

## **§ 1349.2. Exemption of certain plans**

(a) A health care service plan, including a self-insured reimbursement plan that pays for or reimburses any part of the cost of health care services,

operated by any city, county, city and county, public entity, political subdivision, or public joint labor management trust that satisfies all of the following criteria is exempt from this chapter:

(1) Provides services or reimbursement only to employees, retirees, and the dependents of those employees and retirees, of any participating city, county, city and county, public entity, or political subdivision, but not to the general public.

(2) Provides funding for the program.

(3) Provides that providers are reimbursed solely on a fee-for-service basis, so that providers are not at risk in contracting arrangements.

(4) Complies with Section 1378 and, to the extent that a plan contracts directly with providers for health care services, complies with Section 1379.

(5) Does not reduce or change current benefits except in accordance with collective bargaining agreements, or as otherwise authorized by the governing body in the case of unrepresented employees, and provides, pays for, or reimburses at least part of the cost of all basic health care services as defined in subdivision (b) of Section 1345. Plans covering only a single specialized health care service, including dental, vision, or mental health services, shall not be required to cover all basic health care services.

(6) Refrains from any conduct that constitutes fraud or dishonest dealing or unfair competition, as defined by Section 17200 of the Business and Professions Code, and notifies enrollees of their right to file complaints with the director regarding any violation of this exemption.

(7) Maintains a fiscally sound operation and makes adequate provision against the risk of insolvency so that enrollees are not at risk, individually or collectively, as evidenced by audited financial statements submitted to the director as of the end of the plan's fiscal year, within 180 days after the close of that fiscal year. The financial statements shall be accompanied by a report, certificate, or opinion of an independent certified public accountant. The financial statements shall be prepared in accordance with generally accepted accounting principles. The audit shall be conducted in accordance with generally accepted auditing standards. However, audits of public entities or political subdivisions shall be conducted in accordance with governmental auditing standards. Upon request, the governing body of the plan shall provide copies thereof, without charge, to any enrollee or recognized and participating employee organization.

(8) Submits with the annual financial statements required under paragraph (7), a declaration, which shall conform to Section 2015.5 of the Code of Civil Procedure, executed by a plan official authorized by the governing body of the plan, that the plan complies with this subdivision.

(b) The director's responsibilities under this section shall be limited to enforcing compliance with this section. Nothing in this section shall impair or impede the director's enforcement authority or the remedies available under this chapter, including, but not limited to, the termination of the plan's exemption under this section.

(c) A public joint labor management trust is a trust maintained by one or more participating cities, counties, cities and counties, public entities, or political subdivisions that appoint management representatives, and one or more recognized and participating employee organizations representing the

employees of one or more of the cities, counties, cities and counties, public entities, or political subdivisions that appoint labor representatives, in which the management representatives and the labor representatives have equal voting power in the operation of the trust.

(d) A public joint labor management trust shall not be deemed to provide services or reimbursement to the general public if, in addition to providing services or reimbursement to the persons described in paragraph (1) of subdivision (a), it provides services or reimbursement only to employees, retirees, and dependents of those employees and retirees, of the recognized and participating employee organizations or of the trust.

(e) Nothing in this section shall be construed to prohibit a recognized and participating employee organization from filing a complaint with the director regarding a violation of this section.

**HISTORY:**

Added Stats 1989 ch 1152 § 1, operative until December 31, 1992. Amended Stats 1990 ch 216 § 51 (SB 2510), operative until December 30, 1992; Stats 1992 ch 458 § 1 (SB 1664), effective

August 7, 1992, operative until January 1, 1994; Stats 1993 ch 760 § 1 (SB 902), operative until January 1, 1996; Stats 1995 ch 756 § 1 (AB 1272), ch 757 § 1 (SB 957); Stats 1999 ch 525 § 50 (AB 78), operative July 1, 2000.

**§ 1349.3. [Section repealed 2002.]**

**HISTORY:**

Added Stats 1999 ch 529 § 2 (SB 260). Repealed January 1, 2002, by its own terms. The

repealed section related to ban on issuance of licenses with waivers and limited licenses relating to services to enrollees of another plan.