

**DEPARTMENT OF HEALTH SERVICES**

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BUSINESS SERVICES.

MMCD All-Plan Letter 01001

January 16, 2001

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JAN 26 2001

CORPORATE COMPLIANCE

TO:            County-Organized Health Systems  
                   Geographic Managed Care Plans  
                   Prepaid Health Plans  
                   Two-Plan Model Plans

SUBJECT:    SUMMARY OF 2000 CHAPTERED LEGISLATION IMPACTING  
                  OR OF INTEREST TO MEDI-CAL MANAGED CARE PLANS

The purpose of this letter is to provide summary information about bills chaptered during 1999 that impact or are of interest to Medi-Cal managed care plans (**MCPs**). We have enclosed the following:

- *Narrative summary* of chaptered bills. The brief summary of each bill highlights the main provisions of the new law, indicates how Medi-Cal **MCPs** and other entities are affected, and cites relevant code sections. You may access complete copies of bills through the California State Legislature's **website**:  
<http://www.leginfo.ca.gov/billinfo>
- *Impact summary table* indicating the effective date for each bill, affected entities, and plan submissions and contract changes that will be required as a result of the legislation.

Please be advised that the chaptered legislation summarized does *not* reflect all changes in State law that may affect the business practices or daily operations of contracting **MCPs**.

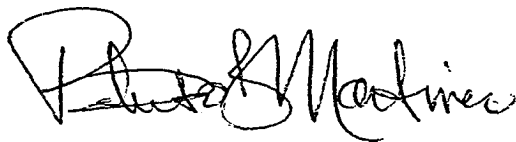
Each MCP is responsible for reviewing and analyzing the impact of chaptered legislation on their operations. Contractors are expected to implement statutory changes as required by the effective date of each chaptered bill and should not delay any required operational changes while the Medi-Cal Managed Care Division (MMCD) processes related contract amendments. In addition, **MCPs** are responsible for compliance with any regulatory requirements that are enforced by other state or federal entities. (See *General Terms and Conditions* of your contract.)

January 16, 2001

**MCPs** are reminded that your contracts require new or revised reports, policies and procedures, provider directories, member informing materials, and subcontracts to be submitted to the Department of Health Services (DHS). DHS review and approval also may be required before policies and procedures are **implemented and** revised materials are distributed to enrolled Medi-Cal members. Please refer to your specific contract for approval requirements and time frames.

When necessary, MMCD will issue policy letters to clarify the application of some new laws to the Medi-Cal Managed Care Program. Laws that contain provisions specific to Medi-Cal may require DHS to promulgate new regulations as part of the implementation process. Future policy letters and proposed regulations related to new legislation will be distributed to contracting **MCPs** as they become available.

If you have questions about how a specific chaptered bill affects your Medi-Cal MCP contract, please contact your DHS contract manager at (916) 657-0977 for assistance.

A handwritten signature in black ink, appearing to read "Roberto Martinez". The signature is stylized and cursive.

Roberto Martinez  
Acting Chief  
Medi-Cal Managed Care Division

Enclosures (2)

**2000 CHAPTERED BILLS IMPACTING OR OF INTEREST TO  
MEDI-CAL MANAGED CARE DIVISION AND CONTRACTED PLANS**

**(Prepared November 14, 2000)**

**AB 525 (Chapter 347, Statutes of 2000) --** AB 525 requires health care service plans (HCSPs), disability insurers, and Medi-Cal managed care plans (**MCPs**) to inform prospective enrollees and members that there may be limitations or restrictions on obtaining reproductive health services from certain contracted providers or facilities. A standard informing statement is provided that must be included in provider directories (including electronic forms) and in evidence of coverage and disclosure forms. The Department of Health Services (DHS) must ensure that this statement is provided prior to enrollment in a Medi-Cal MCP or selection of a primary care provider to any Medi-Cal beneficiary who would not have received the information in a provider directory or evidence of coverage and disclosure form. In addition, the informing statement must be provided annually to all Medi-Cal MCP enrollees. Health plans are exempted from providing this statement in service areas where access to reproductive health services is not limited or restricted in any way. Specialized HCSPs and disability insurers; Medicare supplement plans; hospital indemnity, long-term care or disability income insurance policies; and hospitals and other providers also are exempted from the bill's requirements-

(Adds Section 136362 and Chapter 2.15 (commencing with Section 1339.80) to Division 2 of the Health and Safety Code. Adds Section 10604.1 to the Insurance Code and Section 14016.8 to the Welfare and Institutions Code.)

