Assembly Bill No. 1962

CHAPTER 567

An act to add Section 1367.004 to the Health and Safety Code, and to add Section 10112.26 to the Insurance Code, relating to health care coverage.

[Approved by Governor September 25, 2014. Filed with Secretary of State September 25, 2014.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1962, Skinner. Dental plans: medical loss ratios: reports.

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 a health care service plan or health insurer to comply with specified minimum medical loss ratios and requires a plan or insurer to provide an annual rebate to enrollees and insureds if the ratio of the amount of premium revenue expended by the plan or insurer on specified costs to the total amount of premium revenue is less than a certain percentage. Existing law specifies that these requirements do not apply to specialized health care service plan contracts or specialized health insurance policies.

This bill would require health care services plans that issue, sell, renew, or offer specialized dental health care service plan contracts and health insurers that issue, sell, renew, or offer specialized dental health insurance policies to, no later than September 30, 2015, and each year thereafter, file a report, to be known as the MLR annual report, with the departments that contains the same information required in the 2013 federal Medical Loss Ratio (MLR) Annual Reporting Form. The bill would require the Department of Managed Health Care or the Department of Insurance, as applicable and, if a financial examination is determined to be necessary to verify the representations in the MLR annual report, to provide the health care service plan or health insurer with a notification before conducting the examination, and would require the plan or insurer to electronically submit to the appropriate department specified requested records, books, and papers. The bill would declare the intent of the Legislature that the data reported pursuant to these provisions be considered by the Legislature in adopting a medical loss ratio standard for health care service plans and specialized health insurance policies that cover dental services that would take effect no later than January 1, 2018. The bill would authorize the Department of Managed Health Care and the Department of Insurance, until January 1, 2018, to issue guidance to health care service plans and health insurers of specialized health insurance policies subject to these provisions regarding compliance

with these provisions, as specified. Because a willful violation of the bill's requirements by a health care service plan 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.

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

SECTION 1. Section 1367.004 is added to the Health and Safety Code, to read:

1367.004. (a) A health care service plan that issues, sells, renews, or offers a specialized health care service plan contract covering dental services shall, no later than September 30, 2015, and each year thereafter, file a report, which shall be known as the MLR annual report, with the department that is organized by market and product type and contains the same information required in the 2013 federal Medical Loss Ratio (MLR) Annual Reporting Form (CMS-10418).

(b) The MLR reporting year shall be for the calendar year during which dental coverage is provided by the plan. All terms used in the MLR annual report shall have the same meaning as used in the federal Public Health Service Act (42 U.S.C. Sec. 300gg-18), Part 158 (commencing with 158.101) of Title 45 of the Code of Federal Regulations, and Section 1367.003.

(c) If the director decides to conduct a financial examination, as described in Section 1382, because the director finds it necessary to verify the health care service plan's representations in the MLR annual report, the department shall provide the health care service plan with a notification 30 days before the commencement of the financial examination.

(d) The health care service plan shall have 30 days from the date of notification to electronically submit to the department all requested records, books, and papers specified in subdivision (a) of Section 1381. The director may extend the time for a health care service plan to comply with this subdivision upon a finding of good cause.

(e) The department shall make available to the public all of the data provided to the department pursuant to this section.

(f) This section does not apply to a health care service plan contract issued, sold, renewed, or offered for health care services or coverage provided in the Medi-Cal program (Chapter 7 (commencing with Section 14000) of Part 3 of Division 9 of the Welfare and Institutions Code), the Healthy Families Program (Part 6.2 (commencing with Section 12693) of Division 2 of the Insurance Code), the Access for Infants and Mothers Program (Part 6.3 (commencing with Section 12695) of Division 2 of the Insurance Code), the California Major Risk Medical Insurance Program (Part 6.5 (commencing with Section 12700) of Division 2 of the Insurance

Code), or the Federal Temporary High Risk Insurance Pool (Part 6.6 (commencing with Section 12739.5) of Division 2 of the Insurance Code), to the extent consistent with the federal Patient Protection and Affordable Care Act (Public Law 111-148).

(g) It is the intent of the Legislature that the data reported pursuant to this section be considered by the Legislature in adopting a medical loss ratio standard for health care service plans that cover dental services that would take effect no later than January 1, 2018.

(h) Until January 1, 2018, the director may issue guidance to health care service plans subject to this section regarding compliance with this section. This guidance shall not be subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). Any guidance issued pursuant to this subdivision shall be effective only until the director adopts regulations pursuant to the Administrative Procedure Act. The department shall consult with the Department of Insurance in issuing guidance pursuant to this subdivision.

SEC. 2. Section 10112.26 is added to the Insurance Code, to read:

10112.26. (a) A health insurer that issues, sells, renews, or offers a specialized health insurance policy covering dental services shall, no later than September 30, 2015, and each year thereafter, file a report, which shall be known as the MLR annual report, with the department that is organized by market and product type and contains the same information required in the 2013 federal Medical Loss Ratio (MLR) Annual Reporting Form (CMS-10418).

(b) The MLR reporting year shall be for the calendar year during which dental coverage is provided by the plan. All terms used in the MLR annual report shall have the same meaning as used in the federal Public Health Service Act (42 U.S.C. Sec. 300gg-18) and Part 158 (commencing with 158.101) of Title 45 of the Code of Federal Regulations.

(c) If the commissioner decides to conduct an examination, as described in Section 730, because the commissioner finds it necessary to verify the health insurer's representations in the MLR annual report, the department shall provide the health insurer with a notification 30 days before the commencement of the examination.

(d) The health insurer shall have 30 days from the date of notification to electronically submit to the department all requested records, books, and papers specified in subdivision (a) of Section 733. The commissioner may extend the time for a health insurer to comply with this subdivision upon a finding of good cause.

(e) The department shall make available to the public all of the data provided to the department pursuant to this section.

(f) This section does not apply to an insurance policy issued, sold, renewed, or offered for health care services or coverage provided in the Medi-Cal program (Chapter 7 (commencing with Section 14000) of Part 3 of Division 9 of the Welfare and Institutions Code), the Healthy Families Program (Part 6.2 (commencing with Section 12693) of Division 2 of the

Insurance Code), the Access for Infants and Mothers Program (Part 6.3 (commencing with Section 12695) of Division 2 of the Insurance Code), the California Major Risk Medical Insurance Program (Part 6.5 (commencing with Section 12700) of Division 2 of the Insurance Code), or the Federal Temporary High Risk Insurance Pool (Part 6.6 (commencing with Section 12739.5) of Division 2 of the Insurance Code), to the extent consistent with the federal Patient Protection and Affordable Care Act (Public Law 111-148).

(g) This section shall not apply to disability insurance for covered benefits in the single specialized area of dental-only health care that pays benefits on a fixed benefit, cash payment only basis.

(h) It is the intent of the Legislature that the data reported pursuant to this section be considered by the Legislature in adopting a medical loss ratio standard for specialized health insurance policies that cover dental services that would take effect no later than January 1, 2018.

(i) Until January 1, 2018, the department may issue guidance to health insurers of specialized health insurance policies subject to this section regarding compliance with this section. This guidance shall not be subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). Any guidance issued pursuant to this subdivision shall be effective only until the department adopts regulations pursuant to the Administrative Procedure Act. The department shall consult with the Department of Managed Health Care in issuing guidance pursuant to this subdivision.

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

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