

AMENDED IN ASSEMBLY JANUARY 10, 1996

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

ASSEMBLY BILL

No. 1210

**Introduced by Assembly Member Friedman
(Principal coauthor: Assembly Member Escutia)**

February 23, 1995

An act to *amend Section 1363 of, and to add Section 1360.5 to, the Health and Safety Code, relating to health care service plans.*

LEGISLATIVE COUNSEL'S DIGEST

AB 1210, as amended, Friedman. Health care service plans: solicitations.

Existing law provides for the licensure and regulation of health care service plans administered by the Commissioner of Corporations. Under existing law, willful violation of any of these provisions is a misdemeanor. Existing law regulates advertising and solicitation by plans, solicitors, and solicitor firms, as defined, and prohibits the use of untrue, misleading, or deceptive statements about the plan or representations about its coverage. *Existing law requires the disclosure form to include, among other things, a summary of, and a notice of the availability of, the process used by the plan to authorize or deny health care services.*

This bill would require each plan, solicitor, or solicitor firm to provide certain described information regarding the plan in a manner that is understandable to a recipient. ~~By~~

This bill would also require the plan to provide a “Patient Information Notice” on the first page of materials that contain disclosure forms and evidence of coverage information, and would require the notice to contain language that informs patients of their right to know certain information regarding benefits under the plan, conditions regarding the coverage provided, and information regarding the plan’s grievance process. In addition, the bill would require the disclosure form to include a description of the grievance process for cases where the plan determines that health care services or medical goods are not covered.

By changing the definition of 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 1360.5 is added to the Health and
2 Safety Code, to read:

3 1360.5. Each plan, solicitor, or solicitor firm shall
4 provide information, including, but not limited to, all of
5 the following, in a manner understandable to each
6 recipient:

7 (a) The name, address, and telephone number of the
8 plan or firm that is offering the plan contract being sold.

9 (b) A complete description, using thorough and
10 understandable language and standardized provisions, of
11 the scope of benefits.

12 (c) A description of the appeals process for denial of
13 payment for services.

14 (d) Information on the financial strength of the plan
15 offering the contract.



1 (e) The time period in which enrollment or
2 disenrollment may occur.

3 (f) A complete description of the rights provided
4 under this section and other sections under which the
5 terms of the sale or advertising of policy are governed.

6 (g) A detailed description of the proportion of dollars
7 used for patient care relative to advertising and return to
8 investors.

9 (h) A description of the availability of translation and
10 other culturally appropriate services.

11 SEC. 2. *Section 1363 of the Health and Safety Code is*
12 *amended to read:*

13 1363. (a) (1) The commissioner shall require the use
14 by each plan of disclosure forms or materials containing
15 information regarding the benefits, services, and terms of
16 the plan contract as the commissioner may require, so as
17 to afford the public, subscribers, and enrollees with a full
18 and fair disclosure of the provisions of the plan in readily
19 understood language and in a clearly organized manner.
20 The commissioner ~~may~~ *shall* require that ~~the materials be~~
21 ~~presented in a reasonably uniform manner~~ *a Patient*
22 *Information Notice be independently displayed on the*
23 *first page of disclosure forms, and where evidence of*
24 *coverage is combined with disclosure information, and*
25 *the commissioner may require that all material be*
26 *presented in a reasonably uniform and understandable*
27 *manner* so as to facilitate comparisons between plan
28 contracts of the same or other types of plans. Nothing
29 contained in this chapter shall preclude the commissioner
30 from permitting the disclosure form to be included with
31 the evidence of coverage or plan contract.

32 ~~The~~

33 (2) *The Patient Information Notice shall contain the*
34 *following language in boldface type:*

35 **PLEASE READ CAREFULLY:**

36 *You have the right to know the full extent of your*
37 *benefits, including all of the following:*

38 (A) *Hospital benefits, including, but not limited to,*
39 *deductibles, room type, and restrictions on length of stay.*



1 (B) Personal benefits, including, but not limited to,
2 services covered in the physician's office, restrictions on
3 laboratory tests, restrictions on X-ray tests, and
4 experimental procedures.

5 (C) Whether, and to what extent, you will be covered
6 for nonphysician services, including, but not limited to,
7 nutritional counseling and home health care.

8 (D) Whether, and to what extent, you will be covered
9 for ancillary services, including, but not limited to, mental
10 health care, substance abuse, and physical therapy.

11 (E) Any conditions on coverage for care provided
12 outside your geographic area.

13 (F) Conditions on when you may disenroll from the
14 health care service plan.

15 (G) Conditions on when copayments are required.

16 (H) The nature of the grievance process for cases
17 where the health care service plan has determined that
18 services or medical goods are not covered by the plan.

19 (I) Whether, and to what extent, you are eligible for
20 long term care benefits.

21 (J) The type of provider's services that will be offered
22 to you, such as the services of a physician, nurse
23 practitioner, or physician assistant, and the conditions on
24 when and how you may change providers.

25 Information on these aspects and other aspects of this
26 plan will be explained in the following material. If you are
27 unclear about this information and need additional
28 information or clarification on the benefits of the plan,
29 including translator services, this information is available
30 by calling the plan's toll-free benefits information
31 telephone number (1-800-telephone number).

