

AMENDED IN ASSEMBLY APRIL 15, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

**ASSEMBLY BILL**

**No. 78**

**Introduced by Assembly Member Gallegos**

December 8, 1998

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~~An act to amend Sections 1368, 1368.01, and 1368.03 of, to~~ *An act to amend, repeal, and add Sections 1341, 1342.5, 1347, and 1368.02 and 1347 of, and to add Division 108 (commencing with Section 140000) to, the Health and Safety Code, relating to health care coverage, and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

AB 78, as amended, Gallegos. Health care coverage: Board of Managed Health Care.

(1) Under existing law, the Knox-Keene Health Care Service Plan Act of 1975, the Commissioner of Corporations is charged with responsibility for administration and enforcement of the act, which governs health care service plans.

~~This bill would establish the Board of Managed Health Care in the State and Consumer Services Agency, on and after March 1, 2000, with prescribed membership and duties.~~

~~The bill would require the board an unspecified entity, on and after March 1, 2000, to administer and enforce the regulation of health care service plans on and after July 1, 2000.~~

The bill would require ~~the board~~ *an unspecified entity* to administer and enforce the regulation of disability insurers

that cover hospital, medical, and surgical benefits, preferred provider organizations, exclusive provider organizations, and any other preferred provider insurers on and after July 1, 2002.

(2) Existing law establishes a Health Care Service Plan Advisory Committee in the Department of Corporations with prescribed membership and duties.

This bill would, on March 1, 2000, establish the Advisory Committee on Managed Care and prescribe its membership. The bill would require ~~the board~~ *an unspecified entity* and the committee to make various reports to the Governor and Legislature.

~~(3) Existing law authorizes a subscriber or enrollee to submit a grievance or complaint to the department for review, after completion of a plan's grievance process or participation in the process for 60 days.~~

~~This bill would change the length of time to 30 days.~~

~~(4) Under existing law, willful violation of any provisions relating to the licensure and regulation of health care service plans is punishable as either a felony or a misdemeanor.~~

~~Existing law requires a plan to resolve grievances within 30 days whenever possible and to provide enrollees and subscribers with a written statement on the disposition or pending status of the grievance within 30 days of the plan's receipt of the grievance.~~

~~This bill would instead require a plan to resolve grievances within 30 days without condition and would require the written statement to be provided within 15 days of receipt of the plan's receipt of the grievance.~~

~~By changing the definition of a crime, this bill would impose a state-mandated local program.~~

~~(5) The bill would also appropriate \$3,000,000 from the State Corporations Fund to ~~the board~~ *an unspecified entity* for expenditure to cover the startup costs of ~~the board~~ *an unspecified entity* and new personnel and operating expenses. The bill would authorize ~~the board~~ *an unspecified entity* to require health care service plans to pay an additional assessment sufficient to pay for the startup costs, new personnel, and operating expenses.~~

~~SEC. 6.—~~



(4) 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: yes. Fiscal committee: yes. State-mandated local program: yes.

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

1     ~~SECTION 1. The Legislature finds and declares all of~~  
2 ~~the following:~~  
3     ~~(a) The regulation of health care services is a critical~~  
4 ~~issue for the public. There is a growing concern about the~~  
5 ~~emerging penetration of managed care health systems~~  
6 ~~that cut costs by denying or delaying medically necessary~~  
7 ~~patient care. Recent health care reform initiatives on the~~  
8 ~~state ballot, and the numerous patient protection bills~~  
9 ~~introduced in the California Legislature and in the~~  
10 ~~Congress of the United States, demonstrate the depth of~~  
11 ~~public concern being raised about the inadequacy of~~  
12 ~~current government regulation of managed health care~~  
13 ~~services.~~  
14     ~~(b) Health care service plans operating in California~~  
15 ~~are currently licensed and regulated, pursuant to the~~  
16 ~~Knox-Keene Health Care Service Plan Act of 1975, by the~~  
17 ~~Department of Corporations, which is a department~~  
18 ~~primarily concerned with financial matters involving~~  
19 ~~securities and franchise investments, lender and fiduciary~~  
20 ~~plans, and health plans. The Department of Corporations~~  
21 ~~is part of the Business, Transportation and Housing~~  
22 ~~Agency. The Department of Corporations has~~  
23 ~~traditionally focused its attention on securing the~~  
24 ~~financial health and solvency of health plans, with only~~  
25 ~~modest attention paid to patient protection and quality of~~  
26 ~~care issues. Few consumers in California realize that their~~  
27 ~~health care service plans are subject to regulation by the~~  
28 ~~Department of Corporations.~~



1 ~~(c) Disability insurers operating in California that~~  
2 ~~cover hospital, medical, or surgical expenses, including~~  
3 ~~insurers that provide such coverage through a preferred~~  
4 ~~provider organization, exclusive provider organization,~~  
5 ~~or a similar managed health care system, are licensed and~~  
6 ~~regulated by the Department of Insurance under the~~  
7 ~~Insurance Code. It is inefficient for state government to~~  
8 ~~regulate separately, in two different departments, health~~  
9 ~~plan and health insurance coverage, and many~~  
10 ~~consumers are confused about whether the Department~~  
11 ~~of Corporations or the Department of Insurance~~  
12 ~~regulates their provider of health care coverage.~~

13 ~~(d) Some types of medical groups that provide or~~  
14 ~~arrange for medical care and bear significant financial~~  
15 ~~risk related to the provision of medical care are regulated~~  
16 ~~by the Department of Corporations and some are not~~  
17 ~~directly regulated by the state and pose a serious risk to~~  
18 ~~patients with regard to medical group financial solvency~~  
19 ~~and related ability to provide care, and medical group~~  
20 ~~obligation and commitment to provide quality health~~  
21 ~~care services.~~

22 ~~(e) The Managed Health Care Improvement Task~~  
23 ~~Force, created by the passage of Assembly Bill 2343 of the~~  
24 ~~1995-96 Regular Session, Chapter 815, Statutes of 1996,~~  
25 ~~issued a report in January of 1998 recommending that a~~  
26 ~~new state entity for regulation of managed health care~~  
27 ~~should be created to regulate health care service plans~~  
28 ~~currently regulated by the Department of Corporations~~  
29 ~~and to phase in the regulation of other health care~~  
30 ~~entities.~~

31 ~~(f) As one option, the task force recommended that~~  
32 ~~the new state entity be led by a board that would meet~~  
33 ~~publicly to review and approve major policy and~~  
34 ~~regulatory matters, comprising five or more individuals~~  
35 ~~appointed to staggered terms, with a majority appointed~~  
36 ~~by the Governor, including the chairperson, and at least~~  
37 ~~one member each appointed by the Assembly and~~  
38 ~~Senate, with part time board members working with the~~  
39 ~~full-time chairperson, who would have day-to-day~~  
40 ~~operating responsibility and authority, and who would be~~



1 ~~an individual of stature in the health services field. Task~~  
2 ~~force members in support of a board maintain that such~~  
3 ~~a body would provide continuity and stability and a public~~  
4 ~~process and, therefore, would ensure confidence in the~~  
5 ~~decisionmaking and greater independence from political~~  
6 ~~interference.~~

