

AMENDED IN SENATE JULY 1, 1999  
AMENDED IN ASSEMBLY APRIL 19, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 918**

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**Introduced by Assembly Member Keeley**

February 25, 1999

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An act to add Section 1373.22 to the Health and Safety Code, relating to health care service plans.

### LEGISLATIVE COUNSEL'S DIGEST

AB 918, as amended, Keeley. Health care service plans.

The Knox-Keene Health Care Service Plan Act of 1975 provides for the licensure and regulation of health care service plans administered by the Commissioner of Corporations, as specified. Under existing law, a willful violation of any of these provisions is punishable as a felony or a misdemeanor.

This bill would require a health care service plan to annually update the actuarial report required to be submitted in conjunction with a plan application and amendment, and would require the report to be available to contracting parties upon request. The bill would also require any actuarial report to contain an opinion of a qualified actuary, as defined, as to whether the capitation-based payment arrangements are computed appropriately, as specified, and to comply with applicable state laws and regulations. The bill would require the plan, if it intends to pay any of its providers on a capitation

basis, to attach to the actuarial report a statement containing information regarding the capitation payments. ~~It would state that these provisions do not require the department to approve the capitation rates of a plan or to regulate providers in any manner.~~

Since a willful violation of these provisions is 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 1373.22 is added to the Health  
2 and Safety Code, to read:

3 1373.22. (a) Each health care service plan shall  
4 annually update the actuarial report required at the time  
5 of licensure in a health care service plan application and  
6 amendment as provided in the rules and regulations  
7 promulgated by the commissioner pursuant to Section  
8 1351.

9 (b) Any actuarial report shall contain an opinion of a  
10 qualified actuary as to whether the capitation-based  
11 payment arrangements are computed appropriately,  
12 based on assumptions that satisfy contractual provisions,  
13 and shall comply with applicable laws of this state  
14 including, but not limited to, Article 3 (commencing with  
15 Section 1300.51) of Subchapter 5.5 of Chapter 3 of Title 10  
16 of the California Code of Regulations.

17 (c) An opinion specified in subdivision (b) shall be  
18 based on standards adopted from time to time by the  
19 Actuarial Standards Board and any additional standards  
20 that the commissioner, by regulation, may adopt.

21 (d) For purposes of this section, “qualified actuary”  
22 means a member in good standing of the American

1 Academy of Actuaries who also meets any additional  
2 standards that the commissioner, by regulation, may  
3 adopt.

4 (e) If the health care service plan intends to pay some  
5 or all of its providers on a capitation basis, it shall attach  
6 to the report, a statement indicating the percentage of  
7 contracting providers who will be compensated on that  
8 basis, a description of the method used to determine and  
9 adjust the capitation rates, and substantiate by means of  
10 calculations or other information that these capitation  
11 rates are adequate to reasonably assure the continuance  
12 of the relationship between the plan and provider.

13 ~~(f) Nothing in this section requires the department to~~  
14 ~~approve the capitation rates of a plan or to regulate~~  
15 ~~providers in any manner.~~

16 SEC. 2. No reimbursement is required by this act  
17 pursuant to Section 6 of Article XIII B of the California  
18 Constitution because the only costs that may be incurred  
19 by a local agency or school district will be incurred  
20 because this act creates a new crime or infraction,  
21 eliminates a crime or infraction, or changes the penalty  
22 for a crime or infraction, within the meaning of Section  
23 17556 of the Government Code, or changes the definition  
24 of a crime within the meaning of Section 6 of Article  
25 XIII B of the California Constitution.