

## Assembly Bill No. 1526

### CHAPTER 855

An act to amend Section 12737 of the Insurance Code, relating to health care coverage, and making an appropriation therefor.

[Approved by Governor September 30, 2012. Filed with  
Secretary of State September 30, 2012.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 1526, Monning. California Major Risk Medical Insurance Program.

Existing law establishes the California Major Risk Medical Insurance Program (MRMIP) that is administered by the Managed Risk Medical Insurance Board (MRMIB) to provide major risk medical coverage to residents who have been rejected for coverage by at least one private health plan, as specified. Existing law creates the Major Risk Medical Insurance Fund and continuously appropriates the fund to MRMIB for the purposes of MRMIP.

Existing law requires MRMIB to establish program contribution amounts for each category of risk for each participating health plan and requires that these amounts be based on the average amount of subsidy funds required for the program as a whole, to be determined in a specified manner. Existing law authorizes participating health plans to charge subscriber contributions that do not exceed the difference between its plan rate and the program contribution amounts for a category of risk. Existing law requires the program to pay program contribution amounts to participating health plans from the Major Risk Medical Insurance Fund.

This bill would, for the period commencing January 1, 2013, to December 31, 2013, inclusive, additionally authorize the program to further subsidize subscriber contributions based on a specified percentage of the standard average individual risk rate for comparable coverage, as specified. The bill would prohibit the amount of any subsidy provided to subscribers from affecting the calculation of premiums for certain products. Because the bill removes a restriction limiting the expenditure of money available under an existing appropriation from a continuously appropriated fund, the bill would make an appropriation.

The bill would also provide that if regulations are adopted and readopted, those regulations by MRMIB to implement the changes made to MRMIP enacted by this bill are deemed to be an emergency and the bill would exempt MRMIB from describing facts showing the need for immediate action and from review by the Office of Administrative Law.

Appropriation: yes.

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

SECTION 1. Section 12737 of the Insurance Code is amended to read:  
12737. (a) The board shall establish program contribution amounts for each category of risk for each participating health plan. The program contribution amounts shall be based on the average amount of subsidy funds required for the program as a whole. To determine the average amount of subsidy funds required, the board shall calculate a loss ratio, including all medical costs, administration fees, and risk payments, for the program in the prior calendar year. The loss ratio shall be calculated using 125 percent of the standard average individual rates for comparable coverage as the denominator, and all medical costs, administration fees, and risk payments as the numerator. The average amount of subsidy funds required is calculated by subtracting 100 percent from the program loss ratio. For purposes of calculating the program loss ratio, no participating health plan's loss ratio shall be less than 100 percent and participating health plans with fewer than 1,000 program members shall be excluded from the calculation.

Subscriber contributions shall be established to encourage members to select those health plans requiring subsidy funds at or below the program average subsidy. Subscriber contribution amounts shall be established so that no subscriber receives a subsidy greater than the program average subsidy, except that:

(1) In all areas of the state, at least one plan shall be available to program participants at an average subscriber contribution of 125 percent of the standard average individual rates for comparable coverage.

(2) No subscriber contribution shall be increased by more than 10 percent above 125 percent of the standard average individual rates for comparable coverage.

(3) Subscriber contributions for participating health plans joining the program after January 1, 1997, shall be established at 125 percent of the standard average individual rates for comparable coverage for the first two benefit years the plan participates in the program.

(b) The program shall pay program contribution amounts to participating health plans from the Major Risk Medical Insurance Fund.

(c) For the period commencing January 1, 2013, to December 31, 2013, inclusive, in addition to the amount of subsidy funds required pursuant to subdivision (a), the program may further subsidize subscriber contributions so that the amount paid by each subscriber is below 125 percent of the standard average individual risk rate for comparable coverage but no less than 100 percent of the standard average individual risk rate for comparable coverage. For purposes of calculating premiums for the following products, any reference to, or use of, subscriber contributions, premiums, average premiums, or amounts paid by subscribers in the program shall be construed to mean subscriber contributions as described in subdivision (a) without application of the additional subsidies permitted by this subdivision:

(1) Standard benefit plans pursuant to Section 10127.16 and Section 1373.622 of the Health and Safety Code.

(2) Health benefit plans and health care service plan contracts for federally eligible defined individuals pursuant to Sections 10901.3 and 10901.9 and Sections 1399.805 and 1399.811 of the Health and Safety Code.

(3) Conversion coverage pursuant to Section 12682.1 and Section 1373.6 of the Health and Safety Code.

SEC. 2. Nothing in this act shall be construed to require the Managed Risk Medical Insurance Board to adopt and readopt regulations to implement the changes made by this act. However, if the Managed Risk Medical Insurance Board adopts and readopts regulations, the adoption and readoption of regulations by the Managed Risk Medical Insurance Board to implement the changes made by this act to Part 6.5 (commencing with Section 12700) of Division 2 of the Insurance Code shall be deemed to be an emergency and necessary to avoid serious harm to the public peace, health, safety, or general welfare for purposes of Sections 11346.1 and 11349.6 of the Government Code, and the board is hereby exempted from the requirement that it describe facts showing the need for immediate action and from review by the Office of Administrative Law.