7 ~~(g) The task force recommended that the Governor~~  
8 ~~and Legislature consider transferring to the new entity~~  
9 ~~the regulation of health insurers, currently regulated by~~  
10 ~~the Department of Insurance under the Insurance Code,~~  
11 ~~that provide health insurance coverage through~~  
12 ~~indemnity, preferred provider organizations, and~~  
13 ~~exclusive provider organizations.~~

14 ~~(h) The task force also recommended that the~~  
15 ~~Governor and Legislature should consider having the~~  
16 ~~new entity directly regulate, for solvency and quality,~~  
17 ~~medical groups, independent practice associations, and~~  
18 ~~other provider entities that contribute to medical~~  
19 ~~decisions and that bear significant risk.~~

20 ~~(i) Therefore, the Legislature declares that it would be~~  
21 ~~in the best interest of the citizens of California to transfer~~  
22 ~~government responsibilities related to the regulation of~~  
23 ~~health care service plans to a new Board of Managed~~  
24 ~~Health Care in the State and Consumer Services Agency,~~  
25 ~~dedicated to consumer protection and quality health~~  
26 ~~care, and thereafter to transfer to the new board the~~  
27 ~~regulation of health insurers, currently regulated by the~~  
28 ~~Department of Insurance, that provide health insurance~~  
29 ~~coverage through indemnity, preferred provider~~  
30 ~~organizations, exclusive provider organizations, or~~  
31 ~~through other managed health care systems.~~

32 ~~SEC. 2.—~~

33 ~~SECTION. 1. Section 1341 of the Health and Safety~~  
34 ~~Code is amended to read:~~

35 ~~1341. (a) Responsibility for the administration and~~  
36 ~~enforcement of this chapter is vested in the~~  
37 ~~Commissioner of Corporations. All references to~~  
38 ~~commissioner in this chapter shall be references to the~~  
39 ~~Commissioner of Corporations and all references to~~



1 department shall be references to the Department of  
2 Corporations.

3 (b) This section shall become inoperative on July 1,  
4 2000, and, as of January 1, 2001, is repealed, unless a later  
5 enacted statute, that becomes operative on or before  
6 January 1, 2001, deletes or extends the dates on which it  
7 becomes inoperative and is repealed.

8 ~~SEC. 3.—~~

9 *SEC. 2.* Section 1341 is added to the Health and Safety  
10 Code, to read:

11 1341. (a) Responsibility for the administration and  
12 enforcement of this chapter is vested in the ~~Board~~  
13 \_\_\_\_\_ of Managed Health Care established pursuant to  
14 Division 108 (commencing with Section 140000). All  
15 references to commissioner in this chapter shall be  
16 references to the ~~Board~~ \_\_\_\_\_ of Managed Health  
17 Care and all references to department or ~~board~~ \_\_\_\_\_  
18 shall be references to the ~~Board~~ \_\_\_\_\_ of Managed  
19 Health Care.

20 (b) This section shall become operative July 1, 2000.

21 ~~SEC. 4.—~~

22 *SEC. 3.* Section 1342.5 of the Health and Safety Code  
23 is amended to read:

24 1342.5. (a) The commissioner shall consult with the  
25 Insurance Commissioner prior to adopting any  
26 regulations applicable to health care service plans subject  
27 to this chapter and nonprofit hospital service plans  
28 subject to Chapter 11A (commencing with Section  
29 11491) of Part 2 of Division 2 of the Insurance Code and  
30 other entities governed by the Insurance Code for the  
31 specific purpose of ensuring, to the extent practical, that  
32 there is consistency of regulations applicable to these  
33 plans and entities by the Insurance Commissioner and the  
34 Commissioner of Corporations.

35 (b) This section shall become inoperative on July 1,  
36 2000, and, as of January 1, 2001, is repealed, unless a later  
37 enacted statute, that becomes operative on or before  
38 January 1, 2001, deletes or extends the dates on which it  
39 becomes inoperative and is repealed.

40 ~~SEC. 5.—~~



1 SEC. 4. Section 1342.5 is added to the Health and  
2 Safety Code, to read:

3 1342.5. (a) The ~~Board~~ \_\_\_\_ of Managed Health  
4 Care shall consult with the Insurance Commissioner and  
5 the Director of Health Services prior to adopting any  
6 regulations applicable to health care service plans subject  
7 to this chapter for the specific purpose of ensuring, to the  
8 extent practical, that there are efficient and cost-effective  
9 health services and consistency of regulations applicable  
10 to those plans and to the disability insurers and other  
11 health plans subject to the jurisdiction of the Insurance  
12 Commissioner and the Director of Health Services.

13 (b) This section shall become operative on July 1, 2000.  
14 This section shall become inoperative on July 1, 2002, and,  
15 as of January 1, 2003, is repealed, unless a later enacted  
16 statute, that becomes operative on or before January 1,  
17 2003, deletes or extends the dates on which it becomes  
18 inoperative and is repealed.

19 ~~SEC. 6.—~~

20 SEC. 5. Section 1347 of the Health and Safety Code is  
21 amended to read:

22 1347. (a) There is established in the Department of  
23 Corporations a Health Care Service Plan Advisory  
24 Committee consisting of 20 members. The members shall  
25 consist of the commissioner or the commissioner's  
26 designee; a physician and surgeon with five years'  
27 experience in providing services to enrollees of a health  
28 care service plan; a person with expertise and five years'  
29 experience in an administrative capacity of a  
30 hospital-based plan; a person with five years' experience  
31 with a corporation formed under Section 9201 of the  
32 Corporations Code; a person with five years' experience  
33 with a non-hospital-based independent practice  
34 association; a person with expertise and five years'  
35 experience in a health care service plan that is a  
36 hospital-based independent practice association; a person  
37 with five years' experience in an administrative capacity  
38 with a non-hospital-based health care service plan; a  
39 person with five years' experience in an administrative  
40 capacity with a specialized health care service plan; a



1 certified public accountant with five years' experience in  
2 auditing plans; and six public members having no  
3 financial interest in the delivery of health care services or  
4 in plans except for being enrolled in a health care service  
5 plan or specialized health care service plan.

6 The members shall also include two persons with five  
7 years' experience in an administrative capacity with a  
8 dental service plan, two persons with five years'  
9 experience in an administrative capacity with a vision  
10 service plan, and one person with five years' experience  
11 in an administrative capacity with a mental health service  
12 plan, all of whom shall be appointed by the commissioner  
13 for a term of three years commencing January 1, 1989.  
14 With respect only to one of the members appointed who  
15 is required to have five years' experience in an  
16 administrative capacity with a vision service plan, until  
17 January 1, 1996, the commissioner may at his or her  
18 discretion substitute for the five years' experience  
19 requirement compensating factors such as professional  
20 education, experience in related fields, and other factors  
21 as the commissioner deems relevant.

22 The members shall be appointed by the commissioner  
23 for a term of three years, except that of the members first  
24 appointed, four shall serve for a term of one year and five  
25 shall serve for a term of two years, as designated by the  
26 commissioner.

