

**Introduced by Senator Perata  
(Coauthor: Senator Kuehl)**

January 3, 2007

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An act to amend Section 12693.70 of, and to add Part 6.45 (commencing with Section 12699.201) to Division 2 of the Insurance Code, to add Part 8.8 (commencing with Section 2200) to Division 2 of the Labor Code, to add Section 17054.2 to the Revenue and Taxation Code, to amend Section 131 of, and to add Section 976.7 to, the Unemployment Insurance Code, and to add Article 7 (commencing with Section 14199.10) to Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code, relating to health care coverage, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 48, as introduced, Perata. Health care coverage: employers and employees.

Existing law does not provide a system of health care coverage for all California residents. Existing law does not require employers to provide health care coverage for employees and dependents, other than coverage provided as part of the workers' compensation system for work-related employee injuries, and does not require individuals to maintain health care coverage. Existing law provides for the creation of various programs to provide health care coverage to persons who have limited incomes and meet various eligibility requirements. These programs include the Healthy Families Program, administered by the Managed Risk Medical Insurance Board, and the Medi-Cal program, administered by the State Department of Health Care Services. Existing law provides for the regulation of health care service plans by the

Department of Managed Health Care and health insurers by the Department of Insurance.

This bill would create the Health Insurance Connector (Connector), which would function as a purchasing pool for health care coverage and be administered by the Managed Risk Medical Insurance Board. The bill would require employers to provide health care coverage to employees and dependents resulting in the expenditure of an unspecified percentage of the employer's payroll or, alternatively, would allow employers to elect to have that coverage provided through the Connector upon payment of an employer fee in an equivalent amount. The bill would require employers electing to pay the fee to also collect an unspecified employee contribution from each employee. Revenues from the employer fees and employee contributions would be collected by the Employment Development Department for deposit in the Health Insurance Trust Fund created by the bill, and moneys in the fund would be continuously appropriated to the board for the purposes of the bill. The bill would require the board to offer eligible employees a choice of various health plans through the Connector, and would require the board to establish standards to cap administrative costs and profits of participating health plans and determine standards for plans to control growing health care costs. The bill would require individuals who are employed and who are self-employed to maintain a minimum policy of health care coverage for themselves and their dependents, as determined by the board.

The bill, subject to future appropriation of funds, would expand the number of children eligible for coverage under the Healthy Families Program. The bill would require the State Department of Health Care Services to seek any necessary federal waiver to enable the state to receive federal Medicaid funds for specified persons who could otherwise be made eligible for Medi-Cal benefits, with the state share of funds to be provided from the Health Insurance Trust Fund. The bill would enact other related provisions.

Existing law authorizes a taxpayer under the Personal Income Tax Law to claim personal exemption credits against income taxes due for the taxpayer and dependents of the taxpayer.

This bill would provide that a taxpayer under that law may not claim these exemption credits if the taxpayer fails to comply in a tax year with the requirement for employed individuals to maintain a policy of health care coverage. The bill would require the Franchise Tax Board, based on estimates, to correspondingly increase the exemption credits

for the remaining taxpayers in a manner that the estimated revenue gain in a tax year from denying the exemption credits under the bill is equal to the estimated revenue loss in that tax year from increasing the exemption credits under the bill.

Vote: majority. Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: no.

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

1 SECTION 1. This act shall be known and may be cited as the  
2 California Health Care Coverage and Cost Control Act.

3 SEC. 2. Section 12693.70 of the Insurance Code is amended  
4 to read:

5 12693.70. To be eligible to participate in the program, an  
6 applicant shall meet all of the following requirements:

7 (a) Be an applicant applying on behalf of an eligible child, which  
8 means a child who is all of the following:

9 (1) Less than 19 years of age. An application may be made on  
10 behalf of a child not yet born up to three months prior to the  
11 expected date of delivery. Coverage shall begin as soon as  
12 administratively feasible, as determined by the board, after the  
13 board receives notification of the birth. However, no child less  
14 than 12 months of age shall be eligible for coverage until 90 days  
15 after the enactment of the Budget Act of 1999.

16 (2) Not eligible for no-cost full-scope Medi-Cal or Medicare  
17 coverage at the time of application.

18 (3) In compliance with Sections 12693.71 and 12693.72.

19 (4) A child who meets citizenship and immigration status  
20 requirements that are applicable to persons participating in the  
21 program established by Title XXI of the Social Security Act, except  
22 as specified in Section 12693.76.

