

**From:** [DMHC Licensing eFiling](#)  
**Subject:** APL 18-017 (OFR) - SB 546 Implementation  
**Date:** Friday, October 5, 2018 10:26:32 AM  
**Attachments:** [APL 18-017 \(OFR\) - SB 546 Implementation.pdf](#)

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Dear Health Plan Representative,

Please find the attached All Plan Letter regarding Large Group renewal notice requirements for SB 546 implementation.

Thank you.



Edmund G. Brown Jr., Governor  
State of California  
Health and Human Services Agency  
**DEPARTMENT OF MANAGED HEALTH CARE**  
980 9<sup>th</sup> Street, Suite 500, Sacramento, CA 95814  
Telephone: (916) 324-8176 | Fax: (916) 255-5241  
[www.HealthHelp.ca.gov](http://www.HealthHelp.ca.gov)

## ALL PLAN LETTER

**DATE:** October 5, 2018

**TO:** Full Service Health Plans

**FROM:** Pritika Dutt  
Deputy Director, Office of Financial Review

**SUBJECT:** APL 18-017 (OFR) SB 546 IMPLEMENTATION – LARGE GROUP  
RENEWAL NOTICE REQUIREMENTS

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Please note: This All Plan Letter (APL) applies only to large group commercial products. The APL does not apply to specialized plans or to Medi-Cal, Medicare, individual, or small group products.

California Health and Safety Code section 1374.21, subdivision (a), as amended by SB 546 (Leno, 2015), requires all commercial full-service health care service plans (“plans”) to comply with disclosure requirements relating to large group renewal notices. Specifically, no change in premium rates or changes in coverage stated in a group health care service plan contract shall 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. For the purpose of this section, large group plans include In Home Support Services (IHSS) products. This letter provides plans with confirmation of the timing and content requirements of the notices.

### Timing

Plans shall comply with the renewal notice requirements and the inclusion of the 2019 average rate increases for CalPERS and Covered California no later than March 2019 renewals.

### Content

Renewal notices delivered by plans shall include a statement comparing the proposed rate change stated in a group health plan service contract to the average rate increases negotiated by CalPERS and by Covered California. The statement must include information on whether the rate change is greater than, less than or equal to the CalPERS and Covered California average rate increases. The Department of Managed Health Care (Department) confirmed and posted the following average rate increases

for use in the notices on its website:

CalPERS = 1.11% for calendar year 2019

Covered California = 8.70% for individual market products in calendar year 2019

Use these percentages until the Department provides updated rates, likely in late 2019. The Department encourages plans to include the actual percentages for CalPERS and Covered California in the notice. Alternatively, plans can include information or a link to the Department's website below for more information on the specific average rate increases above used in the comparison.

<http://www.dmhc.ca.gov/HealthCareinCalifornia/PremiumRateReview/HealthCareCosts.aspx>

Section 1374.21 also requires the notice to include information regarding the excise tax; however, the Department has confirmed it is not applicable in 2016 through 2019 and accordingly need not be included in the notice.

If the final rates are different from those proposed in the initial notice due to negotiations on rates or changes in benefits, plans are not required to send additional notices.

If you have any questions about compliance with the notice requirements of SB 546, please contact Wayne Thomas at (213) 576-7572.