

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose
SPONSOR: California Medical Association

BILL NUMBER: AB 2470
AUTHOR: H. De La Torre

BILL SUMMARY: Individual Health Care Coverage

Under current law, the Department of Managed Health Care (DMHC) and the Department of Insurance (DOI) are responsible for the licensure and regulation of health care service plans and insurers, respectively.

This bill would require the DMHC and the DOI to develop, by joint regulation, a pool of approved questions for use on health plans and insurance policy applications. Health plans and insurers would be limited to using DMHC and DOI-approved questions in health plan applications and, effective January 1, 2012, would be required to submit health plan applications to DMHC and DOI for review and approval.

This bill would require health care plans and insurers to meet certain requirements when rescinding or cancelling health coverage. This bill would require that an independent review process (IRP) be established within the DMHC and the DOI for decisions to cancel or rescind individual health plan contracts or policies, and require DMHC and DOI to contract for one or more independent not-for-profit organizations to conduct IRPs.

FISCAL SUMMARY

The DMHC indicates its estimated cost at between \$1.1 million and \$3.2 million per year.

The DOI estimates its costs to be \$57,000 in the first year with ongoing costs of \$102,000 for one full-time staff counsel position.

COMMENTS

Finance is opposed to this bill for the following reasons:

- AB 2 (De La Torre, 2009), which was vetoed by the Governor, was nearly identical to this bill. The veto message cited the strong consumer protections the DMHC and the DOI have successfully implemented over the past few years. The message also noted the number of rescissions industry-wide has decreased significantly since 2005.
This bill could conflict with the recently passed federal health care reform legislation. That legislation imposes its own limits on the ability of insurers to rescind policies, except in cases of fraud or intentional misrepresentation.

Analyst/Principal Date Program Budget Manager Date
(0761) C. Hill Mark Hill

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code
	LA	(Dollars in Thousands)								
	CO	PROP								
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012		
2400/MngedHltCare	SO	No		--	C	\$1,067 - 3,192	C	\$1,067 - 3,192		0933
0845/Insurance	SO	No		--	C	\$57	C	\$102		0217
<u>Fund Code</u>	<u>Title</u>									
0217	Insurance Fund									
0933	Managed Care Fund									