32 The Department of Corporations is responsible for
33 regulating health care service plans. The department has
34 a toll-free telephone number (1-800-telephone number)
35 to receive complaints regarding health care service plans.
36 If you have a grievance against a plan, you should contact
37 the plan and use the plan's grievance process. If you need
38 the department's help with a complaint involving an
39 emergency grievance or with a grievance that has not



1 *been satisfactorily resolved by the plan, you may call the*
2 *department's toll-free telephone number.*

3 (3) *The disclosure form that shall be preceded by a*
4 *Patient Information Notice shall provide for at least the*
5 *following information, in concise and specific terms,*
6 *relative to the plan, together with additional information*
7 *as may be required by the commissioner, in connection*
8 *with the plan or plan contract:*

9 ~~(1)~~

10 (A) *The principal benefits and coverage of the plan.*

11 ~~(2)~~

12 (B) *The exceptions, reductions, and limitations that*
13 *apply to the plan.*

14 ~~(3)~~

15 (C) *The full premium cost of the plan.*

16 ~~(4)~~

17 (D) *Any copayment, coinsurance, or deductible*
18 *requirements that may be incurred by the member or the*
19 *member's family in obtaining coverage under the plan.*

20 ~~(5)~~

21 (E) *The terms under which the plan may be renewed*
22 *by the plan member, including any reservation by the*
23 *plan of any right to change premiums.*

24 ~~(6)~~

25 (F) *A statement that the disclosure form and the*
26 *Patient Information Notice is a ~~summary~~ for summary*
27 *purposes only, and that the plan contract itself should be*
28 *consulted to determine governing contractual provisions.*

29 ~~(7)~~

30 (G) *A statement as to when benefits shall cease in the*
31 *event of nonpayment of the prepaid or periodic charge*
32 *and the effect of nonpayment upon an enrollee who is*
33 *hospitalized or undergoing treatment for an ongoing*
34 *condition.*

35 ~~(8)~~

36 (H) *To the extent that the plan permits a free choice*
37 *of provider to its subscribers and enrollees, the statement*
38 *shall disclose the nature and extent of choice permitted*
39 *and the financial liability which is, or may be, incurred by*



1 the subscriber, enrollee, or a third party by reason of the
2 exercise of that choice.

3 ~~(9)~~

4 (I) A summary of the provisions required by
5 subdivision (g) of Section 1373, if applicable.

6 ~~(10)~~

7 (J) If the plan utilizes arbitration to settle disputes, a
8 statement of that fact.

9 ~~(11)~~

10 (K) A summary of, and a notice of the availability of,
11 the process the plan uses to authorize or deny health care
12 services under the benefits provided by the plan,
13 pursuant to Section 1363.5.

14 ~~(12)~~

15 (L) *A description of the grievance process for cases*
16 *where the plan determines that health care services, or*
17 *medical goods, are not covered by the plan.*

18 (M) A description of any limitations on the patient's
19 choice of primary care or specialty care physician based
20 on service area.

21 ~~(13)~~

22 (N) General authorization requirements for referral
23 by a primary care physician to a specialty care physician.

24 ~~(14)~~

25 (O) Conditions and procedures for disenrollment.

26 (b) All plans, solicitors, and representatives of a plan
27 shall, when presenting any plan contract for examination
28 or sale to an individual prospective plan member, provide
29 the individual with a properly completed disclosure form,
30 as prescribed by the commissioner pursuant to this
31 section for each plan so examined or sold.

32 (c) In the case of group contracts, the completed
33 disclosure form and evidence of coverage shall be
34 presented to the contractholder upon delivery of the
35 completed health care service plan agreement.

36 (d) Group contractholders shall disseminate copies of
37 the completed disclosure form to all persons eligible to be
38 a subscriber under the group contract at the time those
39 persons are offered the plan. Where the individual group
40 members are offered a choice of plans, separate



1 disclosure forms shall be supplied for each plan available.
2 Each group contractholder shall also disseminate or cause
3 to be disseminated copies of the evidence of coverage to
4 all subscribers enrolled under the group contract.

5 (e) In the case of conflicts between the group contract
6 and the evidence of coverage, the provisions of the
7 evidence of coverage shall be binding upon the plan
8 notwithstanding any provisions in the group contract
9 which may be less favorable to subscribers or enrollees.

10 (f) In addition to the other disclosures required by this
11 section, every health care service plan and any agent or
12 employee of the plan shall, when presenting a plan for
13 examination or sale to any individual purchaser or the
14 representative of a group consisting of 25 or fewer
15 individuals, disclose in writing the ratio of premium costs
16 to health services paid for plan contracts with individuals
17 and with groups of the same or similar size for the plan's
18 preceding fiscal year. A plan may report that information
19 by geographic area, provided the plan identifies the
20 geographic area and reports information applicable to
21 that geographic area.

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

32 Notwithstanding Section 17580 of the Government
33 Code, unless otherwise specified, the provisions of this act
34 shall become operative on the same date that the act
35 takes effect pursuant to the California Constitution.