23 (5) A resident of the State of California pursuant to Section 244  
24 of the Government Code; or, if not a resident pursuant to Section  
25 244 of the Government Code, is physically present in California  
26 and entered the state with a job commitment or to seek  
27 employment, whether or not employed at the time of application  
28 to or after acceptance in, the program.

29 (6) (A) In either of the following:

30 (i) In a family with an annual or monthly household income  
31 equal to or less than 200 percent of the federal poverty level.

1 (ii) When implemented by the board, subject to subdivision (b)  
2 of Section 12693.765 and pursuant to this section, a child under  
3 the age of two years who was delivered by a mother enrolled in  
4 the Access for Infants and Mothers Program as described in Part  
5 6.3 (commencing with Section 12695). Commencing July 1, 2007,  
6 eligibility under this subparagraph shall not include infants during  
7 any time they are enrolled in employer-sponsored health insurance  
8 or are subject to an exclusion pursuant to Section 12693.71 or  
9 12693.72, or are enrolled in the full scope of benefits under the  
10 Medi-Cal program at no share of cost. For purposes of this clause,  
11 any infant born to a woman whose enrollment in the Access for  
12 Infants and Mothers Program begins after June 30, 2004, shall be  
13 automatically enrolled in the Healthy Families Program, except  
14 during any time on or after July 1, 2007, that the infant is enrolled  
15 in employer-sponsored health insurance or is subject to an  
16 exclusion pursuant to Section 12693.71 or 12693.72, or is enrolled  
17 in the full scope of benefits under the Medi-Cal program at no  
18 share of cost. Except as otherwise specified in this section, this  
19 enrollment shall cover the first 12 months of the infant's life. At  
20 the end of the 12 months, as a condition of continued eligibility,  
21 the applicant shall provide income information. The infant shall  
22 be disenrolled if the gross annual household income exceeds the  
23 income eligibility standard that was in effect in the Access for  
24 Infants and Mothers Program at the time the infant's mother  
25 became eligible, or following the two-month period established  
26 in Section 12693.981 if the infant is eligible for Medi-Cal with no  
27 share of cost. At the end of the second year, infants shall again be  
28 screened for program eligibility pursuant to this section, with  
29 income eligibility evaluated pursuant to clause (i), subparagraphs  
30 (B) and (C), and paragraph (2) of subdivision (a).

31 (B) All income over 200 percent of the federal poverty level  
32 but less than or equal to ~~250~~ 300 percent of the federal poverty  
33 level shall be disregarded in calculating annual or monthly  
34 household income.

35 (C) In a family with an annual or monthly household income  
36 greater than ~~250~~ 300 percent of the federal poverty level, any  
37 income deduction that is applicable to a child under Medi-Cal shall  
38 be applied in determining the annual or monthly household income.  
39 If the income deductions reduce the annual or monthly household

1 income to ~~250~~ 300 percent or less of the federal poverty level,  
2 subparagraph (B) shall be applied.

3 (b) The applicant shall agree to remain in the program for six  
4 months, unless other coverage is obtained and proof of the coverage  
5 is provided to the program.

6 (c) An applicant shall enroll all of the applicant's eligible  
7 children in the program.

8 (d) In filing documentation to meet program eligibility  
9 requirements, if the applicant's income documentation cannot be  
10 provided, as defined in regulations promulgated by the board, the  
11 applicant's signed statement as to the value or amount of income  
12 shall be deemed to constitute verification.

13 (e) An applicant shall pay in full any family contributions owed  
14 in arrears for any health, dental, or vision coverage provided by  
15 the program within the prior 12 months.

16 (f) By January 2008, the board, in consultation with  
17 stakeholders, shall implement processes by which applicants for  
18 subscribers may certify income at the time of annual eligibility  
19 review, including rules concerning which applicants shall be  
20 permitted to certify income and the circumstances in which  
21 supplemental information or documentation may be required. The  
22 board may terminate using these processes not sooner than 90 days  
23 after providing notification to the Chair of the Joint Legislative  
24 Budget Committee. This notification shall articulate the specific  
25 reasons for the termination and shall include all relevant data  
26 elements that are applicable to document the reasons for the  
27 termination. Upon the request of the Chair of the Joint Legislative  
28 Budget Committee, the board shall promptly provide any additional  
29 clarifying information regarding implementation of the processes  
30 required by this subdivision.