27 The committee shall meet at least quarterly and at the  
28 call of the chairperson. The commissioner or the  
29 commissioner's designee shall be chairperson of the  
30 committee. The committee may establish its own rules  
31 and procedures. All members shall serve without  
32 compensation, but the six public members shall be  
33 reimbursed from department funds for expenses actually  
34 and necessarily incurred by them in the performance of  
35 their duties.

36 (b) The purpose of the committee is to assist and  
37 advise the commissioner in the implementation of the  
38 commissioner's duties under this chapter. The  
39 commissioner shall consult with the advisory committee  
40 on regulations and the recommendations of the



1 committee shall be made a part of the record with regard  
2 to those regulations. The committee shall be given at least  
3 45 days to review and comment on regulations prior to  
4 setting a notice of hearing for proposed regulations.  
5 Nothing in this subdivision prohibits the commissioner  
6 from promulgating emergency regulations pursuant to  
7 the Administrative Procedure Act. The commissioner  
8 shall discuss budget changes relating to the  
9 administration of this chapter with the committee, and  
10 the committee may make recommendations to the  
11 commissioner regarding the proposed budget changes.

12 (c) This section shall become inoperative on March 1,  
13 2000, and, as of January 1, 2001, is repealed, unless a later  
14 enacted statute, that becomes operative on or before  
15 January 1, 2001, deletes or extends the dates on which it  
16 becomes inoperative and is repealed.

17 ~~SEC. 7.—~~

18 *SEC. 6.* Section 1347 is added to the Health and Safety  
19 Code, to read:

20 1347. (a) (1) There is established an Advisory  
21 Committee on Managed Care consisting of 29 voting  
22 members.

23 (2) The members shall consist of the following:

24 (A) Six consumer group representatives who advocate  
25 on behalf of health plan enrollees and health insurance  
26 policyholders, who shall include at least two members  
27 representing the interests of vulnerable populations.

28 (B) Four health care service plan enrollees and two  
29 health insurance policyholders.

30 (C) Four health care professionals, including at least  
31 one physician and one nurse.

32 (D) Two representatives of medical groups.

33 (E) Four representatives of full-service health care  
34 service plans.

35 (F) Three representatives of specialized health care  
36 service plans.

37 (G) Two representatives of disability insurers that  
38 cover hospital, medical, or surgical expenses, including at  
39 least one that provides coverage through a preferred  
40 provider organization.



1 (H) Two representatives of employers that purchase  
 2 health care coverage for their employees, which shall  
 3 include one public or government employer.

4 (3) The members shall be appointed by the board for  
 5 a term of three years, however, of the members first  
 6 appointed, nine shall serve for a term of one year and 10  
 7 shall serve for a term of two years, as designated by the  
 8 ~~board~~ \_\_\_\_.

9 (4) The Department of Insurance, Department of  
 10 Consumer Affairs, State Department of Health Services,  
 11 Office of Statewide Health Planning and Development,  
 12 and Department of Industrial Relations shall appoint  
 13 representatives to serve as nonvoting ex officio members  
 14 of the advisory committee. The ex officio members shall  
 15 seek to promote interagency coordination on health care  
 16 issues and enhanced capabilities, including electronic  
 17 capabilities, to share information with the ~~board~~  
 18 \_\_\_\_.

19 (5) Every two years, the advisory committee shall  
 20 elect a chairperson and a vice chairperson from among its  
 21 voting members.

22 (6) The advisory committee shall meet at least  
 23 quarterly and at the call of the chairperson. The advisory  
 24 committee may establish its own rules and procedures.  
 25 All members shall serve without compensation, but the  
 26 six consumer group representatives, four health care  
 27 service plan enrollees, and two health insurance  
 28 policyholders may request and receive funds from the  
 29 ~~board~~ \_\_\_\_ for travel expenses actually and  
 30 necessarily incurred by them in the performance of their  
 31 advisory committee duties.

32 (b) The purpose of the advisory committee is to  
 33 consider various points of view and to assist and advise the  
 34 ~~board~~ \_\_\_\_ in the implementation of the duties of the  
 35 ~~board~~ \_\_\_\_ under this chapter. The advisory  
 36 committee shall focus on major policy and planning  
 37 issues, including issues associated with helping patients  
 38 secure health care services to which they are entitled  
 39 under the laws administered by the ~~board~~. ~~The board~~  
 40 \_\_\_\_ . *The* \_\_\_\_ shall consult with the advisory



1 committee on regulations and the recommendations of  
2 the committee shall be made a part of the record with  
3 regard to those regulations. The advisory committee shall  
4 be given at least 45 days to review and comment on  
5 regulations prior to setting a notice of hearing for  
6 proposed regulations. Nothing in this subdivision  
7 prohibits the ~~board~~ \_\_\_\_\_ from adopting urgency  
8 regulations pursuant to the Administrative Procedure  
9 Act (Chapter 3 (commencing with Section 11340) of Part  
10 1 of Division 3 of Title 2 of the Government Code). The  
11 ~~board~~ \_\_\_\_\_ shall discuss budget changes relating to  
12 the administration of this chapter with the advisory  
13 committee, and the committee may make  
14 recommendations to the board regarding the proposed  
15 budget changes.

16 (c) This section shall become operative on March 1,  
17 2000.

18 ~~SEC. 8. Section 1368 of the Health and Safety Code is~~  
19 ~~amended to read:~~

20 ~~1368. (a) Every plan shall do all of the following:~~

21 ~~(1) Establish and maintain a grievance system~~  
22 ~~approved by the department under which enrollees may~~  
23 ~~submit their grievances to the plan. Each system shall~~  
24 ~~provide reasonable procedures in accordance with~~  
25 ~~department regulations that shall ensure adequate~~  
26 ~~consideration of enrollee grievances and rectification~~  
27 ~~when appropriate.~~

28 ~~(2) Inform its subscribers and enrollees upon~~  
29 ~~enrollment in the plan and annually thereafter of the~~  
30 ~~procedure for processing and resolving grievances. The~~  
31 ~~information shall include the location and telephone~~  
32 ~~number where grievances may be submitted.~~

33 ~~(3) Provide forms for complaints to be given to~~  
34 ~~subscribers and enrollees who wish to register written~~  
35 ~~complaints. The forms used by plans licensed pursuant to~~  
36 ~~Section 1353 shall be approved by the commissioner in~~  
37 ~~advance as to format.~~

38 ~~(4) Keep in its files all copies of complaints, and the~~  
39 ~~responses thereto, for a period of five years.~~



1 ~~(b) (1) (A) After either completing the grievance~~  
2 ~~process described in subdivision (a), or participating in~~  
3 ~~the process for at least 30 days, a subscriber or enrollee~~  
4 ~~may submit the grievance or complaint to the~~  
5 ~~department for review. In any case determined by the~~  
6 ~~department to be a case involving an imminent and~~  
7 ~~serious threat to the health of the patient, including, but~~  
8 ~~not limited to, the potential loss of life, limb, or major~~  
9 ~~bodily function, or in any other case where the~~  
10 ~~department determines that an earlier review is~~  
11 ~~warranted, a subscriber or enrollee shall not be required~~  
12 ~~to complete the grievance process or participate in the~~  
13 ~~process for at least 30 days.~~