**AB 1455 (Chapter 827, Statutes of 2000)/SB 1177 (Chapter 825, Statutes of 2000) –**  
The enactment of both bills

- Prohibits a HCSP from engaging in an “unfair payment pattern,” as defined, in its reimbursement of a provider.
- Permits a provider to report this conduct to the Department of Managed Health Care ( D M H C ) .
- Authorizes the director of DMHC to investigate this conduct and impose sanctions on a plan found to have engaged in an unfair payment pattern.
- Increases the interest rate a plan must pay from 10 percent to 15 percent for uncontested claims not timely paid and imposes a \$10 fine if the interest is not automatically included when the claim is paid late.
- Requires HCSPs to ensure that their dispute resolution mechanism is available to non-contracting providers **and** annually report to DMHC regarding the mechanism
- -Requires DMHC to adopt regulations by July 1, 2001 pertaining to the dispute resolution mechanism used by HCSPs.
- Requires DMHC to make recommendations to the Legislature and the Governor by July 1, 2001, regarding a system to respond to unfair billing patterns

Both AB 1455 and SB 1177 have identical language.

(Amends Sections 1367, 1371, and 1371.35 of and adds Sections 1371.36, 1371.37, 1371.38, and 1371.39 to the Health and Safety Code, relating to **health** care service plans.)

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**AB 1730 (Chapter 540, Statutes of 2000)** – AB 1730 appropriates \$1,514,000 from the General Fund and \$317,000 from the Federal Trust Fund to DHS for specified child lead poisoning programs. It requires the Bureau of State Audits to conduct a follow-up assessment of the effectiveness of specified DHS child lead poisoning program regulations and to submit the results of the assessment to specified legislative committees by May 1, 2001.

**AB 1748 (Chapter 593, Statutes of 2000)** – AB 1748 authorizes local health officers and DHS to contract with an outside agency to perform immunization information system functions. The bill revises the conditions under which immunization information may be disclosed, including authorizing local health officers and the state department to disclose specified information to county welfare departments, as defined. Providers doing immunizations must participate in local or regional registry directly or through the Statewide Immunization Information System. Plans must share patient immunization information with local/regional registries and DHS.

(Amends Section 120440 of the Health and Safety Code, relating to disease prevention and control.)

**AB 1836 (Chapter 1068, Statutes of 2000)** -- AB 1836 expands the rights of coroners to access confidential medical records by requiring such disclosure without delay for the purpose of identifying the decedent, locating next of kin, or when investigating a broad list of specified deaths.

(Amends, repeals, and adds Section 56.10 of the Civil Code. Amends Section 27491.1 of, and amends, repeals, and adds Section 27491.8 of the Government Code relating to coroners.)

**AB 2130 (Chapter 809, Statutes of 2000)** – AB 2130 amends Family Code to require insurers to provide information regarding covered child's health insurance to a non-covered parent (or other custodian) if child's coverage is changed or terminated.

(Amends Section 3751.5 of the Family Code.)

**AB 2152 (Chapter 453, Statutes of 2000)** – AB 2152 requires utilization controls to allow for authorization of durable medical equipment needed to assist a disabled beneficiary in caring for a child for whom the disabled beneficiary is a parent, stepparent, foster parent, or legal guardian, subject to the availability of federal financial participation. It also requires DHS to adopt emergency regulations to define and establish criteria for assistive durable medical equipment in accordance with specified provisions.

(Amends Section 14132 of the Welfare and Institutions Code, relating to **Medi-Cal**.)

**AB 2168 (Chapter 426, Statutes of 2000)** – AB 2168 adds language to existing statute specifying that Human Immunodeficiency Virus (HIV) positive and Acquired Immune Deficiency Syndrome (AIDS) patients are eligible for standing referrals. A "standing referral" means a referral by a primary care physician to a specialist for more than one visit, without the primary care physician having to provide a specific referral for each visit. AB 2168 will require HCSPs to authorize standing referrals to providers or clinics with recognized experience in treating HIV and AIDS when medically necessary.

(Amends, adds, and **repeals** Section 1374.16 of the Health and Safety Code, relating to health care.)

