

An act to amend Section 1341.45 of the Health and Safety Code, and to amend Sections 15893 and 15894 of, and repeal Sections 15893.5 and 15895.5 of, the Welfare and Institutions Code, relating to medical coverage, and making an appropriation therefor.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 1341.45 of the Health and Safety Code is amended to read:

1341.45. (a) There is hereby created in the State Treasury the Managed Care Administrative Fines and Penalties Fund.

(b) The fines and administrative penalties collected pursuant to this chapter, on and after September 30, 2008, shall be deposited into the Managed Care Administrative Fines and Penalties Fund.

(c) The fines and administrative penalties deposited into the Managed Care Administrative Fines and Penalties Fund shall be transferred by the department, beginning September 1, 2009, and annually thereafter, as follows:

(1) The first one million dollars (\$1,000,000) shall be transferred to the Medically Underserved Account for Physicians within the Health Professions Education Fund and shall, upon appropriation by the Legislature, be used for the purposes of the Steven M. Thompson Physician Corps Loan Repayment Program, as specified in Article 5 (commencing with Section 128550) or Chapter 5 of Part 3 of Division 107 and, notwithstanding Section 128555, shall not be used to provide funding for the Physician Volunteer Program.

(2) Any amount over the first one million dollars (\$1,000,000), including accrued interest, in the fund shall be transferred to the ~~Major Risk Medical Insurance Fund~~ continued Health Care Services Plan Fines and Penalties Fund created pursuant to Section 15893 of the Welfare and Institutions Code and ~~shall, upon appropriation by the Legislature, be used for the Major Risk Medical Insurance Program shall be~~



continuously appropriated, notwithstanding Section 13340 of the Government Code,
for the purposes specified in Section 15894 of the Welfare and Institutions Code.

(d) Notwithstanding subdivision (b) of Section 1356 and Section 1356.1, the fines and administrative penalties authorized pursuant to this chapter shall not be used to reduce the assessments imposed on health care service plans pursuant to Section 1356.

(e) The amendments made to this section by the act adding this subdivision shall become operative on July 1, 2014.

(f) The amendments made to this section by the act adding this subdivision shall become operative on July 1, 2017.

SEC. 2. Section 15893 of the Welfare and Institutions Code is amended to read:

15893. (a) There is hereby continued in existence in the State Treasury a special fund known as the Major Risk Medical Insurance Fund that is, notwithstanding Section 13340 of the Government Code, continuously appropriated to the department for the purposes specified in Section 15894, Section 10127.16 of the Insurance Code, and Section 1373.622 of the Health and Safety Code.

(b) Funds may be deposited in the Major Risk Medical Insurance Fund from one or more of the following accounts in the Cigarette and Tobacco Products Surtax Fund:

- (1) The Hospital Services Account.
- (2) The Physician Services Account.
- (3) The Unallocated Account.

(c) Effective July 1, 2017, the Major Risk Medical Insurance Fund in the State Treasury is abolished and all moneys in the fund shall be transferred to the Health Care



Services Plan Fines and Penalties Fund created pursuant to subdivision (d). Any remaining balance, assets, liabilities and encumbrances of the Major Risk Medical Insurance Fund as of July 1, 2017, shall be transferred to, and become part of, the Health Care Services Plan Fines and Penalties Fund.

(d) There is hereby created in the State Treasury a special fund known as the Health Care Services Plan Fines and Penalties Fund that is, notwithstanding Section 13340 of the Government Code, continuously appropriated to the department for the purposes specified in Section 15894, Section 10127.16 of the Insurance Code, and Section 1373.622 of the Health and Safety Code.

(e) Any law that refers to the Major Risk Medical Insurance Fund, including, but not limited to, a reference in this chapter to the Major Risk Medical Insurance Fund or the "fund," shall be construed to refer to the Health Care Services Plan Fines and Penalties Fund, effective July 1, 2017.

(f) Notwithstanding any other law, the Controller may use the funds in the Health Care Services Plan Fines and Penalties Fund for cash flow loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code.

SEC. 3. Section 15893.5 of the Welfare and Institutions Code is repealed.

~~15893.5. Notwithstanding Section 15893, funds placed in the Major Risk Medical Insurance Fund pursuant to Section 1341.45 of the Health and Safety Code shall not be continuously appropriated.~~

SEC. 4. Section 15894 of the Welfare and Institutions Code is amended to read:

15894. (a) Except as provided in Section 15894.5, the department shall authorize the expenditure of money in the fund to cover program expenses, including program



expenses that exceed subscriber contributions, and to cover expenses relating to Section 10127.16 of the Insurance Code, ~~or to Section 1373.622 of the Health and Safety Code.~~ Code, and health care services for eligible individuals in the Medi-Cal program. The department shall determine the amount of funds expended for each of these purposes, taking into consideration the requirements of this chapter, Section 10127.16 of the Insurance Code, and Section 1373.622 of the Health and Safety Code.

(b) Following consultation with a health care service plan or health insurer, if the department and the health care service plan or health insurer have not agreed to a final reconciliation of the amount to be expended from the fund or to be reimbursed to the fund, the department shall give written notice of its determination to the health care service plan or health insurer of the final reconciliation amount, as determined by the department. The health care service plan or health insurer shall remit payment to the department within 60 days of the date of notice from the department. If payment is not received, interest shall accrue in the amount of 7 percent per annum. The department may offset the amount to be reimbursed to the fund against any other payments owed to the health care service plan or health insurer by the department, or may negotiate a payment plan with the health care service plan or health insurer for full payment, and in that case may waive interest accrual as long as payment from the health care service plan or health insurer is made in accordance with the payment plan. This subdivision shall control over any conflict or ambiguity between this subdivision and the provisions of Section 1373.622 of the Health and Safety Code, Section 10127.16 of the Insurance Code, Part 6.5 (commencing with Section 12700) of Division 2 of the Insurance Code, or this chapter.



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SEC. 5. Section 15895.5 of the Welfare and Institutions Code is repealed.

~~15895.5. The department shall establish a reserve which is sufficient to prudently operate the program.~~

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LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: Medical coverage: funding: Major Risk Medical Insurance Fund.

Existing law establishes the Major Risk Medical Insurance Fund in the State Treasury and continuously appropriates moneys in the fund, except as specified, to the State Department of Health Care Services for purposes of the California Major Risk Medical Insurance Program. Existing law also establishes the Managed Care Administrative Fines and Penalties Fund, from which certain amounts are transferred into the Major Risk Medical Insurance Fund and, upon appropriation by the Legislature, used for the program, including to cover expenses of providing major risk medical coverage to eligible persons.

This bill would repeal the Major Risk Medical Insurance Fund, effective July 1, 2017, and replace it with the Health Care Services Plan Fines and Penalties Fund. The bill would require the moneys previously transferred to the Major Risk Medical Insurance Fund to instead be transferred to the Health Care Services Plan Fines and



Penalties Fund, effective January 1, 2017. The bill would require those moneys to be continuously appropriated to the department, to be used, in addition to the purposes described above, to cover expenses of providing health care services for eligible individuals in the Medi-Cal program.

This bill would authorize the Controller to use the funds in the Health Care Services Plan Fines and Penalties Fund for cashflow loans to the General Fund as authorized in specified provisions of the Government Code.

Vote: 2/3. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

