

AMENDED IN ASSEMBLY JANUARY 16, 2008

AMENDED IN ASSEMBLY JANUARY 7, 2008

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1150**

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**Introduced by Assembly Member Lieu**

February 23, 2007

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An act to add Section ~~1389.5~~ 1389.6 to the Health and Safety Code, and to add Section 10385 to the Insurance Code, relating to health care.

LEGISLATIVE COUNSEL'S DIGEST

AB 1150, as amended, Lieu. Health care coverage: underwriting practices.

The Knox-Keene Health Care Service Plan Act of 1975, the willful violation of which is a crime, 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 Insurance Commissioner. Under existing law, persons retained by a health care service plan or a disability insurer to review claims for health care services may not be compensated based either on a percentage of the amount by which a claim *for payment* is reduced ~~for payment~~ or on the number of claims or the cost of services for which the person has denied authorization or payment.

This bill would prohibit the compensation of a person ~~retained by or entity employed by, or contracted with,~~ a health care service plan or ~~health disability insurer to review medical underwriting decisions~~ from being based on, *or related to*, the number of *health care service plan or health insurance* contracts, policies, or certificates, ~~or on the cost of services for a contract, policy, or certificate,~~ that the person has caused

or recommended to be rescinded, canceled, or limited, *or the resulting cost savings to the plan or insurer. The bill would also prohibit a plan or insurer from setting performance goals or quotas, or providing compensation to any person or entity employed by or contracted with the plan or insurer, based on the number of persons whose health coverage is rescinded or any financial savings to the plan or insurer associated with rescission of coverage.* Because this bill would create a new prohibition applicable to health care service plans, the willful violation of which would be a crime, it 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.

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

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

- 1 SECTION 1. Section ~~1389.5~~ 1389.6 is added to the Health and
- 2 Safety Code, to read:
- 3 ~~1389.5.~~
- 4 1389.6. Compensation of a person ~~retained by~~ *or entity*
- 5 *employed by, or contracted with,* a health care service plan ~~to~~
- 6 ~~review medical underwriting decisions~~ shall not be based on, *or*
- 7 *related in any way to,* the number of contracts, ~~or the cost of~~
- 8 ~~services for a plan contract,~~ that the person *or entity* has caused or
- 9 recommended to be rescinded, canceled, or limited, *or the resulting*
- 10 *cost savings to the health plan. A health care service plan shall*
- 11 *not set performance goals or quotas, or provide compensation to*
- 12 *any person or entity employed by, or contracted with, the health*
- 13 *care service plan, based on the number of persons whose coverage*
- 14 *is rescinded or any financial savings to the health care service*
- 15 *plan associated with rescission of coverage.*
- 16 SEC. 2. Section 10385 is added to the Insurance Code, to read:
- 17 10385. Compensation of a person ~~retained by a health~~ *or entity*
- 18 *employed by, or contracted with, a disability insurer to review*
- 19 ~~medical underwriting decisions~~ shall not be based on, *or related*
- 20 *in any way to,* the number of policies or certificates, ~~or the cost of~~

1 ~~services for a policy or certificate, for health insurance~~ that the  
2 person *or entity* has caused or recommended to be rescinded,  
3 canceled, or limited, *or the resulting cost savings to the insurer.*  
4 *A disability insurer shall not set performance goals or quotas, or*  
5 *provide compensation to any person or entity employed by, or*  
6 *contracted with, the insurer, based on the number of persons whose*  
7 *health insurance coverage is rescinded or any financial savings*  
8 *to the insurer associated with rescission of coverage.*

9 SEC. 3. No reimbursement is required by this act pursuant to  
10 Section 6 of Article XIII B of the California Constitution because  
11 the only costs that may be incurred by a local agency or school  
12 district will be incurred because this act creates a new crime or  
13 infraction, eliminates a crime or infraction, or changes the penalty  
14 for a crime or infraction, within the meaning of Section 17556 of  
15 the Government Code, or changes the definition of a crime within  
16 the meaning of Section 6 of Article XIII B of the California  
17 Constitution.