

# Benefits by Bolton

Volume 3, Issue 3

## Gov. Davis Signs HMO Reform Bill

Gov. Gray Davis signed a package of bills that will make significant changes in the relationship between patients and HMOs in California. This could also influence managed health care coverage for the rest of the country.

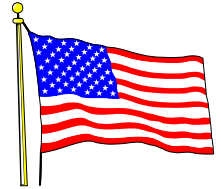
This set of bills will give patients in HMOs the right to sue their insurers for punitive damages and will provide for external review of decisions by HMOs denying coverage to patients. It will also require managed care providers to pay for second opinions on some treatments, require coverage for the testing and treatment of breast cancer, require coverage for contraceptives and expand coverage for serious mental illnesses. It will create a new state Department of Managed Care to regulate the industry, which covers about 23 million people in California.

The state of California has long been a leader in the development and regulation of managed care, as a result, many other states look to California for guidance on regulatory issues. While there is no guarantee that the changes will be adopted by other states, it is clear that the signing of this package of bills was being watched closely.

At one time, Davis was perceived by consumer advocates as resistant to giving patients the rights to seek punitive damages, but the signing of this package of bills presents a solid middle ground. "None too infrequently, Californians fighting for their lives are forced at the same time to fight HMOs," Davis said at the signing. "It's time to make the health of the patients the bottom line with California HMOs." He added, "I want to make sure managed care is more about quality care than it is about managed cost, and that's what these reforms will do."

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## Legislative Update



The California state legislature has enacted new laws that may affect you.

- ◆ **AB 12:** or Direct Access for Ob-Gyn Care, requires basic obstetrical and gynecological care be obtained without referral from the primary care physician or health plan.
- ◆ **AB 1181:** or Specialist Referrals, requires extended referrals for specialty care be made, if it is determined in advance that continuing specialty care is needed.
- ◆ **The Women's Health and Cancer Rights Act of 1998:** Requires that health plans provide coverage for mastectomy, post mastectomy reconstructive surgery, prosthetics devices, as well as, care for complications.
- ◆ **Highlights of HMO Reform Bill:**
  - Creates an external review system to resolve patient-HMO disputes (Jan. 1, 2001)
  - Grants patients the right to sue, in most cases after going through an external review, if they have been substantially harmed as a result of a health insurer's decision to delay or deny treatment (Jan. 1, 2001)
  - Forces health plans to cover contraceptives, cancer screening and diabetes (Jan. 1, 2000), and severe mental illness (July 1, 2000)
  - Establishes a new state agency to regulate health care plans (July 1, 2000)
  - Creates a board to ensure health plans remain financially solvent (Jan. 1, 2000)
  - Requires health plans to cover a second opinion (Jan. 1, 2000)
  - Imposes time frames in which health plans must review a doctor's treatment request (Jan. 1, 2000)

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# COBRA Corner: Do You “Hand” COBRA Notices to New Hires and Departing Employees?

We STRONGLY advise against this practice. All COBRA notices should be MAILED to the home address of the employee. If dependents reside at a different address, a separate mailing is required. This applies to the “new hire” COBRA notice as well as any notices sent after a qualifying event. COBRA law DOES NOT consider a notice handed to an employee to be “proper notice”. It is certainly not proper notice to dependents. Don’t run the risk of “improper notice”. Mail ALL COBRA notices even if there is no dependent coverage. On that note, the law states proper notice to be “first-class mail”. Nothing more, nothing less. DON’T send COBRA notices via certified mail. If the employee never picks it up, there has been no “proper notice”. You can do a few things to establish the fact that the notice was sent if you wish to have extra protection:

1. Send the notice with a CERTIFICATE OF MAILING. (See sample below).
2. Make a copy of the addressed envelope(s) showing mailing address and postage meter stamp.
3. Maintain a running “log” of COBRA notice mailings as part of your “standard mailing procedure” in your written COBRA policy.

It is also important to NOT forget one type of notice that is often overlooked. If an employee signs up for employee only coverage at the time of hire and later adds dependents, the initial COBRA notice must be sent to the new dependents. DON’T FORGET TO DO THIS!!

Sample Certificate of Mailing:

<p>U.S. POSTAL SERVICE <b>CERTIFICATE OF MAILING</b> MAY BE USED FOR DOMESTIC AND INTERNATIONAL MAIL, DOES NOT PROVIDE FOR INSURANCE - POSTMASTER</p> <p>Received From:</p> <p>_____</p> <p>_____</p> <p>One piece of ordinary mail addressed to:</p> <p>_____</p> <p>_____</p> <p>_____</p>
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Affix fee here in stamps or meter postage and post mark. Inquire of Postmaster for current Fee

PS Form 3817, Mar. 1989 U.S.G.P.P.: 1992-329-823/69237

## Benefits by Bolton

# Health Insurance Rates Jump 4.8% Nationally

The price of health insurance premiums has jumped 4.8% nationally, which is twice the rate of general inflation. This increase comes after years of minor or no hikes, as managed-care companies competed for members, especially in California, and kept premiums prices down. Many health maintenance organizations reported that last year they experienced declines in profits, and even losses in some cases, due to low premiums.

Rate increases for 2000 are substantially similar to those for 1999: between 5 to 25%. Premium costs are rising more quickly in indemnity, or traditional insurance plans and preferred provider plans. These plans typically allow patients the greatest choice of doctors and hospitals and put the fewest limits on their access to services.

In HMOs, which generally put tighter limits on access to health services, cost are rising at a slower rate.

The cost of prescription drugs is playing a significant role in the increased cost of health care. This will be the fastest-growing source of medical inflation for the year 2000.

Two other main drivers of the price increase are Demographics and New Technology. The population is aging, staying healthier and living longer, thus increasing medical costs. This is due to new technology, from surgical techniques to new drugs, to more information on diet.

However, experts predict that prices will continue to rise next year and that the number of consumers in traditional indemnity plans would continue to drop.

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