14 ~~(B) A grievance or complaint may be submitted to the~~  
15 ~~department for review and resolution prior to any~~  
16 ~~arbitration.~~

17 ~~(C) Notwithstanding subparagraphs (A) and (B), the~~  
18 ~~department may refer any grievance or complaint to the~~  
19 ~~State Department of Health Services, the Department of~~  
20 ~~Aging, the federal Health Care Financing~~  
21 ~~Administration, or any other appropriate governmental~~  
22 ~~entity for investigation and resolution.~~

23 ~~(2) If the subscriber or enrollee is a minor, or is~~  
24 ~~incompetent or incapacitated, the parent, guardian,~~  
25 ~~conservator, relative, or other designee of the subscriber~~  
26 ~~or enrollee, as appropriate, may submit the grievance or~~  
27 ~~complaint to the department as the agent of the~~  
28 ~~subscriber or enrollee. Further, a provider may join with,~~  
29 ~~or otherwise assist, a subscriber or enrollee, or the agent,~~  
30 ~~to submit the grievance or complaint to the department.~~  
31 ~~In addition, following submission of the grievance or~~  
32 ~~complaint to the department, the subscriber or enrollee,~~  
33 ~~or the agent, may authorize the provider to assist,~~  
34 ~~including advocating on behalf of the subscriber or~~  
35 ~~enrollee. For purposes of this section, a “relative”~~  
36 ~~includes the parent, stepparent, spouse, adult son or~~  
37 ~~daughter, grandparent, brother, sister, uncle, or aunt of~~  
38 ~~the subscriber or enrollee.~~

39 ~~(3) The department shall review the written~~  
40 ~~documents submitted with the subscriber’s or the~~



1 enrollee's request for review, or submitted by the agent  
2 on behalf of the subscriber or enrollee. The department  
3 may ask for additional information, and may hold an  
4 informal meeting with the involved parties, including  
5 providers who have joined in submitting the grievance or  
6 complaint, or who are otherwise assisting or advocating  
7 on behalf of the subscriber or enrollee. The department  
8 shall send a written notice of the final disposition of the  
9 grievance or complaint, and the reasons therefor, to the  
10 subscriber or enrollee, the agent, to any provider that has  
11 joined with or is otherwise assisting the subscriber or  
12 enrollee, and to the plan, within 60 calendar days of  
13 receipt of the request for review unless the commissioner,  
14 in his or her discretion, determines that additional time  
15 is reasonably necessary to fully and fairly evaluate the  
16 relevant grievance or complaint. Distribution of the  
17 written notice shall not be deemed a waiver of any  
18 exemption or privilege under existing law, including, but  
19 not limited to, Section 6254.5 of the Government Code,  
20 for any information in connection with and including the  
21 written notice, nor shall any person employed or in any  
22 way retained by the department be required to testify as  
23 to that information or notice. On or before January 1,  
24 1997, the commissioner shall establish and maintain a  
25 system of aging of complaints that are pending and  
26 unresolved for 60 days or more, that shall include a brief  
27 explanation of the reasons each complaint is pending and  
28 unresolved for 60 days or more.

29 (4) A subscriber or enrollee, or the agent acting on  
30 behalf of a subscriber or enrollee, may also request  
31 voluntary mediation with the plan prior to exercising the  
32 right to submit a grievance or complaint to the  
33 department. The use of mediation services shall not  
34 preclude the right to submit a grievance or complaint to  
35 the department upon completion of mediation. In order  
36 to initiate mediation, the subscriber or enrollee, or the  
37 agent acting on behalf of the subscriber or enrollee, and  
38 the plan shall voluntarily agree to mediation. Expenses  
39 for mediation shall be borne equally by both sides. The  
40 department shall have no administrative or enforcement



1 responsibilities in connection with the voluntary  
2 mediation process authorized by this paragraph.

3 (e) The plan's grievance system shall include a system  
4 of aging of complaints that are pending and unresolved  
5 for 30 days or more. On or before January 1, 1997, the plan  
6 shall provide a quarterly report to the commissioner of  
7 complaints pending and unresolved for 30 or more days  
8 with separate categories of complaints for Medicare  
9 enrollees and Medi-Cal enrollees. The plan shall include  
10 with the report a brief explanation of the reasons each  
11 complaint is pending and unresolved for 30 days or more.  
12 The plan may include the following statement in the  
13 quarterly report that is made available to the public by  
14 the commissioner:

15  
16 “Under Medicare and Medi-Cal law, Medicare  
17 enrollees and Medi-Cal enrollees each have separate  
18 avenues of appeal that are not available to other  
19 enrollees. Therefore, complaints pending and  
20 unresolved may reflect enrollees pursuing their  
21 Medicare or Medi-Cal appeal rights.”

22  
23 If requested by a plan, the commissioner shall include this  
24 statement in a written report made available to the public  
25 and prepared by the commissioner that describes or  
26 compares complaints that are pending and unresolved  
27 with the plan for 30 days or more. Additionally, the  
28 commissioner shall, if requested by a plan, append to that  
29 written report a brief explanation, provided in writing by  
30 the plan, of the reasons why complaints described in that  
31 written report are pending and unresolved for 30 days or  
32 more. The commissioner shall not be required to include  
33 a statement or append a brief explanation to a written  
34 report that the commissioner is required to prepare  
35 under this chapter, including Sections 1380 and 1397.5.

36 (d) Subject to subparagraph (C) of paragraph (1) of  
37 subdivision (b), the grievance, complaint, or resolution  
38 procedures authorized by this section shall be in addition  
39 to any other procedures that may be available to any  
40 person, and failure to pursue, exhaust, or engage in the



1 ~~procedures described in this section shall not preclude~~  
2 ~~the use of any other remedy provided by law.~~

3 ~~(e) Nothing in this section shall be construed to allow~~  
4 ~~the submission to the department of any provider~~  
5 ~~complaint or grievance under this section. However, as~~  
6 ~~part of a provider's duty to advocate for medically~~  
7 ~~appropriate health care for his or her patients pursuant~~  
8 ~~to Sections 510 and 2056 of the Business and Professions~~  
9 ~~Code, nothing in this subdivision shall be construed to~~  
10 ~~prohibit a provider from contacting and informing the~~  
11 ~~department about any concerns he or she has regarding~~  
12 ~~compliance with or enforcement of this chapter.~~

13 ~~SEC. 9. Section 1368.01 of the Health and Safety Code~~  
14 ~~is amended to read:~~

15 ~~1368.01. (a) The grievance system shall require the~~  
16 ~~plan to resolve grievances within 30 days whenever~~  
17 ~~possible and shall require the plan to provide enrollees~~  
18 ~~and subscribers with a written statement on the~~  
19 ~~disposition or pending status of the grievance within 15~~  
20 ~~days of the plan's receipt of the grievance.~~

