health care service plan contract,” a “grandfathered health plan,” a “grandfathered health benefit plan,” or “grandfathered coverage” under the following provisions, as applicable, until December 31, 2014, subject to the notice requirements imposed under PPACA:

(1) Article 3.16 (commencing with Section 1357.500), except for subdivision (i) of Section 1357.503.

(2) Article 3.17 (commencing with Section 1357.600).

(3) Article 3.15 (commencing with Section 1357.50), subject to subdivision (c).

(4) Section 1367.005.

(5) Section 1367.0065.

(6) Section 1367.008.

(7) Section 1367.009.

(8) Section 1389.4.

(9) Article 11.8 (commencing with Section 1399.845), except for subdivision (h) of Section 1399.849.

(c) Notwithstanding Section 1399.836, Sections 1399.826 and 1399.828 shall apply to an individual health benefit plan described in subdivision (b) until December 31, 2014.

(d) A small employer health benefit plan described in subdivision (b) shall not be subject to Section 1367.007. This subdivision shall become inoperative on December 31, 2014.

(e) This section shall be implemented only to the extent permitted by PPACA.

(f) For purposes of this section, the following definitions shall apply:

(1) “Health benefit plan” means any individual or group health care service plan contract that provides medical, hospital, and surgical benefits. The term does not include a specialized health care service plan contract, a health care service plan contract provided in the Medi-Cal program (Chapter 7 (commencing with Section 14000) of Part 3 of Division 9 of the Welfare and Institutions Code), the Healthy Families Program (Part 6.2 (commencing with Section 12693) of Division 2 of the Insurance Code), the Access for Infants and Mothers Program (Part 6.3

(commencing with Section 12695) of Division 2 of the Insurance Code), the program under Part 6.4 (commencing with Section 12699.50) of Division 2 of the Insurance Code, coverage of Medicare services pursuant to contracts with the United States government, or Medicare supplement coverage, to the extent consistent with PPACA.

(2) “Plan year” or “policy year” have the meanings set forth in Section 144.103 of Title 45 of the Code of Federal Regulations.

(3) “PPACA” means the federal Patient Protection and Affordable Care Act (Public Law 111-148), as amended by the federal Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), and any rules, regulations, or guidance issued pursuant to that law.

(4) “Small employer health benefit plan” means a group health benefit plan issued to a small employer, as defined in Section 1357.500 or 1357.600.

SEC. 2. Section 10112.299 is added to the Insurance Code, to read:

10112.299. (a) An individual or small employer health benefit plan in effect on October 1, 2013, that does not qualify as a grandfathered health plan under Section 1251 of PPACA may be renewed until October 1, 2014, and may continue to be in force until December 31, 2014, subject to applicable federal law, any other requirements imposed ~~by~~ *under* this part, and any requirements imposed by the health benefit plan.

(b) An individual or small employer health benefit plan in effect on October 1, 2013, that does not qualify as a grandfathered health plan under Section 1251 of PPACA and that is renewed for a plan or policy year starting between January 1, 2014, and October 1, 2014, inclusive, shall be treated as a “grandfathered health insurance policy,” a “grandfathered health plan,” a “grandfathered health benefit plan,” or “grandfathered coverage” under the following provisions, as applicable, until December 31, 2014, subject to the notice requirements imposed under PPACA:

(1) Chapter 8.01 (commencing with Section 10753), except for subdivision (k) of Section 10753.05.

(2) Chapter 8.02 (commencing with Section 10755).

(3) Article 7 (commencing with Section 10198.6), subject to subdivision (c).

(4) Section 10112.27.

1 (5) Section 10112.285.

2 (6) Section 10112.295.

3 (7) Section 10112.297.

4 (8) Section 10113.95.

5 (9) Chapter 9.9 (commencing with Section 10965), except for  
6 subdivision (h) of Section 10965.3.

7 (c) Notwithstanding Section 10960.5, Sections 10951 and 10953  
8 shall apply to an individual health benefit plan described in  
9 subdivision (b) until December 31, 2014.

10 (d) A small employer health benefit plan described in  
11 subdivision (b) shall not be subject to Section 10112.29. This  
12 subdivision shall become inoperative on December 31, 2014.

13 (e) This section shall be implemented only to the extent  
14 permitted by PPACA.

15 (f) For purposes of this section, the following definitions shall  
16 apply:

17 (1) "Health benefit plan" means any individual or group policy  
18 of health insurance that provides medical, hospital, and surgical  
19 benefits. The term does not include a policy that provides excepted  
20 benefits as described in Sections 2722 and 2791 of the federal  
21 Public Health Service Act (42 U.S.C. Sec. 300gg-21; 42 U.S.C.  
22 Sec. 300gg-91), a health insurance policy provided in the Medi-Cal  
23 program (Chapter 7 (commencing with Section 14000) of Part 3  
24 of Division 9 of the Welfare and Institutions Code), the Healthy  
25 Families Program (Part 6.2 (commencing with Section 12693) of  
26 Division 2), the Access for Infants and Mothers Program (Part 6.3  
27 (commencing with Section 12695) of Division 2), or the program  
28 under Part 6.4 (commencing with Section 12699.50) of Division  
29 2, coverage of Medicare services pursuant to contracts with the  
30 United States government, or Medicare supplement coverage, to  
31 the extent consistent with PPACA.

32 (2) "Plan year" or "policy year" have the meanings set forth in  
33 Section 144.103 of Title 45 of the Code of Federal Regulations.

34 (3) "PPACA" means the federal Patient Protection and  
35 Affordable Care Act (Public Law 111-148), as amended by the  
36 federal Health Care and Education Reconciliation Act of 2010  
37 (Public Law 111-152), and any rules, regulations, or guidance  
38 issued pursuant to that law.

1 (4) “Small employer health benefit plan” means a group health  
2 benefit plan issued to a small employer, as defined in Section  
3 10753 or 10755.

4 SEC. 3. This act is an urgency statute necessary for the  
5 immediate preservation of the public peace, health, or safety within  
6 the meaning of Article IV of the Constitution and shall go into  
7 immediate effect. The facts constituting the necessity are:

8 In order to carry out the transitional policy under the federal  
9 Patient Protection and Affordable Care Act announced by the  
10 President of the United States on November 14, 2013, and to allow  
11 individuals and small businesses to reenroll in their current health  
12 care coverage, it is necessary that this act take effect immediately.