31 (g) *Notwithstanding any other provision of law, the changes to*  
32 *subparagraphs (B) and (C) of paragraph (6) of subdivision (a)*  
33 *made by the act adding this subdivision in the 2007–08 Regular*  
34 *Session of the Legislature may only be implemented to the extent*  
35 *funds are appropriated for those purposes in another statute.*

36 SEC. 3. Part 6.45 (commencing with Section 12699.201) is  
37 added to Division 2 of the Insurance Code, to read:

1 PART 6.45. THE HEALTH INSURANCE CONNECTOR

2

3 12699.201. For the purposes of this part, the following terms  
4 have the following meanings:

5 (a) “Board” means the Managed Risk Medical Insurance Board.

6 (b) “Health Insurance Connector” or “Connector” means the  
7 health care coverage purchasing pool for employers and  
8 self-employed individuals electing to purchase health care coverage  
9 for themselves and for their employees and dependents instead of  
10 arranging to provide that coverage directly as provided in Part 8.8  
11 (commencing with Section 2200) of Division 2 of the Labor Code.

12 12699.202. The board shall be responsible for establishing the  
13 Connector and administering this part.

14 12699.203. (a) The board shall develop standards for high  
15 quality coverage for the Connector and negotiate favorable rates  
16 and contract with health plans by leveraging its purchasing power.  
17 Employees of participating employers shall be offered a choice of  
18 health plans that provide comprehensive health care coverage,  
19 including medical, hospital, and prescription drug benefits.

20 (b) The board shall offer three tiers of health plans to eligible  
21 employees. Plans offered in the first tier may require appropriate  
22 enrollee copayments, consistent with utilization management  
23 practices. Plans in the higher-level tiers would provide a higher  
24 level of benefits or greater choices with additional costs borne by  
25 the enrollee.

26 (c) The board shall directly mail to each eligible employee an  
27 information packet containing information about health plan  
28 choices in the three tiers. Each participating employer shall provide  
29 the board with employee contact information necessary to prepare  
30 the mailing.

31 12699.204. The board shall establish standards to cap  
32 administrative costs and profits of participating health plans. The  
33 board shall also determine standards to ensure that plans utilize  
34 evidence-based practices and implement efficiencies to control  
35 growing health care costs. These practices shall include, but need  
36 not be limited to, the following:

37 (a) Preventive care.

38 (b) Care management for chronic diseases.

39 (c) Promotion of health information technology.

40 (d) Standardized billing practices.

- 1 (e) Reduction of medical errors.
- 2 (f) Incentives for healthy lifestyles.
- 3 (g) Appropriate patient cost sharing.
- 4 (h) Rational use of new technology.

5 12699.205. Participating health plans shall provide guaranteed  
6 issue and renewal for all eligible enrollees to be covered by the  
7 Connector who otherwise satisfy conditions of participation.

8 12699.206. The board shall negotiate with Medi-Cal managed  
9 care plans to obtain affordable, first-tier coverage for eligible  
10 employees.

11 12699.207. The Health Insurance Trust Fund is hereby created  
12 in the State Treasury. The moneys in the fund shall be continuously  
13 appropriated to the board for the purposes of providing health care  
14 coverage pursuant to this part.

15 12699.208. The board, subject to approval of a federal waiver  
16 pursuant to Section 14199.10 of the Welfare and Institutions Code,  
17 shall pay the nonfederal share of cost from the Health Insurance  
18 Trust Fund for employees and dependents eligible under the waiver.

19 12699.209. It is the intent of the Legislature that the Connector  
20 should pay from the Health Insurance Trust Fund the nonfederal  
21 share of funds necessary to match federal funds made available  
22 for individuals made eligible for the Healthy Families Program  
23 pursuant to the amendment of Section 12693.70 by the act enacting  
24 this section. The board shall adopt regulations in that regard to  
25 facilitate the enrollment of those eligible individuals in the Healthy  
26 Families Program in a manner that maximizes federal funds  
27 available to the state and efficiently provides for coordination of  
28 coverage.

