

# Agenda Report

June 24, 2002

**TO:** City Council

**THROUGH:** Legislative Policy Committee

**FROM:** Cynthia J. Kurtz, City Manager

**SUBJECT:** Neutral Position on Assembly Bill 2052 (Goldberg) – Health Care Service Plans: Rate Changes

## **RECOMMENDATION**

The purpose of this report is to inform the City Council about Assembly Bill 2052 (Goldberg) – Health Care Service Plans: Rate Changes.

## **BILL SUMMARY**

This bill would prohibit, except as specified, a group health care service plan from changing its premium rates or applicable co-payments or deductibles after the group contract holder has delivered written acceptance of the contract, after the start of an open enrollment period, or after receipt of the premium payment for the first month of coverage. This bill would provide for exemptions from the prohibition where the change is authorized or required in the group contract, is agreed to under a preliminary agreement, or is mutually agreed to in writing.

## **BACKGROUND**

Current law allows group health care service plans to amend their premium rates or coverage as long as a notice is issued at least 30 days prior to the renewal effective date.

The intention of this measure is to protect consumers and employers against unexpected rate increases in their group health insurance premiums, co-payments or deductibles after they have selected a health plan during open enrollment.

This bill is the result of incidents in Los Angeles, Burbank and Newport Beach wherein after employees had selected their health plans for the following year and open enrollment had closed, one of the plans announced it was increasing rates effective with the start of the policy year two months later. To the extent a situation such as this could arise in Pasadena, this bill would protect the City and its employees against any adverse cost impact. However, it should be noted that while the intent of this bill is to avoid cost

increases, it may have the opposite effect, as a result of health care providers increasing rates during those times the legislation provides for to compensate for the inflexibility of raising rates later.


**FISCAL IMPACT**

While the bill is intended to protect against unanticipated cost increases being implemented sooner. It is not possible to estimate what the increased cost of health care will be to the City either with or without passage of this legislation.

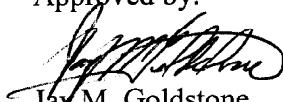
Respectfully submitted,

  
Cynthia J. Kurtz  
City Manager

Prepared by:

  
Vince Flowers  
Management Analyst

Approved by:

  
Jay M. Goldstone  
Director of Finance