

AMENDED IN SENATE APRIL 30, 2013

AMENDED IN SENATE APRIL 16, 2013

AMENDED IN SENATE APRIL 9, 2013

SENATE BILL

No. 746

Introduced by Senator Leno

February 22, 2013

An act to amend Section 1385.04 of the Health and Safety Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 746, as amended, Leno. Health care coverage: premium rates.

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 requires health care service plans, for large group plan contracts, at least 60 days in advance of a rate change, to file with the department all specified rate information for unreasonable rate increases and, with that filing, to disclose specified aggregate data.

This bill would instead require the plans to disclose ~~that~~ *specified* aggregate data *for products in the large group market* on an annual basis. The bill would also require a health plan that exclusively contracts with no more than 2 medical groups in the state to annually disclose certain information with respect to its large group plan contracts to the department, including the plan's overall annual medical trend factor assumptions by major service category and the amount of the projected aggregate trend in the large group market attributable to the use of services, price inflation, or fees and risk for annual plan contract trends

by each major service category, as specified, and to provide claims or other data to large group purchasers that demonstrate the ability to comply with privacy laws, as specified.

Because a willful violation of the bill’s requirements would be a crime, this 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 1385.04 of the Health and Safety Code
- 2 is amended to read:
- 3 1385.04. (a) For large group health care service plan contracts,
- 4 all health plans shall file with the department at least 60 days prior
- 5 to implementing any rate change all required rate information for
- 6 unreasonable rate increases. This filing shall be concurrent with
- 7 the written notice described in subdivision (a) of Section 1374.21.
- 8 (b) For large group rate filings, health plans shall submit all
- 9 information that is required by PPACA. A plan shall also submit
- 10 any other information required pursuant to any regulation adopted
- 11 by the department to comply with this article.
- 12 (c) A health care service plan shall also disclose annually the
- 13 following aggregate data for ~~all rate filings~~ *products* in the large
- 14 group health plan market:
- 15 (1) ~~Number~~ *If a health care service plan submits information*
- 16 *pursuant to subdivision (b), number and percentage of rate filings*
- 17 *reviewed by the following:*
- 18 (A) Plan year.
- 19 (B) Segment type.
- 20 (C) Product type.
- 21 (D) Number of subscribers.
- 22 (E) Number of covered lives affected.
- 23 (2) The plan’s average rate increase by the following categories:
- 24 (A) Plan year.
- 25 (B) Segment type.

1 (C) Product type.

2 (D) Benefit category.

3 (E) *Number of covered lives affected.*

4 (3) Any cost containment and quality improvement efforts since
5 the plan's last rate filing for the same category of health benefit
6 plan. To the extent possible, the plan shall describe any significant
7 new health care cost containment and quality improvement efforts
8 and provide an estimate of potential savings together with an
9 estimated cost or savings for the projection period.

10 (d) A health care service plan that exclusively contracts with
11 no more than two medical groups in the state to provide or arrange
12 for professional medical services for the enrollees of the plan shall
13 also disclose annually all of the following for its large group health
14 care service plan contracts:

15 (1) The plan's overall annual medical trend factor assumptions
16 in the aggregate for large group rates by major service category,
17 including all of the following:

18 (A) Hospital inpatient.

19 (B) Outpatient visits.

20 (C) Outpatient surgical or other procedures.

21 (D) Professional medical.

22 (E) Mental health.

23 (F) Substance abuse.

24 (G) Skilled nursing facility, if covered.

25 (H) Prescription drugs.

26 (I) Other ancillary services.

27 (J) Laboratory.

28 (K) Radiology or imaging.

29 (2) A plan may provide aggregated additional data that
30 demonstrates or reasonably estimates year-to-year cost increases
31 in each of the specific service categories specified in paragraph
32 (1) for each of the major geographic regions of the state.

33 (3) The amount of the projected aggregate trend in the large
34 group market attributable to the use of services, price inflation, or
35 fees and risk for annual plan contract trends by each major service
36 category specified in paragraph (1).

37 (4) The amount of projected trend attributable to the following
38 categories:

39 (A) Use of services by service and disease category.

40 (B) Price changes in physician costs, including compensation.

- 1 (C) Price changes in hospital contracts.
 2 (D) Price changes in other provider contracts.
 3 (E) Price changes in supplier contracts.
 4 (F) Cost changes in administrative costs for the health plan.
 5 (G) Cost changes in administrative costs for each contracting
 6 medical group.
 7 (H) Capital investment for care locations, including, but not
 8 limited to, hospitals and medical office buildings.
 9 (I) Other capital investments.
 10 (J) Community benefit expenditures, excluding bad debt and
 11 valued at cost.
 12 (K) All other budgetary expenditures, with additional detail as
 13 may be required by the department.
 14 (5) The amount and proportion of costs attributed to the medical
 15 groups that would not have been attributable as medical losses if
 16 incurred by the health plan rather than the medical group.
 17 (e) (1) A health care service plan that exclusively contracts
 18 with no more than two medical groups in the state to provide or
 19 arrange for professional medical services for the enrollees of the
 20 plan shall provide claims data at no charge to a large group
 21 purchaser if the large group purchaser requests the information
 22 and if the large group demonstrates that it is able to comply with
 23 relevant state and federal privacy laws.
 24 (2) *Information provided to a large group purchaser under this*
 25 *subdivision shall not be subject to the public disclosure*
 26 *requirements in subdivision (a) of Section 1385.07.*
 27 ~~(2)~~
 28 (3) If claims data is not available, the plan shall provide, at no
 29 charge, all of the following:
 30 (A) Data sufficient for the large group purchaser to calculate
 31 the cost of obtaining similar services from other health plans and
 32 evaluate cost-effectiveness by service and disease category.
 33 (B) ~~Patient-level~~—*Deidentified patient-level* data on
 34 demographics, prescribing, ~~encounter~~ *encounters*, inpatient
 35 services, outpatient services, and any other data as may be required
 36 of the health plan to comply with risk adjustment, reinsurance, or
 37 risk corridors as required by the PPACA.
 38 (C) ~~Patient-level utilization~~—*Deidentified patient-level* data used
 39 to experience rate the large group, including diagnostic and
 40 procedure coding and costs assigned to each service.

1 (f) The department may require all health care service plans to
2 submit all rate filings to the National Association of Insurance
3 Commissioners' System for Electronic Rate and Form Filing
4 (SERFF). Submission of the required rate filings to SERFF shall
5 be deemed to be filing with the department for purposes of
6 compliance with this section.

7 SEC. 2. No reimbursement is required by this act pursuant to
8 Section 6 of Article XIII B of the California Constitution because
9 the only costs that may be incurred by a local agency or school
10 district will be incurred because this act creates a new crime or
11 infraction, eliminates a crime or infraction, or changes the penalty
12 for a crime or infraction, within the meaning of Section 17556 of
13 the Government Code, or changes the definition of a crime within
14 the meaning of Section 6 of Article XIII B of the California
15 Constitution.

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