

**Introduced by Senator Chesbro**January 29, 2003

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An act to amend Section 1367.2 of the Health and Safety Code, and to amend Section 10123.6 of the Insurance Code, relating to health care coverage.

## LEGISLATIVE COUNSEL'S DIGEST

SB 101, as introduced, Chesbro. Health care coverage: substance related disorders.

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. A violation of the Knox-Keene Act is a crime. Existing law provides for the regulation of disability insurers by the Department of Insurance. Existing law requires a health care service plan or a disability insurance policy that covers hospital, medical, or surgical expenses to offer coverage for the treatment of alcoholism.

This bill would require these health care service plans and disability insurance policies to provide coverage for the treatment of medically necessary substance related disorders, excluding caffeine-related disorders, on the same basis as they provide coverage for any other medical condition. Additionally, the bill would require these plans and insurers to reimburse providers of the services and would prohibit a health care service plan that directly contracts with an individual provider or organization from delegating the risk-adjusted treatment cost of providing these services, unless certain requirements are met. The bill would authorize these plans and insurance policies to limit nonhospital residential care, as defined, to 60 days per calendar year.



The bill would not apply to Medi-Cal, vision-only, dental-only, accident-only, specialized disease, hospital indemnity, Medicare supplement, or long-term care coverage.

Because a willful violation of the bill’s requirements with respect to health care service plans would be a crime, it would impose a state-mandated local program by creating new crimes.

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 1367.2 of the Health and Safety Code  
2 is amended to read:

3 1367.2. (a) ~~On and after every~~ *During the period* January 1,  
4 1990, *through December 31, 2003,* a health care service plan that  
5 covers hospital, medical, or surgical expenses on a group basis  
6 shall offer coverage for the treatment of alcoholism under ~~such~~  
7 terms and conditions as may be agreed upon between the group  
8 subscriber and the health care service plan. ~~Every~~ A plan shall  
9 communicate the availability of ~~such~~ *this* coverage to all group  
10 subscribers and to all prospective group subscribers with whom  
11 they are negotiating.

12 (b) ~~If the group subscriber or policyholder agrees to such~~  
13 ~~coverage or to coverage for treatment of chemical dependency, or~~  
14 ~~nicotine use, the treatment may take place in facilities licensed to~~  
15 ~~provide alcoholism or chemical dependency services under~~  
16 ~~Chapter 2 (commencing with Section 1250) of Division 2 (1) A~~  
17 *health care service plan contract issued, amended, or renewed on*  
18 *or after January 1, 2004, that provides hospital, medical, or*  
19 *surgical expenses on a group or individual basis shall provide*  
20 *coverage for the medically necessary treatment of substance*  
21 *related disorders, with the exception of caffeine-related disorders,*  
22 *as listed in the Diagnostic and Statistical Manual of Mental*  
23 *Disorders IV, published by the American Psychiatric Association,*



1 *in a nondiscriminatory manner on the same basis as any other*  
2 *medical care.*

3 (2) *A health care service plan shall provide the continuum of*  
4 *clinically effective and appropriate services and continuing*  
5 *treatment in a facility licensed or certified by the Department of*  
6 *Alcohol and Drug Programs, or the State Department of Health*  
7 *Services, or by a licensed physician, a licensed psychologist, a*  
8 *licensed marriage and family therapist, or other provider licensed*  
9 *or certified in the treatment of substance related disorders.*

10 (3) *Coverage and funding shall be the same as benefits*  
11 *covering other physical illness, including medications, with the*  
12 *same cost-sharing provisions, deductibles, appropriate caps or*  
13 *limits on number of outpatient visits, residential or inpatient*  
14 *treatment days, payments, lifetime benefits, and catastrophic*  
15 *coverage.*

16 (4) *A health care service plan shall communicate the*  
17 *availability of this coverage to all enrollees and to all prospective*  
18 *subscribers with whom they are negotiating.*

19 (5) *A health care service plan and its contracting entities shall*  
20 *provide augmentation for reimbursement to the providers of*  
21 *services required by this section for any mandate for coverage*  
22 *contained in this chapter that has been enacted after the date that*  
23 *a contract has been signed between the provider and the health*  
24 *care service plan or its contracting entity. A health care service*  
25 *plan that directly contracts with an individual provider or provider*  
26 *organization shall not delegate the risk-adjusted treatment cost of*  
27 *providing services under this section unless the requirements of*  
28 *Section 1375.5 are met.*

29 (6) *Compliance with this subdivision shall be monitored by the*  
30 *Department of Managed Health Care.*

31 (c) *A health care service plan may limit nonhospital residential*  
32 *care to 60 days per calendar year. For purposes of this section,*  
33 *“nonhospital residential care” means the provision of medical,*  
34 *nursing, counseling, or therapeutic services to patients suffering*  
35 *from substance-related disorders in a short- or long-term*  
36 *residential environment, according to individualized treatment*  
37 *plans.*

