

New California Health Insurance Legislation Moves Forward

The debate over national health care reform has moved to the California Legislature, which will begin taking the initial steps to implement the complex series of health insurance overhauls prescribed by the federal government.

The Legislature seeks to enact reforms signed into law by President Obama this year. Among other things, certain Bills would prohibit health insurers from denying coverage because of preexisting conditions and create an exchange through which individuals could buy insurance. In addition, they would require prior approval of health insurance rates and create a new independent review panel.

[AB 2578 \(Jones and Feuer\)](#), which was recently introduced, has passed the California Assembly. This Bill would require HMOs and health insurers to seek "prior approval" from the state Department of Insurance or the Department of Managed Health Care for rate increases and to justify overhead costs as is required in connection with many lines of insurance under California's Proposition 103, including auto, home, earthquake, medical malpractice, and others. Proposition 103 does not apply to health insurers.



[AB 2470 \(De La Torre\)](#), has also passed the Assembly. The Bill, sponsored by California Medical Association, would require an independent review and approval of decisions made by health insurers and health plans to rescind coverage for patients after they get sick. Patients would retain their insurance until the review determined whether the proposed rescission is legal and justified. The Bill would require the independent review organization, in reviewing a proposed rescission, to determine whether a health plan enrollee "intentionally misrepresented" material information on his or her application in order to obtain health care. The federal health care Bill requires guaranteed issuance of health care policies despite pre-existing conditions and only permits rescissions for fraud. The federal legislation does not include an outside review of insurers' rescission decisions, as mandated by AB 2470.

According to the CMA [website](#), "California's physicians have fought rescissions for years, and we're determined to put a stop to this awful practice," said Brennan Cassidy, M.D., president of the CMA. ' AB 2470 would force insurers to honor their commitment to provide coverage for their policyholders, instead of pulling the rug out from patients when they are weak and sick."

AB 2470 follows two other similar bills – [AB 1945](#) and [AB 2](#), both by De La Torre and sponsored by CMA – that the governor vetoed.



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