

§ 1374.21. Notice of change in premium rates or coverage

(a)(1) A change in premium rates or changes in coverage stated in a small group health care service plan contract shall not become effective unless the plan has delivered in writing a notice indicating the change or changes at least 60 days prior to the contract renewal effective date.

(2) A change on premium rates or changes in coverage stated in a large group health care service plan contract shall not become effective unless the plan has delivered a written notice indicating the change or changes at least 120 days before the contract renewal effective date. The notice for large group health plans shall include the following information:

(A) Whether the rate proposed to be in effect is greater than the average rate increase for individual market products negotiated by the California Health Benefit Exchange for the most recent calendar year for which the rates are final.

(B) Whether the rate proposed to be in effect is greater than the average rate increase negotiated by the Board of Administration of the Public Employees' Retirement System for the most recent calendar year for which the rates are final or greater than the average rate increase for coverage offered in the large group market, as filed pursuant to Section 1385.045.

(C) Whether the rate change includes any portion of the excise tax paid by the health plan.

(D) How to obtain the rate filing required under Article 6.2 (commencing with Section 1385.01).

(E) How to apply to the department to have the proposed rate reviewed by the department if a request is made within 30 days of the notice.

(b) A health care service plan that declines to offer coverage to or denies enrollment for a large group applying for coverage shall, at the time of the denial of coverage, provide the applicant with the specific reason or reasons for the decision in writing, in clear, easily understandable language.

(c)(1) For group health care service plan contracts, if the department determines that a rate is unreasonable or not justified consistent with Article 6.2 (commencing with Section 1385.01), the plan shall notify the contractholder of this determination. This notification may be included in the notice required in subdivision (a).

(2) The notification to the contractholder shall be developed by the department and shall include the following statements in 14-point type:

(A) The Department of Managed Health Care has determined that the rate for this product is unreasonable or not justified after reviewing information submitted to it by the plan.

(B) The contractholder has the option to obtain other coverage from this plan or another plan, or to keep this coverage.

(C) Small business purchasers may want to contact Covered California at www.coveredca.com for help in understanding available options.

(3) In developing the notification, the department shall take into consideration that this notice is required to be provided to a small group applicant pursuant to subdivision (g) of Section 1385.03.

(4) The development of the notification required under this subdivision shall not be subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(5) The plan may include in the notification to the contractholder the internet website address at which the plan's final justification for implementing an increase that has been determined to be unreasonable by the director may be found pursuant to Section 154.230 of Title 45 of the Code of Federal Regulations.

(6) The notice shall also be provided to the solicitor for the contractholder, if any, so that the solicitor may assist the purchaser in finding other coverage.

HISTORY:

Added Stats 1990 ch 949 § 1 (SB 2616). Amended Stats 2010 ch 661 § 2 (SB 1163), effective January 1, 2011; Stats 2014 ch 572 § 9 (SB 959), effective January 1, 2015; Stats 2015

ch 801 § 1 (SB 546), effective January 1, 2016; Stats 2016 ch 498 § 1 (SB 908), effective January 1, 2017; Stats 2019 ch 807 § 1 (AB 731), effective January 1, 2020.