29 SEC. 4. Part 8.8 (commencing with Section 2200) is added to  
30 Division 2 of the Labor Code, to read:

31  
32 **PART 8.8. EMPLOYEE HEALTH CARE COVERAGE**

33  
34 2200. Each employer shall elect either to provide for its  
35 employees and dependents health care coverage that results in the  
36 expenditure by the employer of \_\_\_\_ percent of social security  
37 wages paid by the employer, or to pay an equivalent amount to  
38 the Health Insurance Trust Fund created pursuant to Section  
39 12699.207 of the Insurance Code as required by Section 976.7 of  
40 the Unemployment Insurance Code. The Managed Risk Medical

1 Insurance Board may establish a sliding percentage scale for  
2 purposes of this section if it so deems necessary.

3 2201. Each employer electing to pay into the Health Insurance  
4 Trust Fund pursuant to Section 2200 shall also collect an employee  
5 contribution, in an amount equal to \_\_\_\_ percent of the employee's  
6 social security wages, from each employee for health care coverage  
7 to be provided to the employee and his or her dependents. The  
8 employee contributions shall be transmitted as required by Section  
9 976.6 of the Unemployment Insurance Code.

10 2203. Every person employed or self-employed in this state  
11 shall be required to maintain a minimum policy of health care  
12 coverage for the person and his or her dependents, as determined  
13 by the Managed Risk Medical Insurance Board.

14 SEC. 5. Section 17054.2 is added to the Revenue and Taxation  
15 Code, to read:

16 17054.2. (a) Notwithstanding Section 17054 or any other  
17 provision of law, a taxpayer who fails to comply with Section 2203  
18 of the Labor Code shall not be allowed an adjusted personal  
19 exemption credit pursuant to subdivision (a) or (d) of Section  
20 17054 for the taxpayer or the dependents of the taxpayer for any  
21 tax year in which the taxpayer is not in compliance, and in the case  
22 of a husband and wife making a joint return, the adjusted personal  
23 exemption credit pursuant to subdivision (b) of Section 17054  
24 shall be reduced by one-half in the case where one spouse is in  
25 compliance and the other spouse is not in compliance.

26 (b) The Franchise Tax Board shall annually estimate the revenue  
27 gain from subdivision (a) for each tax year. Based on this estimate,  
28 notwithstanding Section 17054 or any other provision of law, the  
29 Franchise Tax Board shall proportionately increase the amounts  
30 of the personal exemption credits for that tax year for all taxpayers  
31 that demonstrate compliance with Section 2203 of the Labor Code,  
32 in a manner that the estimate of revenue lost from that action equals  
33 the estimated revenue gain from subdivision (a).

34 SEC. 6. Section 131 of the Unemployment Insurance Code is  
35 amended to read:

36 131. "Contributions" means the money payments to the  
37 Unemployment Fund, Employment Training Fund, *Health*  
38 *Insurance Trust Fund*, or Unemployment Compensation Disability  
39 Fund ~~which~~ *that* are required by this division.

1 SEC. 7. Section 976.7 is added to the Unemployment Insurance  
2 Code, to read:

3 976.7. In addition to other contributions required by this  
4 division and consistent with the requirements of Part 8.8  
5 (commencing with Section 2200) of Division 2 of the Labor Code,  
6 an employer shall pay to the department for deposit into the Health  
7 Insurance Trust Fund the amount required by Sections 2200 and  
8 2201 of the Labor Code. These contributions shall be collected in  
9 the same manner and at the same time as any contributions required  
10 under Sections 976 and 1088.

11 SEC. 8. Article 7 (commencing with Section 14199.10) is  
12 added to Chapter 7 of Part 3 of Division 9 of the Welfare and  
13 Institutions Code, to read:

14  
15 Article 7. Coordination with the California Health Care  
16 Coverage and Cost Control Act

17  
18 14199.10. The department shall seek any necessary federal  
19 waiver to enable the state to receive federal funds for coverage  
20 provided through the Connector to persons who would be eligible  
21 for Medi-Cal if the state adopted an additional income disregard  
22 as allowed by Section 1931(b) of the Social Security Act (42 U.S.C.  
23 Sec. 1396u-1) sufficient to make persons with income up to 300  
24 percent of the federal poverty level eligible for coverage under  
25 that section. Revenues in the Health Insurance Trust Fund created  
26 pursuant to Section 12699.207 of the Insurance Code shall be used  
27 as state matching funds for receipt of federal funds resulting from  
28 the implementation of this section. All federal funds received  
29 pursuant to that waiver shall be deposited in the Health Insurance  
30 Trust Fund.