21 ~~(b) The grievance system shall include a requirement~~  
22 ~~for expedited plan review of grievances for cases~~  
23 ~~involving an imminent and serious threat to the health of~~  
24 ~~the patient, including, but not limited to, potential loss of~~  
25 ~~life, limb, or major bodily function. When the plan has~~  
26 ~~notice of a case requiring expedited review, the~~  
27 ~~grievance system shall require the plan to immediately~~  
28 ~~inform enrollees and subscribers in writing of their right~~  
29 ~~to notify the department of the grievance. The grievance~~  
30 ~~system shall also require the plan to provide enrollees,~~  
31 ~~subscribers, and the department with a written statement~~  
32 ~~on the disposition or pending status of the grievance no~~  
33 ~~later than three days from receipt of the grievance.~~

34 ~~SEC. 10. Section 1368.02 of the Health and Safety~~  
35 ~~Code, as added by Section 3 of Chapter 377 of the Statutes~~  
36 ~~of 1998, is amended to read:~~

37 ~~1368.02. (a) The commissioner shall establish and~~  
38 ~~maintain a toll-free telephone number for the purpose of~~  
39 ~~receiving complaints regarding health care service plans~~  
40 ~~regulated by the commissioner.~~



1 ~~(b) Every health care service plan shall publish the~~  
2 ~~department's toll-free telephone number, the California~~  
3 ~~Relay Service's toll-free telephone numbers for the~~  
4 ~~hearing and speech impaired, the plan's telephone~~  
5 ~~number, and the department's Internet address, on every~~  
6 ~~plan contract, on every evidence of coverage, on copies~~  
7 ~~of plan grievance procedures, on plan complaint forms,~~  
8 ~~and on all written notices to enrollees required under the~~  
9 ~~grievance process of the plan, including any written~~  
10 ~~communications to an enrollee that offer the enrollee the~~  
11 ~~opportunity to participate in the grievance process of the~~  
12 ~~plan and on all written responses to grievances. The~~  
13 ~~department's telephone number, the California Relay~~  
14 ~~Service's telephone numbers, the plan's telephone~~  
15 ~~number, and the department's Internet address shall be~~  
16 ~~displayed by the plan in each of these documents in~~  
17 ~~12-point boldface type in the following regular type~~  
18 ~~statement:~~

19  
20 ~~“The California Department of Corporations is~~  
21 ~~responsible for regulating health care service plans. The~~  
22 ~~department's Health Plan Division has a toll-free~~  
23 ~~telephone number (1-800-400-0815) to receive~~  
24 ~~complaints regarding health plans. The hearing and~~  
25 ~~speech impaired may use the California Relay Service's~~  
26 ~~toll-free telephone numbers (1-800-735-2929 (TTY) or~~  
27 ~~1-888-877-5378 (TTY)) to contact the department. The~~  
28 ~~department's Internet website~~  
29 ~~(<http://www.corp.ca.gov>) has complaint forms and~~  
30 ~~instructions online. If you have a grievance against your~~  
31 ~~health plan, you should first telephone your plan at [plan's~~  
32 ~~telephone number] and use the plan's grievance process~~  
33 ~~before contacting the Health Plan Division. If you need~~  
34 ~~help with a grievance involving an emergency, a~~  
35 ~~grievance that has not been satisfactorily resolved by your~~  
36 ~~plan, or a grievance that has remained unresolved for~~  
37 ~~more than 60 days, you may call the Health Plan Division~~  
38 ~~for assistance. The plan's grievance process and the~~  
39 ~~Health Plan Division's complaint review process are in~~  
40 ~~addition to any other dispute resolution procedures that~~



1 may be available to you, and your failure to use these  
2 processes does not preclude your use of any other remedy  
3 provided by law.”

4  
5 ~~(e) The commissioner shall designate an~~  
6 ~~ombudsperson. The duties of the ombudsperson shall be~~  
7 ~~determined by the commissioner. The commissioner may~~  
8 ~~designate a member of the existing staff to serve as the~~  
9 ~~ombudsperson.~~

10 ~~(d) This section shall become inoperative on July 1,~~  
11 ~~2000, and, as of January 1, 2001, is repealed, unless a later~~  
12 ~~enacted statute, that becomes operative on or before~~  
13 ~~January 1, 2001, deletes or extends the dates on which it~~  
14 ~~becomes inoperative and is repealed.~~

15 ~~SEC. 11. Section 1368.02 is added to the Health and~~  
16 ~~Safety Code, to read:~~

17 ~~1368.02. (a) The board shall establish and maintain a~~  
18 ~~toll-free telephone number for the purpose of receiving~~  
19 ~~complaints regarding health care service plans regulated~~  
20 ~~by the board. The board shall coordinate with the~~  
21 ~~Department of Insurance to use the board’s toll-free~~  
22 ~~telephone number also to provide advice and assistance~~  
23 ~~to disability insurance policyholders, as provided in~~  
24 ~~Section 140257.~~

25 ~~(b) Every health care service plan shall publish the~~  
26 ~~board’s toll-free telephone number, the California Relay~~  
27 ~~Service’s toll-free telephone numbers for the hearing and~~  
28 ~~speech impaired, the plan’s telephone number, and the~~  
29 ~~board’s Internet address, on every plan contract, on every~~  
30 ~~evidence of coverage, on copies of plan grievance~~  
31 ~~procedures, on plan complaint forms, and on all written~~  
32 ~~notices to enrollees required under the grievance process~~  
33 ~~of the plan, including any written communications to an~~  
34 ~~enrollee that offer the enrollee the opportunity to~~  
35 ~~participate in the grievance process of the plan and on all~~  
36 ~~written responses to grievances. The board’s telephone~~  
37 ~~number, the California Relay Service’s telephone~~  
38 ~~numbers, the plan’s telephone number, and the board’s~~  
39 ~~Internet address shall be displayed by the plan in each of~~  
40 ~~these documents in 12 point boldface type in the~~



1 following regular type statement:

2

3 —“The Board of Managed Health Care is responsible  
4 for regulating health care service plans. The board’s  
5 Patient Advocate Division has a toll-free telephone  
6 number (1-800-400-0815) to receive complaints  
7 regarding health plans. The hearing and speech  
8 impaired may use the California Relay Service’s  
9 toll-free telephone numbers (1-800-735-2929 (TTY)  
10 or 1-888-877-5378 (TTY)) to contact the board. The  
11 board’s Internet website  
12 (<http://www.bmhc.ca.gov>) has complaint forms and  
13 instructions on line. If you have a grievance against  
14 your health plan, you should first telephone your plan  
15 at (plan’s telephone number) and use the plan’s  
16 grievance process before contacting the Patient  
17 Advocate Division. If you need help with a grievance  
18 involving an emergency, a grievance that has not  
19 been satisfactorily resolved by your plan, or a  
20 grievance that has remained unresolved for more  
21 than 30 days, you may call the Patient Advocate  
22 Division for assistance. The plan’s grievance process  
23 and the Patient Advocate Division’s complaint  
24 review process are in addition to any other dispute  
25 resolution procedures that may be available to you,  
26 and your failure to use these processes does not  
27 preclude your use of any other remedy provided by  
28 law.”

