

AMENDED IN ASSEMBLY APRIL 11, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2907**

**Introduced by Assembly Member Thomson**

February 25, 2002

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An act to ~~amend Section 12726 of the Insurance Code, relating to health insurance.~~ *add Section 1375.7 to the Health and Safety Code, relating to health care service plans.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2907, as amended, Thomson. ~~Managed Risk Medical Insurance Board~~ *Provider contracts.*

*The Knox-Keene Health Care Service Plan Act of 1975 provides for the regulation and licensing of health care service plans by the Department of Managed Health Care. The act makes the willful violation of any of its provisions a crime. The act prohibits a contract between a health care service plan and a risk-bearing organization, as defined, from including a provision that requires the risk-bearing organization to be at financial risk for the provision of health care services unless the provision has been first negotiated and agreed to by the parties or is included within a contract meeting specified criteria.*

*This bill would prohibit a contract between a health care service plan and a physician from (1) allowing the plan to unilaterally change the terms of the contract or rate of payment for services, (2) requiring a physician to accept additional patients if, in the judgment of the physician, doing so would endanger patient care, and (3) failing to fully disclose the rate of payment for services. The bill would provide that a*

contract violating any of these prohibitions would be void, unlawful, and unenforceable.

The Knox-Keene Health Care Service Plan Act of 1975 prohibits a health care service plan from engaging in an unfair payment pattern.

This bill would provide that the failure of a plan to make timely payments to providers would constitute an unfair payment pattern.

By creating new prohibitions applicable to health care service plans, the violation of which would be a crime, the bill would impose a state-mandated local program.

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.

~~Existing law creates the California Major Risk Medical Insurance Program, which arranges for health care coverage for persons otherwise unable to obtain coverage at reasonable rates due to preexisting conditions. The program is administered by the Managed Risk Medical Insurance Board, which may permit the exclusion of coverage or benefits under the program for charges or expenses incurred by a subscriber during the first 6 months of enrollment for any preexisting condition that manifested itself during the 6 months immediately preceding enrollment in the program, except when the exclusion is deemed to be waived.~~

~~This bill would delete the references to the 6-month periods and instead permit the exclusion of preexisting conditions for a period of time to be specified in the subscriber's policy under the program.~~

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

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

- 1 ~~SECTION 1.~~ Section 12726 of the Insurance Code is
- 2 *SECTION 1. The Legislature finds and declares the*
- 3 *following:*
- 4 (a) *The health of the citizens of California and their access to*
- 5 *quality medical care depends on a stable and adequately*
- 6 *reimbursed medical work force.*



1 (b) Physicians are entitled to know in advance the rate at which  
2 they will be reimbursed for the health care they deliver and to  
3 receive payment on a timely basis.

4 (c) Contracts that fail to disclose payment rates, allow health  
5 care service plans to unilaterally change their terms, or force  
6 physicians to accept an excessive number of patients, threaten the  
7 health care of Californians.

8 SEC. 2. Section 1375.7 is added to the Health and Safety  
9 Code, to read:

10 1375.7. (a) This section shall be known and may be cited as  
11 the Doctors' Bill of Rights.

12 (b) No contract between a health care service plan and a  
13 physician shall do any of the following:

14 (1) Contain a provision that allows a health care service plan  
15 to unilaterally change the terms of the contract or the rate of  
16 payment for services.

17 (2) Contain a provision that requires a physician to accept  
18 additional patients if, in the judgment of the physician, accepting  
19 additional patients would endanger patient care.

20 (3) Fail to fully disclose the rate of payment for services,  
21 including any fee schedule.

22 (c) Any contract that violates subdivision (b) shall be void,  
23 unlawful, and unenforceable.

24 (d) The failure of a health care service plan to make timely  
25 payments to a health care provider shall constitute an unfair  
26 payment pattern.

27 SEC. 3. No reimbursement is required by this act pursuant to  
28 Section 6 of Article XIII B of the California Constitution because  
29 the only costs that may be incurred by a local agency or school  
30 district will be incurred because this act creates a new crime or  
31 infraction, eliminates a crime or infraction, or changes the penalty  
32 for a crime or infraction, within the meaning of Section 17556 of  
33 the Government Code, or changes the definition of a crime within  
34 the meaning of Section 6 of Article XIII B of the California  
35 Constitution.

36 amended to read:

37 ~~12726. The board may permit a preexisting condition~~  
38 ~~provision for the exclusion of coverage or benefits for charges or~~  
39 ~~expenses incurred by a subscriber during the first six months of~~  
40 ~~enrollment in the program for any condition described in the~~



1 ~~definition of preexisting condition provision in subdivision (c) of~~  
2 ~~Section 10198.6.~~  
3 ~~However, the exclusion from coverage of this section shall be~~  
4 ~~waived to the extent to which the subscriber has previously~~  
5 ~~satisfied the waiting period of any similar exclusion for that~~  
6 ~~preexisting condition under the terms of any prior health insurance~~  
7 ~~coverage that was involuntarily terminated, provided the~~  
8 ~~subscriber has applied for enrollment in the program not later than~~  
9 ~~31 days following involuntary termination of the prior coverage.~~  
10 ~~The exclusion from coverage of this section shall also be waived~~  
11 ~~as to any condition of a subscriber previously receiving coverage~~  
12 ~~under a plan of another state similar to the program established by~~  
13 ~~this part if the subscriber was eligible for benefits under that~~  
14 ~~other state coverage for the condition. The board may establish~~  
15 ~~alternative mechanisms applicable to enrollment in health plans~~  
16 ~~described in subdivision (c) or (d) of Section 12723. These~~  
17 ~~mechanisms may include, but are not limited to, a postenrollment~~  
18 ~~waiting period.~~