**AB 2414 (Chapter 1065, Statutes of 2000)** – AB 2414 provides an additional exception to the Confidentiality of Medical Information Act by allowing the disclosure of medical information to “disease management organizations,” as defined, under specified circumstances. The bill would also enact additional legislation related to these companies, including permitted services, necessary authorizations, restrictions on services and on the receipt of medical information, and other related provisions. The bill will only have impact on those plans that utilize this type of entity.

(Amends Section 56.10 of the Civil Code, and adds Chapter 2.25 (commencing with Section 1399.900) to Division 2 of the Health and Safety Code, relating to disease management organizations.)

**SB 168 (Chapter 845, Statutes of 2000)** – SB 168 prohibits HCSPs from requiring physicians or physician groups to assume the financial risk for the acquisition costs of required childhood immunizations that are not part of their current risk-based contract with the HCSP. As of January 1, 2001, HCSPs will be required to reimburse physicians for these costs at the lowest of the following: the actual acquisition cost, the average wholesale price, or lowest cost made available to the physician by the HCSP. SB 168 further specifies that HCSPs must reimburse physicians for these costs within 45 days of the plan’s receipt of documentation of the immunizations from the physician or through an “alternative funding mechanism” agreed to between the HCSP and the physician. SB 168 also prohibits HCSPs from requiring physicians or physician groups to assume any additional risk related to providing childhood immunizations that are not yet covered in the provider’s HCSP contract.

(Adds Section 1367.36 to the Health and Safety Code, relating to health care service plans.)

**SB 265 (Chapter 810, Statutes of 2000)** – SB 265 prohibits HCSPs and disability insurers from declining coverage or denying enrollment to a “federally eligible defined individual” and from imposing any preexisting condition exclusion on their coverage. The bill defines a federally eligible defined individual as an individual who has had 18 or more months of group health plan coverage; wasn’t terminated from this coverage due to nonpayment of premiums or fraud; has exhausted COBRA continuation coverage; has no other health coverage; and isn’t eligible for a group health plan, Medicare, or Medi-Cal.

(Adds Article 4.6 (commencing with Section 1366.35) and Article 10.5 (commencing with Section 1399.801) to Chapter 2.2 of Division 2 of the Health and Safety Code. Adds Section 10844, Chapter 8.5 (commencing with Section 10785), and Chapter 9.5 (commencing with Section 10900) to Part 2 of Division 2 of, the insurance Code, relating to health care coverage.)

**SB 648 (Chapter 835, Statutes of 2000)** – SB 648 revises the definition of venereal disease to include chlamydia. It authorizes a physician and surgeon who diagnoses a sexually transmitted chlamydia infection in an individual patient to prescribe, dispense, furnish, or otherwise provide prescription antibiotic drugs to that patient’s sexual partner or partners without examination of that patient’s partner or partners, and authorizes the department to adopt regulations to implement this provision. The bill also authorizes certain other qualified health professionals to dispense, furnish, or otherwise provide prescription antibiotic drugs to the partner or partners of a patient with a diagnosed sexually transmitted chlamydia infection without examination of the patient’s sexual partner or partners. This bill provides that a licensee acting in accordance with

provisions of the bill with regard to a prescription for antibiotic drugs has not committed unprofessional conduct under this provision.

(Amends Sections 2242 and 35021 of the Business and Professions Code. Amends Section 120500 of and adds Section 120582 to the Health and Safety Code, relating to public health.)

**SB 745 (Chapter 811, Statutes of 2000) –** SB 745 requires mental health plans providing Medi-Cal services to enter into a memorandum of understanding (MOU) with Medi-Cal MCPs. It requires DHS to ensure coverage is provided for medically necessary prescription medications and related services prescribed by a Mental Health Plan (MHP) provider but excluded from their coverage, mandates the establishment of a process to recognize credentialing of local MHP providers to expedite approval of medications, and requires a local MCP to **notify** an enrollee, in writing, if a request for authorization is delayed. It requires that MCPs make a decision regarding responsibility and coverage for a prescription drug within 24 hours or one business day from the date a request is made (including substantiated requests). It requires that a decision regarding responsibility and coverage for medical services such as laboratory tests shall be made within seven days following a request for a decision (including unsubstantiated requests). (Knox-Keene licensed health plans are required to make this decision in five days.) All Medi-Cal MCPs are required by regulation to respond within three days.