29 —

30 (e) This section shall become operative on July 1, 2000.

31 SEC. 12. Section 1368.03 of the Health and Safety  
32 Code is amended to read:

33 1368.03. (a) The department may require enrollees  
34 and subscribers to participate in a plan’s grievance  
35 process for up to 30 days before pursuing a complaint  
36 through the department. However, the department may  
37 not impose this waiting period in cases covered by  
38 subdivision (b) of Section 1368.01 or in any other case  
39 where the department determines that an earlier review  
40 is warranted.



1 ~~(b) Notwithstanding subdivision (a), the department~~  
2 ~~may refer any grievance or complaint to the State~~  
3 ~~Department of Health Services, the Department of~~  
4 ~~Aging, the federal Health Care Financing~~  
5 ~~Administration, or any other appropriate governmental~~  
6 ~~entity for investigation and resolution.~~

7 ~~SEC. 13.—~~

8 *SEC. 7.* Division 108 (commencing with Section  
9 140000) is added to the Health and Safety Code, to read:

10  
11 DIVISION 108. ~~BOARD~~ \_\_\_\_ OF MANAGED  
12 HEALTH CARE

13  
14 CHAPTER 1. ESTABLISHMENT

15  
16 140000. This division shall be known and may be cited  
17 as the Rosenthal-Gallegos ~~Board~~ \_\_\_\_ of Managed  
18 Health Care Act.

19 140001. There is in the ~~State and Consumer Services~~  
20 \_\_\_\_ Agency a ~~Board~~ \_\_\_\_ of Managed Health  
21 Care.

22 140004. This chapter shall become operative on  
23 March 1, 2000.

24  
25 ~~CHAPTER 2. MEMBERSHIP~~

26  
27 ~~140005. The board shall be composed of five~~  
28 ~~members.~~

29 ~~140006. (a) The Governor shall appoint three~~  
30 ~~members, subject to confirmation by the Senate,~~  
31 ~~including the chairperson.~~

32 ~~(b) The Senate Committee on Rules shall appoint one~~  
33 ~~member.~~

34 ~~(c) The Speaker of the Assembly shall appoint one~~  
35 ~~member.~~

36 ~~140007. (a) Each member of the board shall be~~  
37 ~~appointed for a term of four years. For purposes of the~~  
38 ~~initial appointments, the Governor shall appoint one~~  
39 ~~member to a two-year term, one member to a three-year~~  
40 ~~term, and one member, designated by the Governor as~~



1 the chairperson, to a four-year term. The initial  
2 appointment by the Speaker of the Assembly shall be for  
3 a two-year term. The initial appointment by the Senate  
4 Committee on Rules shall be for a three-year term.  
5 Vacancies occurring on the board shall be filled by  
6 appointment of the appointing power for the unexpired  
7 term.

8 (b) The appointing power may remove any member  
9 of the board for neglect of duty required by this division,  
10 incompetence, or unprofessional conduct.

11 140008. The chairperson of the board shall hold a  
12 full-time position. The remaining board members shall  
13 hold part-time positions.

14 140009. The chairperson shall serve as the principal  
15 advisor to, and spokesperson for, the Governor on, and  
16 shall assist the Governor in establishing, major policy and  
17 program matters concerning managed health care.

18 140010. Every two years, the board shall elect a vice  
19 chairperson from its members.

20 140011. (a) The chairperson of the board shall  
21 receive the salary provided for by Chapter 6  
22 (commencing with Section 11550) of Part 1 of Division 3  
23 of Title 2 of the Government Code. The remaining board  
24 members shall receive a salary that is one-third of that  
25 amount.

26 (b) Each member of the state board shall receive his  
27 or her actual necessary traveling and other expenses  
28 incurred in the performance of his or her official duties.  
29 When necessary, the members of the board and its  
30 employees may travel within or without the state.

31 140012. No person who is, or within two years prior to  
32 appointment has been, employed by, contracted to  
33 provide services to, part of a brokerage or agency  
34 relationship with, or a member of the board of directors  
35 of, a health care service plan or disability insurer subject  
36 to the regulatory jurisdiction of the board or the  
37 Department of Insurance may be appointed to the board.

38 140013. While serving on the board, no board  
39 member shall make, participate in making, or in any way  
40 attempt to use his or her official position to influence the



1 ~~making of any decision that he or she knows or has reason~~  
2 ~~to know will have a reasonably foreseeable material~~  
3 ~~financial effect, distinguishable from its effect on the~~  
4 ~~public generally, on the board member or on a member~~  
5 ~~of his or her immediate family, or otherwise make,~~  
6 ~~participate in making, or in any way use his or her official~~  
7 ~~position to influence any other financial interest as~~  
8 ~~prohibited by the Political Reform Act of 1974 (Title 9~~  
9 ~~(commencing with Section 81000) of the Government~~  
10 ~~Code).~~

11 ~~140014. No person appointed to the board may be~~  
12 ~~employed by, contract to provide services to, be part of~~  
13 ~~a brokerage or agency relationship with, or serve on the~~  
14 ~~board of directors of, a health care service plan or~~  
15 ~~disability insurer subject to the regulatory jurisdiction of~~  
16 ~~the board or the Department of Insurance for a period of~~  
17 ~~12 months after service on the board.~~

18 ~~140024. This chapter shall become operative on~~  
19 ~~March 1, 2000.~~

20  
21 ~~CHAPTER 3. MEETINGS~~  
22

23 ~~140025. The board shall hold regular public meetings~~  
24 ~~at least once a month to review major policy and~~  
25 ~~regulatory matters. Special meetings may be called by the~~  
26 ~~chairperson or upon the request of a majority of the~~  
27 ~~members.~~

28 ~~140026. In addition to the regularly scheduled and any~~  
29 ~~special meetings of the board, the board shall convene at~~  
30 ~~least two public hearings each calendar year to receive~~  
31 ~~public testimony regarding matters affecting the~~  
32 ~~interests of patients served by entities regulated by the~~  
33 ~~board. The board may hold such public hearings in~~  
34 ~~conjunction with meetings of the Advisory Committee on~~  
35 ~~Managed Care established pursuant to Section 1347.~~

36 ~~140027. The board shall comply with the~~  
37 ~~Bagley-Keene Open Meeting Act (Article 9~~  
38 ~~(commencing with Section 11120) of Chapter 1 of~~  
39 ~~Division 3 of Title 2 of the Government Code), including,~~  
40 ~~but not limited to, deliberating and taking action in~~

1 ~~public after providing an opportunity for members of the~~  
2 ~~public to address the board directly.~~

3 ~~140039. This chapter shall become operative on~~  
4 ~~March 1, 2000.~~

5

6

CHAPTER 4. ADMINISTRATION

7

8 140040. The central office of the board \_\_\_\_ shall  
9 be in the City of Sacramento. The board \_\_\_\_ may  
10 also establish other suboffices as it may deem necessary.

