

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
LEGISLATIVE RESEARCH COMMITTEE

SUMMARY REPORT  
TO THE  
ONE HUNDRED AND SIXTH LEGISLATURE

VOLUME ONE

JANUARY, 1973



STATE OF MAINE

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C O N T E N T S

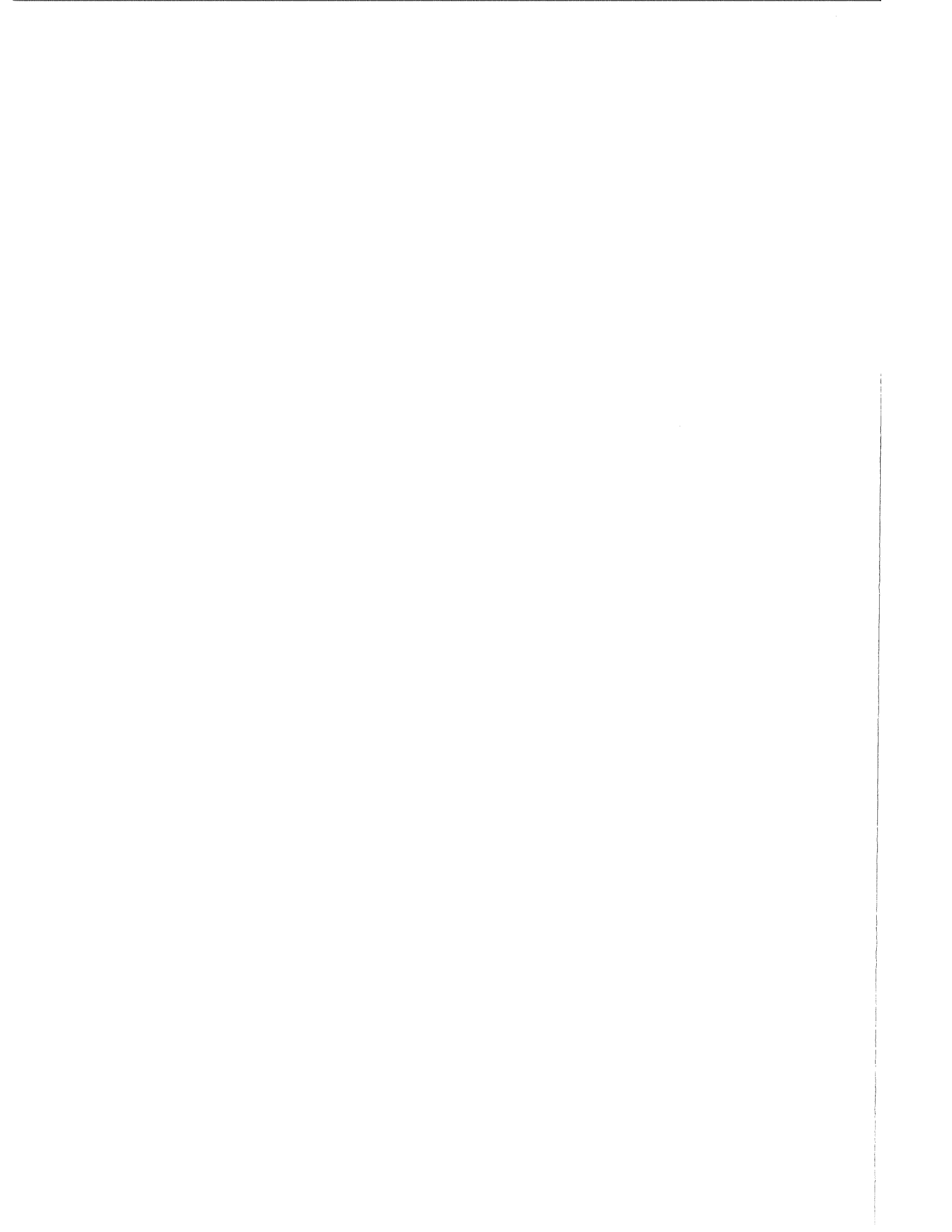
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STATE OF MAINE  
LEGISLATIVE RESEARCH COMMITTEE  
STATE HOUSE  
AUGUSTA, MAINE 04330

January 3, 1973

To the Members of the 106th Legislature:

The Legislative Research Committee hereby has the pleasure of submitting to you its report on activities for the past two years. This summary, designated as Volume I, deals with both assigned and unassigned studies and contains the findings and recommendations pursuant thereto.

The Committee was unfortunate in the loss of its original vice-chairman, the late Representative John E. Gill of South Portland. In his death on July 23, 1972, the State of Maine lost an able public servant. We of the Committee gratefully acknowledge our indebtedness to his ability and his contribution to the work of the Committee.

The Committee also wishes to acknowledge with appreciation the countless public and private individuals, organizations and agencies without whose assistance and cooperation the Committee would not have reached its conclusions.

The members of the Committee appreciate having been chosen to participate in this work and sincerely hope the results of many hours of work and devoted study transmitted here will prove beneficial to the members of the Legislature and ultimately to the citizens of the State of Maine.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "J. Sewall".

