
Edmund G. Brown Jr.
Governor

Brent A. Barnhart
Director
Department of Managed Health Care

DATE: July 2, 2012

LETTER No. 11-K

ADDITIONAL GUIDANCE RELATED TO PREMIUM RATE FILINGS

The purpose of this letter is to provide health care service plans (health plans) with additional guidance concerning SB 1163 (Leno -- Stats. 2010, ch. 661).

Background

Under Senate Bill 1163 (Leno -- Stats. 2010, ch. 661), health plans must file specified premium rate information with the Department of Managed Health Care (DMHC), provide certain actuarial certifications, and meet specified website and consumer notice requirements.

SB 1163 also authorizes the DMHC to review premium rates including unreasonable rate increases as defined by the Patient Protection and Affordable Care Act. Thus, the DMHC will look to federal rules and guidance to help in its review process.

Pursuant to SB 1163, the Director of the DMHC may issue guidance to health plans, effective until the DMHC formally adopt regulations. Accordingly, the DMHC developed the following guidance in consultation with the CDI.¹

The DMHC may provide additional guidance as necessary to ensure consistent and appropriate implementation of SB 1163, and the guidance may be revised to conform with federal rules or guidance, or as otherwise necessary.

¹The legislation required Guidance to be issued on or before July 1, 2012. Because July 1, 2012 fell on a Sunday, sections 7 and 11 of the Civil Code, section 6700 of the Government Code and sections 12 and 12a of the Code of Civil Procedure extend the issuance date to the next business day.

Individual Policies Sold Through Associations

For purposes of Article 6.2 of the Knox-Keene Act², a health care service plan contract that is marketed through an association by either a direct response or a mass marketing solicitation, other than health care service plan contracts marketed through a guaranteed association as defined in Health and Safety Code Section 1357(n), is an individual health care service plan contract. Rate increases for individual health care service plan contracts issued through an association must be filed with the Department in compliance with Health and Safety Code Section 1385.03.

If you have any questions concerning the guidance issued in this letter, please contact the Office of Legal Services at (916) 322-6727.

Brent A. Barnhart, Director

By _____

**Kevin Donohue
Deputy Director
Office of Legal Services
(916) 322-6727**

² Health and Safety Code sections 1385.01 *et seq.*