11 ~~140041. The chairperson of the board may appoint~~  
12 ~~two full-time advisers exempt from the Civil Service Act~~  
13 ~~(Part 2 (commencing with Section 18500) of Division 5 of~~  
14 ~~Title 2 of the Government Code) who shall advise, assist,~~  
15 ~~and serve at the pleasure of the chairperson. Each of the~~  
16 ~~other board members may appoint one full-time adviser~~  
17 ~~each, exempt from the Civil Service Act, who shall advise,~~  
18 ~~assist, and serve at the pleasure of the appointing board~~  
19 ~~members. Board members may designate an existing~~  
20 ~~board employee to serve as an adviser.~~

21 ~~140042. (a) The board shall appoint an executive~~  
22 ~~officer who shall serve at the pleasure of the board and the~~  
23 ~~board may delegate any duty to the executive office that~~  
24 ~~the board deems appropriate.~~

25 ~~(b) It is the intent of the Legislature that the executive~~  
26 ~~officer shall perform and discharge, under the direction~~  
27 ~~and control of the board, the powers, duties, purposes,~~  
28 ~~functions, and jurisdiction vested in the board and~~  
29 ~~delegated to the executive officer by the board.~~

30 ~~(c) Any power, duty, purpose, function, or jurisdiction~~  
31 ~~that the board may lawfully delegate shall be conclusively~~  
32 ~~presumed to have been delegated to the executive officer~~  
33 ~~unless it is shown that the board, by affirmative vote~~  
34 ~~recorded in the minutes of the board, expressly has~~  
35 ~~reserved the same for the board's own action. The~~  
36 ~~executive officer may redelegate to subordinates unless,~~  
37 ~~by board rule or express provision of law, the executive~~  
38 ~~officer is expressly required to act personally.~~

39 ~~140043. In addition to the executive officer, the board~~  
40 ~~shall also employ a general counsel, an ombudsperson, a~~



1 ~~public information and education officer, a chief of policy,~~  
2 ~~planning, and interagency coordination, division chiefs,~~  
3 ~~and other persons as it may deem necessary to carry into~~  
4 ~~effect this chapter.~~

5 ~~140044. The board may fix the compensation to be~~  
6 ~~paid for services subject to applicable state laws and~~  
7 ~~regulations and may incur other expenses as it may deem~~  
8 ~~necessary.~~

9 ~~140045. Employees of the board shall, as necessary, be~~  
10 ~~provided special ongoing training in overseeing the~~  
11 ~~operations of health care service plans and other entities~~  
12 ~~subject to board jurisdiction to ensure that patients~~  
13 ~~receive timely access to medically necessary and~~  
14 ~~appropriate health care services to which they are~~  
15 ~~entitled under the laws administered by the board.~~

16 ~~140046. The board may select and contract with~~  
17 ~~necessary consultants to assist it in its programs. Subject~~  
18 ~~to Section 19130 of the Government Code, the board may~~  
19 ~~contract with these consultants on a sole source basis.~~

20 ~~140049. This chapter shall become operative on~~  
21 ~~March 1, 2000.~~

22  
23 CHAPTER 5. OFFICES

24  
25 Article 1. Office of the General Counsel

26  
27 140050. There is within the ~~board~~ \_\_\_\_ an Office  
28 of the General Counsel. The ~~board~~ \_\_\_\_ shall appoint  
29 a General Counsel to manage the office.

30  
31 Article 2. Office of Policy, Planning, and Interagency  
32 Coordination

33  
34 140060. There is within the ~~board~~ \_\_\_\_ an Office  
35 of Policy, Planning, and Interagency Coordination. The  
36 ~~board~~ \_\_\_\_ shall appoint a Policy and Planning  
37 Officer to manage the office.

38 140061. The office shall provide staff support for the  
39 Advisory Committee on Managed Care established  
40 pursuant to Section 1347.



Article 3. Public Information and Education Office

140070. There is within the board \_\_\_\_ a Public Information and Education Office. The board \_\_\_\_ shall appoint a Public Information Officer to manage the office.

Article 4. ~~Ombudsprogram Office~~

~~140080. There is within the board an Ombudsprogram Office.~~

~~140081. (a) The board shall appoint an ombudsperson to manage the office.~~

~~(b) The board may also employ staff as necessary to carry out the duties of the ombudsprogram office, and shall have at least one staff member of the office assigned to each of the regional offices of the board.~~

~~140082. The ombudsperson shall advise the board on procedural matters relating to public participation in proceedings of the board.~~

~~140083. The office shall have the following powers and duties:~~

~~(a) The office shall assist members of the public who have an interest in testifying before, or presenting information to, the board in any public hearing or proceeding of the board open to public participation. The office shall also assist members of the public who have an interest in participating in the deliberations of the Advisory Committee on Managed Care, established pursuant to Section 1347.~~

~~(b) The office shall have the capacity to assist members of the public, including health care service plan enrollees, in a language other than English if another language is the primary language used by the individual.~~

~~(c) The office shall act as a clearinghouse for the collection and distribution of information and materials developed by the board, and by other health care agencies, including federal, state, and local agencies with health care responsibilities, regarding public~~



1 participation in agency proceedings and dispute  
2 resolution procedures administered by the agencies.

3 140084. The ombudsperson shall consult and  
4 coordinate with other government and private health  
5 care ombudsprograms, including, but not limited to, any  
6 ombudsprograms administered by the State Department  
7 of Health Services, the Department of Insurance, the  
8 California Department of Aging, and federal and local  
9 agencies responsible for health services.

10 140085. The ombudsperson shall provide the board  
11 with an annual report summarizing the activities  
12 undertaken and planned by the office. The report shall be  
13 made available to the public.

14  
15 Article 10. Operative Date

16  
17 140089. This chapter shall become operative March 1,  
18 2000.

19  
20 CHAPTER 6. DIVISIONS

21  
22 Article 1. Patient Advocate Division

23  
24 140090. There is within the ~~board~~ \_\_\_\_ a patient  
25 advocate division to represent the interests of patients  
26 served by health care entities regulated by the board. The  
27 goal of the division shall be to help patients secure  
28 medically necessary and appropriate health care services  
29 to which they are entitled under the laws administered by  
30 the ~~board~~ \_\_\_\_.

31 140091. The director of the division shall be an  
32 individual recommended to the Governor by the ~~board~~  
33 \_\_\_\_ and shall be appointed by and serve at the  
34 pleasure of the Governor, subject to confirmation by the  
35 Senate.

36 140092. The ~~board~~ \_\_\_\_ shall, by rule or order,  
37 provide for the assignment of personnel to the division.  
38 The division may employ experts necessary to carry out  
39 its functions. Personnel and resources shall be provided  
40 to the division at a level sufficient to ensure that patient



1 interests are fully and fairly represented. The annual  
2 budget for the division shall be separately identified in  
3 the annual budget request of the ~~board~~ \_\_\_\_.

4 140093. The division may compel the production or  
5 disclosure of any information it deems necessary to  
6 perform its duties from entities regulated by the ~~board~~  
7 \_\_\_\_, if the information is determined by the General  
8 Counsel to be subject, under existing law, to production  
9 or disclosure to the ~~board~~ \_\_\_\_.