(Adds Sections 5777.5, 5777.6, and 14456.5 to the Welfare and Institutions Code, relating to mental health.)

**SB 1452 (Chapter 520, Statutes of 2000) –** SB 1452 updates and expands the system of care within local mental health departments serving seriously, emotionally disturbed children.

(Amends Sections 5851, **5852.5, 5855.5, 5857, 5859, 5860, 5863, 5865, 5866, 5869**, and 5880 of and adds Sections 5856.2, 5865.1, and 5865.3 to the Welfare and Institutions Code, relating to child care.)

**SB 1479 (Chapter 303, Statutes of 2000) –** SB 1479 expands the disclosures that are required to be made to a client by a licensed midwife. This bill also makes these provisions applicable to live births that occur outside a state-licensed alternative birth center, as defined. This bill requires a professionally licensed midwife in attendance at a live birth outside the hospital, where no physician is present, to prepare and register a birth certificate.

(SB 1479 repeals and adds Section 2508 of the Business and Professions Code and amends Section 102415 of the Health and Safety Code, relating to midwifery.)

**SB 1746 (Chapter 849, Statutes of 2000) –** SB 1746 requires HCSPs to notify patients if the HCSP terminates their provider's contract.

- The notification must include instructions for selecting a new primary care provider (PCP).
- HCSPs may delegate this responsibility to contracted medical groups or individual practice associations.
- If the mailed notice is returned as undeliverable, the HCSP must make a "good faith" effort to inform the enrollee of the provider's termination at the first appropriate contact with the enrollee.
- Enrollees may self-refer to specialists for up to 60 days after the PCP's termination or until a new PCP is assigned or chosen.

- **HCSPs** that automatically assign a new PCP or that provide direct access to **PCPs** are exempted from the self-referral provision.

SB 1746 also prohibits plans from retroactively assigning enrollees to **PCPs** to avoid financial responsibility for self-referrals.

(Amends Section 1373.65 of the Health and Safety Code, relating to health care service plans.)

**SB 1764 (Chapter 305, Statutes of 2000)** – SB 1764 requires the Legislative Analyst Office (LAO) to:

- Review existing data relating to the cost effectiveness of substance abuse treatment parity in health care service plans and disability insurance policies.
- Review existing research and survey a sample of health care service plans regarding the range and utilization of substance abuse treatment services offered and the impacts on the costs of these services to employers and employees.
- Review information on private organizations statewide that provide alcohol and drug treatment services.
- Report findings on these subjects to the Legislature.

**SB 1903 (Chapter 1903, Statutes of 2000)** -- SB 1903 expands the provisions of the Confidentiality of Medical Information Act to require corporations and their subsidiaries and **affiliates** to adhere to the same confidentiality laws that apply to health care providers and their contractors by prohibiting them, except in specified circumstances, from sharing or selling a patient's medical records without the patients written authorization. The bill also authorizes an adult patient to require a health care provider to attach corrections prepared by the patient to the patient's records as an addendum and requires certain entities that maintain medical information to provide the patient with a copy of such information at the patients request, and at no cost.

(Amends Sections 56.10 and 56.11 and adds Section 56.07 to the Civil Code. Adds Section 123111 to the Health and Safety Code, relating to medical information.)

**SB 2046 (Chapter 852, Statutes of 2000)** – SB 2046 amends H&S Code to prohibit **HCSPs** from limiting or excluding coverage of medically necessary drugs prescribed for chronic and seriously debilitating conditions if prescribed for a different use than approved for by FDA. An independent Medical Review process is available to members if the plan is denied coverage of prescribed drugs in this situation. **Medi-Cal MCPs** under **Waxman-Duffy** are specifically exempted. The bill also extends the submission deadline for Disproportionate Share Hospitals to request supplemental reimbursement regarding capital projects.

(Amends Section 1367.21 of the Health and Safety Code. Amends Section 10123.195 of the Insurance Code. Amends Section 14105.26 of the Welfare and Institutions Code, relating to health care.)

**SB 2083 (Chapter 696, Statutes of 2000)** – Existing law authorizes the Board of Supervisors of San Mateo County (and any other county designated by the California Medical Assistance Commission) to, by ordinance, establish special commissions to negotiate and enter into contracts to provide health care delivery systems for the

Medi-Cal and Healthy Families programs. SB 2083 would expand that authority to allow the commissions to provide health care delivery systems to

- Persons in the county who are eligible for Medi-Cal pursuant to a federal waiver or a pilot project.
- Persons eligible for both Medicare and Medicaid (Medi-Medi).
- Persons eligible to receive Medicare benefits only.