38 (d) *For purposes of compliance with this section, a plan may*  
39 *provide coverage for all or part of the substance-related services*  
40 *required by this section through a separate specialized health care*



1 *service plan or substance abuse plan and is not required to obtain*  
2 *an additional or specialized license for this purpose.*

3 *(e) The provisions of this section do not apply to Medi-Cal,*  
4 *vision-only, dental-only, accident-only, specified disease, hospital*  
5 *indemnity, Medicare supplement, or long-term care coverage.*

6 SEC. 2. Section 10123.6 of the Insurance Code is amended to  
7 read:

8 10123.6. ~~On and after every~~ *(a) During the period January*  
9 *1, 1990, through December 31, 2003, an insurer issuing group*  
10 *disability insurance—~~which~~ that covers hospital, medical, or*  
11 *surgical expenses shall offer coverage for the treatment of*  
12 *alcoholism under ~~such~~ terms and conditions as may be agreed upon*  
13 *between the group policyholder and the insurer. ~~Every~~ An insurer*  
14 *shall communicate the availability of ~~such~~ this coverage to all*  
15 *group policyholders and to all prospective group policyholders*  
16 *with whom they are negotiating.*

17 ~~If the group subscriber or policyholder agrees to such coverage~~  
18 ~~or to coverage for treatment of chemical dependency, or nicotine~~  
19 ~~use, the treatment may take place in facilities licensed to provide~~  
20 ~~alcoholism or chemical dependency services under Chapter 2~~  
21 ~~(commencing with Section 1250) of Division 2 of the Health and~~  
22 ~~Safety Code.~~

23 ~~Treatment for nicotine use may be subject to separate~~  
24 ~~deductibles, copayments, and overall cost limitations as~~  
25 ~~determined by the policy.~~

26 *(b) (1) A policy of disability insurance that covers hospital,*  
27 *medical, or surgical expenses in this state that is issued, amended,*  
28 *or renewed on or after January 1, 2004, shall provide coverage for*  
29 *the treatment of substance-related disorders, with the exception of*  
30 *caffeine-related disorders, as listed in the Diagnostic and*  
31 *Statistical Manual of Mental Disorders IV, published by the*  
32 *American Psychiatric Association, in a nondiscriminatory manner*  
33 *on the same basis as any other medical condition.*

34 *(2) An insurer shall provide the continuum of clinically*  
35 *effective and appropriate services and continuing treatment in a*  
36 *facility licensed or certified by the Department of Alcohol and*  
37 *Drug Programs, or the State Department of Health Services, or by*  
38 *a licensed physician, a licensed psychologist, a licensed marriage*  
39 *and family therapist, or other provider licensed or certified in the*  
40 *treatment of substance related disorders.*



1 (3) Coverage and funding shall be the same as benefits  
2 covering other physical illness, including medications, with the  
3 same cost-sharing provisions, deductibles, appropriate caps or  
4 limits on number of outpatient visits, residential or inpatient  
5 treatment days, payments, lifetime benefits, and catastrophic  
6 coverage.

7 (4) An insurer shall communicate the availability of this  
8 coverage to all policyholders and to all prospective policyholders  
9 with whom they are negotiating.

10 (5) An insurer and its contracting entities shall provide  
11 augmentation for reimbursement to the providers of services  
12 required by this section for any mandate for coverage contained  
13 in this article that has been enacted after the date that a contract  
14 has been signed between the provider and the insurer or its  
15 contracting entity. An insurer shall not seek indemnity, whether  
16 contractual or equitable, from its contracting providers or  
17 otherwise transfer to its contracting providers financial  
18 responsibility for any mandate set forth pursuant to this section.

19 (6) Compliance with this subdivision shall be monitored by the  
20 Department of Insurance.

21 (c) A policy of disability insurance may limit nonhospital  
22 residential care to 60 days per calendar year. For purposes of this  
23 section, “nonhospital residential care” means the provision of  
24 medical, nursing, counseling, or therapeutic services to patients  
25 suffering from substance related disorders in a short- or long-term  
26 residential environment, according to individualized treatment  
27 plans.

28 (d) For purposes of compliance with this section, a disability  
29 insurer may provide coverage for all or part of the  
30 substance-related services required by this section through a  
31 separate specialized disability insurance policy or substance  
32 abuse insurance policy and is not required to obtain an additional  
33 or specialized license for this purpose.

34 (e) The provisions of this section do not apply to Medi-Cal,  
35 vision-only, dental-only, accident-only, specified disease, hospital  
36 indemnity, Medicare supplement, or long-term care coverage.

37 SEC. 3. No reimbursement is required by this act pursuant to  
38 Section 6 of Article XIII B of the California Constitution because  
39 the only costs that may be incurred by a local agency or school  
40 district will be incurred because this act creates a new crime or



1 infraction, eliminates a crime or infraction, or changes the penalty  
2 for a crime or infraction, within the meaning of Section 17556 of  
3 the Government Code, or changes the definition of a crime within  
4 the meaning of Section 6 of Article XIII B of the California  
5 Constitution.

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