

Introduced by Senator SteinbergFebruary 22, 2008

An act to add Section 1399.819 to the Health and Safety Code, and to add Section 10903 to the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 1522, as introduced, Steinberg. Health care coverage: coverage choice categories.

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 and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance. Existing law requires health care service plans and health insurers that offer contracts or policies to individuals to comply with specified requirements.

This bill would require, by a specified date, the Department of Managed Health Care and the Department of Insurance to jointly, by regulation, develop a system to categorize all health care service plan contracts and health insurance policies offered and sold to individuals into five coverage choice categories that meet specified requirements. The bill would require health care service plans and health insurers that offer coverage on an individual basis to offer at least one contract or policy in each coverage choice category. The bill would also require health care service plans and health insurers to establish prices for the products offered to individuals that reflect a reasonable continuum between the products offered in the coverage choice category with the lowest level of benefits and the products offered in the coverage choice

category with the highest level of benefits. The bill would enact other related provisions.

Because a willful violation of the bill’s requirements relative to health care service plans 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.

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 1399.819 is added to the Health and
 2 Safety Code, to read:
 3 1399.819. (a) On or before April 1, 2009, the department and
 4 the Department of Insurance shall jointly, by regulation, develop
 5 a system to categorize all health care service plan contracts and
 6 health insurance policies offered and sold to individuals pursuant
 7 to this article and Chapter 9.5 (commencing with Section 10900)
 8 of Part 2 of Division 2 of the Insurance Code into five coverage
 9 choice categories. These coverage choice categories shall do all
 10 of the following:
 11 (1) Reflect a reasonable continuum between the coverage choice
 12 category with the lowest level of health care benefits and the
 13 coverage choice category with the highest level of health care
 14 benefits.
 15 (2) Permit reasonable benefit variation that will allow for a
 16 diverse market within each coverage choice category.
 17 (3) Be enforced consistently between health care service plans
 18 and health insurers in the same marketplace regardless of licensure.
 19 (4) Within each coverage choice category, include one standard
 20 health maintenance organization (HMO) and one standard preferred
 21 provider organization (PPO), each of which is the health care
 22 service plan contract or health insurance policy with the lowest
 23 benefit level in that category and for that type of contract or policy.
 24 (b) All health care service plans shall submit filings required
 25 pursuant to Section ___ no later than October 1, 2009, for all

1 individual health care service plan contracts to be offered or sold
2 on or after ____, to comply with ____, and thereafter any additional
3 individual health care plan contracts shall be filed pursuant to
4 Section _____. The director shall categorize each individual health
5 care service plan contract offered by a plan into the appropriate
6 coverage choice category on or before ____.

7 (c) To facilitate consumer comparison shopping, all health care
8 service plans that offer coverage on an individual basis shall offer
9 at least one health care service plan contract in each coverage
10 choice category, including offering at least one of the standard
11 contracts developed pursuant to paragraph (4) of subdivision (a),
12 but a plan may offer multiple products in each category.

13 (d) If a health care service plan offers a specific type of health
14 care service plan contract in one coverage choice category, it must
15 offer that specific type of health care service plan contract in each
16 coverage choice category. A “type of health care service plan
17 contract” includes a preferred provider organization, an exclusive
18 provider organization model plan, a point of service model plan,
19 and a health maintenance organization model plan.

20 (e) Health care service plans shall have flexibility in establishing
21 provider networks, provided that access to care standards pursuant
22 to this chapter are met, and provided that the provider network
23 offered for one health care service plan contract in one coverage
24 choice category is offered for at least one health care service plan
25 contract in each coverage choice category.

26 (f) A health care service plan shall establish prices for its
27 products that reflect a reasonable continuum between the products
28 offered in the coverage choice category with the lowest level of
29 benefits and the products offered in the coverage choice category
30 with the highest level of benefits. A health care service plan shall
31 not establish a standard risk rate for a product in a coverage choice
32 category at a lower rate than a product offered in a lower coverage
33 choice category.

34 SEC. 2. Section 10903 is added to the Insurance Code, to read:

35 10903. (a) On or before April 1, 2009, the department and the
36 Department of Managed Health Care shall jointly, by regulation,
37 develop a system to categorize all health insurance policies and
38 health care service plan contracts offered and sold to individuals
39 pursuant to this chapter and Article 11.5 (commencing with Section
40 1399.801) of Chapter 2.2 of Division 2 of the Health and Safety

1 Code into five coverage choice categories. These coverage choice
2 categories shall do all of the following:

3 (1) Reflect a reasonable continuum between the coverage choice
4 category with the lowest level of health care benefits and the
5 coverage choice category with the highest level of health care
6 benefits.

7 (2) Permit reasonable benefit variation that will allow for a
8 diverse market within each coverage choice category.

9 (3) Be enforced consistently between carriers and health care
10 service plans in the same marketplace regardless of licensure.

11 (4) Within each coverage choice category, include one standard
12 preferred provider organization (PPO), which is the health
13 insurance policy or health care service plan contract with the lowest
14 benefit level in that category and for that type of policy or contract.

15 (b) All carriers shall submit the filings required pursuant to
16 Section ___ no later than October 1, 2009, for all individual health
17 insurance policies to be sold on or after ___, to comply with ___,
18 and thereafter any additional individual health insurance policies
19 shall be filed pursuant to Section ___. The commissioner shall
20 categorize each individual health insurance policy offered by a
21 carrier into the appropriate coverage choice category on or before
22 ___.

23 (c) To facilitate consumer comparison shopping, all carriers
24 that offer coverage on an individual basis shall offer at least one
25 individual health insurance policy in each coverage choice
26 category, including offering at least one of the standard policies
27 developed pursuant to paragraph (4) of subdivision (a), but a carrier
28 may offer multiple products in each category.

29 (d) If a carrier offers a specific type of health insurance policy
30 in one coverage choice category, it must offer that specific type
31 of health insurance policy in each coverage choice category. A
32 “type of health insurance policy” includes a health maintenance
33 organization model, a preferred provider organization model, an
34 exclusive provider organization model, a traditional indemnity
35 model, and a point of service model.

36 (e) Carriers shall have flexibility in establishing provider
37 networks, provided that access to care standards pursuant to Section
38 10133.5 are met, and provided that the provider network offered
39 for one health benefit plan in one coverage choice category is

1 offered for at least one health benefit plan in each coverage choice
2 category.

3 (f) A carrier shall establish prices for its products that reflect a
4 reasonable continuum between the products offered in the coverage
5 choice category with the lowest level of benefits and the products
6 offered in the coverage choice category with the highest level of
7 benefits. A carrier shall not establish a standard risk rate for a
8 product in a coverage choice category at a lower rate than a product
9 offered in a lower coverage choice category.

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

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