(Amends Sections 14087.51 and 14087.57 of the Welfare and Institutions Code, relating to Medi-Cal.)

**SB2136 (Chapter 856, Statutes of 2000)** – SB 2136 imposes a new mandate on DMHC's Advisory Committee on Managed Care to recommend standards to reduce the number of regulatory compliance audits performed at individual and group provider sites to once a year.

(Repeals and adds Section 1380.1 of the Health and Safety Code, relating to health care.)



**2000 CHAPTERED BILL 3 IMPACT SUMMARY**  
(Updated 12/4/00)

BILL INFO		SUBJECT	EFFECTIVE DATE	PLANS AFFECTED	PLAN ACTIVITIES <sup>a</sup> CONTRACT MONITORING	CONTRACT ACTIVITIES		
Bill No.	Chap	Main Focus of Bill			New/Revised Policy and/or Procedure	Member Notice <sup>b</sup>	Amend DHS Contract	Plan Amend Subcontracts
AB 525	347	Reproductive Health Services	1/1/2001	HCSP, PHP, COHS, PCCM		X		X
AB 1455/ SB 1177	827	Provider Billing/Unfair Payment Patterns	1/1/2001 Report Due: <sup>c</sup> 7/1/2001	HCSP, PHP				X
AB 1730	540	Child Lead Poisoning Programs	1/1/2001	N/A				
AB 1748	593	Immunization Information	1/1/2001	HCSP, PHP, COHS, PCCM	X			X
AB 1836	1068	Confidentiality of Medical Records: Coroners	1/1/2001 Sunset: 1/1/2003	HCSP, PHP, COHS, PCCM				
AB 2130	809	Coverage of Children's Health Insurance	1/1/2001	N/A				
AB 2152	453	Authorization of Durable Medical Equipment	1/1/2001	HCSP, PHI', COHS, PCCM	X			X
AB 2168	426	Access to standing referrals for AIDS/HIV Patients	1/1/2001 Sunset: 1/1/2004	HCSP, PHP	X			X
AB 2414	1065	Disease Management Organizations	1/1/2001	HCSP, PHI', COHS, PCCM				
SB 168	845	Reimbursement of costs for required childhood immunization	1/1/2001	HCSP, PHI'	X			X

<sup>a</sup> Contract amendment has been proposed that would delete the requirement for routine submission for DHS approval.

<sup>b</sup> Member notice may involve changes to member informing materials, form changes and/or special mailings. See specific bill for member notice requirements.

*Note:* Complete text of chaptered bills available through the California State Legislature's website: <http://www.leginfo.ca.gov/billinfo>

**2000 CHAPTERED BILLS IMPACT SUMMARY**  
(updated 12/4/00)

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Bill No	Chap	Main Focus of Bill			New/Revised Policy and/or Procedure	Member Notice <sup>b</sup>	Amend DHS Contract	Plan Amend Subcontracts
SB 265	810	Federally eligible defined individual	1/1/2001	N/A				
SB 648	835	Chlamydia	1/1/2001	HCSP, PHP, COHS, PCCM	X			X
SB 745	811	MOU for Mental Health and Managed Care plans	1/1/2001	HCSP, PHP, COHS, PCCM	COHSs only			
SB 1452	520	Local Mental Health Departments	1/1/2001	N/A				
SB 1479	303	Licensed midwives	1/1/2001	HCSP, PHP, COHS, PCCM	X			X
SB 1746	849	HCSP termination of provider contract	1/1/2001	HCSP, PHP	X	X	X	X
SB 1764	305	Substance abuse treatment parity	1/1/2001	N/A				
SB 1903	1066	Requests for disclosure/Confidentiality of Medical Information Act	1/1/2001	N/A	X			
SB 2046	852	Coverage of medically necessary drugs	1/1/2001	HCSP, PHP, COHS, PCCM	X			X
SB 2083	696	Special commissions in San Mateo County	1/1/2001	San Mateo Only				
SB 2136	856	DMHC's Advisory Committee on Managed Care/reduction of regulatory compliance audits	1/1/2001\	HCSP, PHP				

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