10 140094. The director shall annually appear before the  
11 appropriate policy and fiscal committees of the Senate  
12 and Assembly to report on the activities of the division.

13

14 Article 2. Licensing and Quality Assurance Division

15

16 140100. There is within the ~~board~~ \_\_\_\_ a licensing  
17 and quality assurance division.

18

19 Article 3. Financial Division

20

21 140110. There is within the ~~board~~ \_\_\_\_ a financial  
22 division.

23

24 Article 4. Enforcement Division

25

26 140120. There is within the ~~board~~ \_\_\_\_ an  
27 enforcement division.

28 140121. The enforcement division shall include a  
29 liaison officer to the patient advocate division.

30

31 Article 5. Administrative Division

32

33 140130. There is within the ~~board~~ \_\_\_\_ an  
34 administrative division.

35

36 Article 10. Operative Date

37

38 140149. This chapter shall become operative March 1,  
39 2000.

40



CHAPTER 7. REGULATION OF HEALTH CARE SERVICE PLANS

Article 1. General

140150. Effective July 1, 1999 2000, responsibility for the administration and enforcement of the regulation of health care service plans under the Knox-Keene Health Care Service Plan Act of 1975 (Chapter 2.2 (commencing with Section 1340) of Division 2) is transferred from the Department of Corporations to the board \_\_\_\_.

140153. Any rights given by any license issued under the Knox-Keene Health Care Service Plan Act of 1975 (Chapter 2.2 (commencing with Section 1340) of Division 2) are not affected by the enactment of this division, but those rights shall be exercised according to this division, and under the jurisdiction of the board \_\_\_\_.

140158. It is the intent of the Legislature that all personnel and funds dedicated to health care service plan regulation by the Department of Corporations be transferred to the board \_\_\_\_ on or before July 1, 2000.

CHAPTER 8. REGULATION OF HEALTH INSURANCE PRODUCTS

Article 1. General

140250. Effective July 1, 2002, responsibility under the Insurance Code for the administration and enforcement of the regulation of disability insurers that cover hospital, medical, or surgical expenses shall be transferred from the Department of Insurance to the board \_\_\_\_\_. For the purpose of regulating disability insurers that cover hospital, medical, or surgical expenses, all references to commissioner and department in the Insurance Code shall be references to the Board \_\_\_\_\_ of Managed Health Care.



1 140253. Any rights given by any license issued under  
2 the Insurance Code are not affected by the enactment of  
3 this division, but those rights shall be exercised according  
4 to this division, and under the jurisdiction of the ~~board~~  
5 \_\_\_\_\_.

6 140255. On or before March 1, 2001, the ~~board~~  
7 \_\_\_\_\_, in consultation with the Insurance  
8 Commissioner and the Advisory Committee on Managed  
9 Care established pursuant to Section 1347, shall provide  
10 the Governor and Legislature with a report regarding  
11 legislation, if any, that may be necessary and appropriate  
12 to facilitate, modify, or rescind the transfer to the ~~board~~  
13 \_\_\_\_\_ of jurisdiction over disability insurers that cover  
14 hospital, medical, or surgical expenses, including, but not  
15 limited to, disability insurers that provide that coverage  
16 through a preferred provider organization, exclusive  
17 provider organization, or any other managed health care  
18 system.

19 140257. (a) It is the intent of the Legislature that this  
20 article be implemented in a manner that insures the  
21 greatest assistance to disability insurance policyholders  
22 and the least disruption to the business of insurance.

23 (b) The ~~board~~ \_\_\_\_\_ shall designate an individual  
24 who shall serve as a liaison to the Insurance Commissioner  
25 for the purpose of assisting in the transfer of responsibility  
26 required pursuant to Section 140250.

27 (c) As of January 1, 2000, and until July 1, 2002, the  
28 toll-free telephone number required by Section 1368.02  
29 shall be staffed by personnel equipped to respond to  
30 inquiries regarding disability insurance that covers  
31 hospital, medical, or surgical services as well as to  
32 inquiries regarding health care service plans, and to make  
33 referrals to the Department of Insurance if the staff of the  
34 toll-free telephone number is unable to adequately assist  
35 the consumer, until the ~~board~~ \_\_\_\_\_ assumes  
36 jurisdiction over disability insurers pursuant to Section  
37 140250. The ~~board~~ \_\_\_\_\_ shall coordinate with the  
38 Insurance Commissioner, health care service plans, and  
39 disability insurers to provide notice to enrollees,  
40 policyholders, and members of the public of the



1 availability of a toll-free telephone number that responds  
2 to inquiries involving both health care service plans and  
3 disability insurers.

4 (d) On and after July 1, 2002, the board's \_\_\_\_  
5 toll-free telephone number shall provide the same  
6 services to policyholders of disability insurance, including  
7 the receipt and consideration of complaints, as provided  
8 to health care service plan enrollees.

9 140258. It is the intent of the Legislature that all  
10 personnel and funds dedicated to the regulation by the  
11 Department of Insurance of disability insurers that cover  
12 hospital, medical, or surgical expenses be transferred to  
13 the board \_\_\_\_ on or before July 1, 2002, unless a later  
14 enacted statute, that becomes operative on or before July  
15 1, 2002, deletes or extends the date on which jurisdiction  
16 shall be transferred from the Department of Insurance to  
17 the board \_\_\_\_.

18  
19 CHAPTER 9. REGULATION OF PROVIDER GROUPS AND  
20 OTHER MANAGED CARE SERVICES

21  
22 ~~140300. On or before March 1, 2002, the board, in  
23 consultation with the Advisory Committee on Managed  
24 Care established pursuant to Section 1347, shall provide~~

25 *140300. On or before May 1, 2000, the \_\_\_\_ of  
26 Managed Care shall provide the Governor and  
27 Legislature with a report regarding legislation, if any, that  
28 may be necessary and appropriate to expand the board's  
29 \_\_\_\_ existing jurisdiction over medical groups,  
30 independent practice associations, and other provider  
31 groups that provide or arrange for medical care and bear  
32 significant financial risk associated with the provision of  
33 the care, and to facilitate the exercise of jurisdiction by  
34 the board over other managed health care services. The  
35 report shall include consideration of transforming the  
36 board into a separate agency or independent commission.  
37 provision of the care.*

38 ~~SEC. 14.~~

39 *SEC. 8.* (a) The sum of three million dollars  
40 (\$3,000,000) is appropriated from the State Corporations



1 Fund to the ~~Board~~ \_\_\_\_ of Managed Health Care for  
 2 expenditure to cover the startup costs of the ~~board~~  
 3 \_\_\_\_ and new personnel and operating expenses  
 4 necessary to implement Division 108 (commencing with  
 5 Section 140000) of the Health and Safety Code. The ~~Board~~  
 6 \_\_\_\_ of Managed Health Care may require health  
 7 care service plans to pay an additional assessment  
 8 sufficient to pay for these startup costs, new personnel,  
 9 and expenses.

10 (b) This section shall become operative on March 1,  
 11 2000.

12 ~~SEC. 15.—~~

13 *SEC. 9.* 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.~~