JOSEPH SEWALL, Chairman  
Legislative Research Committee



STATE OF MAINE  
LEGISLATIVE RESEARCH COMMITTEE

REPORT ON  
STATE EMPLOYEE INSURANCE  
to the  
ONE HUNDRED AND SIXTH LEGISLATURE

JANUARY, 1973  
Legislative Research Committee  
Publication 106-15

1. The first part of the document discusses the importance of maintaining accurate records of all transactions.

2. It is essential to ensure that all entries are supported by appropriate documentation and receipts.

3. Regular audits should be conducted to verify the accuracy of the records and identify any discrepancies.

4. The final section provides a summary of the key findings and recommendations for improving record-keeping practices.

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SUBCOMMITTEE ON STATE EMPLOYEE INSURANCE

CHAIRMAN - Kenneth P. MacLeod

Roland A. Gauthier

Edwin H. Greeley

## STATE EMPLOYEE INSURANCE

On June 22, 1972, the Legislative Research Committee upon its own motion, directed a subcommittee to look into the feasibility of combining group life and health insurance programs for state employees into a single program for the purpose of competitive bidding and savings by administration through a single state agency. The Committee's action was the result of testimony given before the Committee by the Commissioner of Finance and Administration urging legislation in this area, coupled with the probability of warding off an 8% increase in the State's group fee for Blue Cross-Blue Shield.

The matter of the proposed increase in fees was publicly heard on September 14, 1972 through a meeting of the subcommittee, actuaries and officials of the Associated Hospital Service of Maine. From this hearing the Committee felt it was not within their jurisdiction to hear matters of rate increases in insurance cases but that this matter should be checked into further.

Following the public hearing the Committee met executively with Mr. Williams and Mr. Hogerty, State Insurance Commissioner, on October 17, 1972. As a result of this meeting the Committee received testimony concerning the authority of the Commissioner to review and set rates, particularly on health insurance and the Associated Hospital Service of Maine (sponsor of Blue Cross-Blue Shield).

The Committee learned of the broad nature of the statutes which gives the State Insurance Commissioner the following authority concerning the reviewing and setting of rates, particularly on Health Insurance and Associated Hospital Service of Maine:

1. Review all contracts between Associated Hospital Service and providers of health care.
2. Review the contracts between Associated Hospital Service and subscribers.
3. Review the rates charged to see that they are reasonable for the benefits provided.
4. Blue Cross must file the formula used in experience rating individual group cases. As long as the formula is adhered to the Insurance Department is not concerned.

In essence, the State Insurance Department doesn't set rates at all for Blue Cross and Blue Shield, commercial carriers or other companies. They set their own rates. However, the department has the right of approval in some cases. Under a provision of the insurance law, rates must be reasonable. That in itself is the extent of the department's authority insofar as rate control. Responding to the Committee's question as to whether or not he felt there was adequate authority under the statutes in this field the Commissioner felt that there was right now. However, he pointed out that there is a great consumer demand, and felt the Commissioners are expected to approve every rate before it becomes effective, which is normally not the case in most states. If the State



has a stricter law, they would not be able to compete for a lower rate without the sanction by the Commissioner on every new rate change and the marketing situation would no longer be fluid.

The Committee also learned that commercial companies filed rates and forms in such a manner that competition forced companies to adjust downward and solvency laws required the possibility of upward adjustment. Further that actuarial assistance and increase of expert personnel will be necessary if demands required more control of rates, forms and advertising. To do the things suggested here would require a much larger budget for the Insurance Department.

In view of the additional costs involved and Commissioner's approval of existing law concerning rates the Subcommittee makes no recommendations in this regard at this time.

As to the feasibility of revising the group insurance statutes in order to allow group health and life insurance policies to be combined so that insurance companies can bid on a package, the Subcommittee finds merit in the proposal. Testimony showed that insurance companies are reluctant to bid on group packages unless they can have both health and life plans as a package. By combining the two plans it would attract insurance companies to lower premiums. It would be to the best interest of the employee, if State health and life insurance policies were under one company. The Subcommittee therefore, submits the following legislation, which will enable the Maine Retirement System to put both health and life policies out to bid simultaneously, thus allowing a choice:

AN ACT Combining Group Life and Health Insurance  
for State Employees into a Single Program.

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, under the present law group life and health insurance programs for state employees are separate programs; and

Whereas, to combine both to be administered by one state agency will result in savings in administration and will provide for competitive bidding with further savings; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine, and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,  
Be it enacted by the People of the State of Maine, as follows:

Sec. 1. R. S., T. 5, §287, additional. Title 5 of the Revised Statutes is amended by adding a new section 287 to read as follows:

§287. Purchase of policies

The board of trustees is authorized to purchase from one or more life insurance companies a policy or policies of group life and accidental death and dismemberment insurance to provide the benefits specified in sections 1151, 1152

and 1153. Such company or companies must be licensed under the laws of the State of Maine. The initial premium rate shall be the minimum rate permitted an insurance company authorized to do business in all states. The policy provisions shall be subject to and as provided for by the insurance laws of this State, except as modified by sections 1151, 1152 and 1153. The actual administration of the program shall be vested in the Board of Trustees of the Maine State Retirement System.

Notwithstanding any other provisions of the law, the board of trustees may contract with one or more underwriters for all coverage as a package or for individual portions as deemed in the best interests of the State and the covered employees.

Sec. 2. R. S., T. 5, §1151, sub-§8, repealed. Subsection 8 of section 1151 of Title 5 of the Revised Statutes is repealed.

Sec. 3. R. S., T. 5, §1152, sub-§3, repealed and replaced. Subsection 3 of section 1152 of Title 5 of the Revised Statutes, as repealed and replaced by section 7 of chapter 589 of the public laws of 1971, is repealed and the following enacted in place thereof:

3. May employ counsel or assistance. The board of trustees may employ such professional counsel or other expert assistance as is deemed necessary to assist the board of trustees provided in chapter 13, subchapter 2 in their preparation and consideration of proposals for group insurance coverage.

Sec. 4. Intent. It is the intent of the Legislature that any existing plans or contractual agreements presently in force shall continue until amended or changed according to law.

Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.

Statement of Fact

The purpose of the bill is to combine group health and life insurance for state employees for the purpose of competitive bidding and savings by administration through a single state agency.