MEMORANDUM

TO: Janice Rocco, Deputy Commissioner
FROM: Bruce Hinze, Senior Health Policy Attorney
DATE: December 21, 2016
RE: Effective date of reimbursement provisions of Insurance Code section 10112.82(a) [AB 72, Bonta, 2016]

Assembly Bill 72 (Bonta, 2016) includes a requirement that, for services received from a noncontracting individual health professional in a contracting facility (see Insurance Code section 10112.8), the reimbursement for the provider is limited to either the insurer’s average contracted rate or 125 percent of Medicare, unless there is an agreement regarding a different reimbursement amount:

For services rendered subject to 10112.8, effective July 1, 2017, unless otherwise agreed to by the noncontracting individual health professional and the insurer, the insurer shall reimburse the greater of the average contracted rate or 125 percent of the amount Medicare reimburses on a fee-for-service basis for the same or similar services in the general geographic region in which the services were rendered. [Insurance Code section 10112.82(a)]

By the explicit terms of section 10112.81(a), the requirement limiting the reimbursement to the average contracted rate or 125% of Medicare does not become effective until July 1, 2017. Thus, these reimbursement requirements only apply to covered services provided on or after July 1, 2017.

If an insurer or noncontracting individual health professional disputes the claim reimbursement amount provided under Insurance Code section 10112.82(a), they have recourse to the independent dispute resolution process provided in section 10112.81 [see Insurance Code section 10112.82(a)(8)].
The above analysis is consistent with the legislative history of AB 72. The final Assembly Health Committee staff analysis, dated August 30, 2016, clearly articulates the legislative intent that the statutory reimbursement amounts become effective July 1, 2017:

**Reimbursement Rate**

13) Requires, effective July 1, 2017, the health plan and health insurer to reimburse the greater of the average contracted rate or 125% of the amount Medicare reimburses on a fee-for-service (FFS) basis for the same or similar services in the general geographic region in which the services specified in this bill are provided, unless otherwise agreed to by the health plan or health insurer and noncontracting individual health professional.¹

¹ [http://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201520160AB72](http://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201520160AB72)