

**ASSEMBLY BILL**

**No. 423**

**Introduced by Assembly Member Beall**

February 16, 2007

An act to add Section 1374.73 to the Health and Safety Code and to add Section 10144.7 to the Insurance Code, relating to health care coverage.

legislative counsel's digest

AB 423, as introduced, Beall. Health care coverage: mental health services.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene Act), 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. Under existing law, a health care service plan contract and a health insurance policy are required to provide coverage for the diagnosis and treatment of severe mental illnesses of a person of any age. Existing law does not define "severe mental illnesses" for this purpose but describes it as including several conditions.

This bill would expand this coverage requirement for a health care service plan contract and a health insurance policy issued, amended, or renewed on or after January 1, 2008, to include the diagnosis and treatment of a mental illness of a person of any age and would define mental illness for this purpose, with certain exceptions, as a mental disorder defined in the Diagnostic and Statistical Manual IV.

Because the bill would expand coverage requirements under the Knox-Keene Act, the willful violation of which is a crime, it 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.

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

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

1 SECTION 1. Section 1374.73 is added to the Health and Safety  
2 Code, to read:  
3 1374.73. (a) A health care service plan contract issued,  
4 amended, or renewed on or after January 1, 2008, that provides  
5 hospital, medical, or surgical coverage shall provide coverage for  
6 the diagnosis and medically necessary treatment of a mental illness  
7 of a person of any age, including a child, under the same terms  
8 and conditions applied to other medical conditions as specified in  
9 subdivision (c) of Section 1374.72. The benefits provided under  
10 this section shall include all those set forth in subdivision (b) of  
11 Section 1374.72. "Mental illness" for the purposes of this section  
12 means a mental disorder defined in the Diagnostic and Statistical  
13 Manual IV, or subsequent editions, published by the American  
14 Psychiatric Association, ~~except those codes defining substance~~  
15 ~~abuse disorders (291.0 to 292.9, inclusive, and 303.0 to 305.9,~~  
16 ~~inclusive) and the "V" codes including substance abuse treatment.~~  
17 (b) This section shall not apply to contracts entered into pursuant  
18 to Chapter 7 (commencing with Section 14000) or Chapter 8  
19 (commencing with Section 14200) of Part 3 of Division 9 of the  
20 Welfare and Institutions Code, between the State Department of  
21 Health Care Services and a health care service plan for enrolled  
22 Medi-Cal beneficiaries.  
23 (c) (1) For the purpose of compliance with this section, a plan  
24 may provide coverage for all or part of the mental health services  
25 required by this section through a separate specialized health care  
26 service plan or mental health plan, and shall not be required to  
27 obtain an additional or specialized license for this purpose.

1 (2) A plan shall provide the mental health coverage required by  
2 this section in its entire service area and in emergency situations  
3 as may be required by applicable laws and regulations. For  
4 purposes of this section, health care service plan contracts that  
5 provide benefits to enrollees through preferred provider contracting  
6 arrangements are not precluded from requiring enrollees who reside  
7 or work in geographic areas served by specialized health care  
8 service plans or mental health plans to secure all or part of their  
9 mental health services within those geographic areas served by  
10 specialized health care service plans or mental health plans.

11 (3) Notwithstanding any other provision of law, in the provision  
12 of benefits required by this section, a health care service plan may  
13 utilize case management, network providers, utilization review  
14 techniques, prior authorization, copayments, or other cost sharing.

15 (d) Nothing in this section shall be construed to deny or restrict  
16 in any way the department's authority to ensure plan compliance  
17 with this chapter when a plan provides coverage for prescription  
18 drugs.

19 SEC. 2. Section 10144.7 is added to the Insurance Code, to  
20 read:

21 10144.7. (a) A policy of health insurance that covers hospital,  
22 medical, or surgical expenses in this state that is issued, amended,  
23 or renewed on or after January 1, 2008, shall provide coverage for  
24 the diagnosis and medically necessary treatment of a mental illness  
25 of a person of any age, including a child, under the same terms  
26 and conditions applied to other medical conditions as specified in  
27 subdivision (c) of Section 10144.5. The benefits provided under  
28 this section shall include all those set forth in subdivision (b) of  
29 Section 10144.5. "Mental illness" for the purposes of this section  
30 means a mental disorder defined in the Diagnostic and Statistical  
31 Manual IV, or subsequent editions, published by the American  
32 Psychiatric Association, ~~except those codes defining substance~~  
33 ~~abuse disorders (291.0 to 292.9, inclusive, and 303.0 to 305.9,~~  
34 ~~inclusive) and the "V" codes. including substance abuse treatment.~~

35 (b) (1) For the purpose of compliance with this section, a health  
36 insurer may provide coverage for all or part of the mental health  
37 services required by this section through a separate specialized  
38 health care service plan or mental health plan, and shall not be  
39 required to obtain an additional or specialized license for this  
40 purpose.

1 (2) A health insurer shall provide the mental health coverage  
2 required by this section in its entire in-state service area and in  
3 emergency situations as may be required by applicable laws and  
4 regulations. For purposes of this section, health insurers are not  
5 precluded from requiring insureds who reside or work in  
6 geographic areas served by specialized health care service plans  
7 or mental health plans to secure all or part of their mental health  
8 services within those geographic areas served by specialized health  
9 care service plans or mental health plans.

10 (3) Notwithstanding any other provision of law, in the provision  
11 of benefits required by this section, a health insurer may utilize  
12 case management, managed care, or utilization review.

13 (4) Any action that a health insurer takes to implement this  
14 section, including, but not limited to, contracting with preferred  
15 provider organizations, shall not be deemed to be an action that  
16 would otherwise require licensure as a health care service plan  
17 under the Knox-Keene Health Care Service Plan Act of 1975  
18 (Chapter 2.2 (commencing with Section 1340) of Division 2 of  
19 the Health and Safety Code).

20 (c) This section shall not apply to accident-only, specified  
21 disease, hospital indemnity, Medicare supplement, dental-only, or  
22 vision-only insurance policies.

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