

MAINE STATE LEGISLATURE

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ONE - HUNDREDDTH LEGISLATURE

Legislative Document

No. 1240

H. P. 906

House of Representatives, February 2, 1961

Referred to Committee on State Government. Sent up for concurrence and 1000 copies ordered printed.

HARVEY R. PEASE, Clerk

Presented by Mr. Thaanum of Winthrop.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SIXTY-ONE

AN ACT Providing Group Hospital, Medical and Surgical Insurance Plan for State Employees, Public School Teachers and Local Governmental Employees.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. R. S., c. 63-A, § 15, sub-§ I, amended. Subsection I of section 15 of chapter 63-A of the Revised Statutes, as enacted by section 1 of chapter 417 of the public laws of 1955 and as amended by section 6 of chapter 367 of the public laws of 1957, is further amended to read as follows:

I. Funds. All of the assets of the retirement system shall be credited, according to the purpose for which they are held, among ~~4~~ **6** funds, namely, the Members' Contribution Fund, the Retirement Allowance Fund, the Expense Fund, **the Group Life Insurance Fund, the Group Hospital Insurance Fund** and the Survivors' Benefit Fund.'

Sec. 2. R. S., c. 63-A, § 15, sub-§ V, amended. The 2nd sentence of subsection V of section 15 of chapter 63-A of the Revised Statutes, as enacted by section 1 of chapter 417 of the public laws of 1955, is amended to read as follows:

'These estimates shall show the total requirements for the Retirement Allowance Fund, **The Group Life Insurance Fund, the Group Hospital Insurance Fund, the Survivors' Benefit Fund** and ~~for~~ the Expense Fund for the ensuing biennium.'

Sec. 3. R. S., c. 63-A, § 15, sub-§ VII, additional. Section 15 of chapter 63-A of the Revised Statutes, as enacted by section 1 of chapter 417 of the public laws of 1955 and as amended, is further amended by adding a new subsection to be numbered VII, to read as follows:

'VII. Group Hospital Insurance Fund.

A. The State Controller shall open on the books of the State a Group Hospital Insurance Fund. Said fund shall accumulate all moneys collected for the payment of premiums for the group hospital-medical-surgical coverages as set forth in section 24-A.

B. On account of each officer or employee for whom hospital-medical-surgical insurance coverage is provided by the State as his employer, there shall be paid annually into the the State Group Hospital Insurance Fund for the ensuing fiscal year an amount most nearly equal to 2¼% of the estimated gross annual earnable compensation of each state officer and employee for the use of the board in paying premiums for said coverage.

C. The income from any dividend, premium rate adjustment or other earned income of the Group Hospital Insurance Fund shall constitute a part of said fund.'

Sec. 4. R. S., c. 63-A, § 24-A, additional. Chapter 63-A of the Revised Statutes, as enacted by section 1 of chapter 417 of the public laws of 1955, is amended by adding a new section to be numbered 24-A, to read as follows:

'Sec. 24-A. Group hospital-medical-surgical insurance for state employees. Group hospital-medical-surgical insurance shall be made available to state employees subject to the following provisions:

I. Eligibility; benefits. Each appointive classified officer or employee of the State of Maine, or those officers and employees of the unclassified service of the State of Maine not specifically excluded by the board of trustees, shall, at such times and under such conditions of eligibility as the board of trustees may by regulation prescribe, be eligible for benefits of a group hospital-medical-surgical insurance or service plan covering persons in the service of the State and their dependents. Such plan may include but is not limited to hospital expense benefits to provide payments for board and room in duly licensed hospitals, payment for ancillary hospital services normally incident to such medical and surgical care, payments for surgical operations and associated anesthetic procedures, payments to doctors for in-hospital medical expenses, payments for out-of-hospital X-ray and laboratory expenses, and payments for comprehensive major medical expense insurance which shall include a deductible and co-insurance provision. All group hospital-medical-surgical benefits shall be subject to such exclusions as the board of trustees finds necessary and desirable to avoid duplication of those benefits or services payable under Workman's Compensation or any other group plan.

II. Automatic insurance. Each officer or employee eligible for group hospital-medical-surgical coverage shall be automatically insured for all coverage provided under said policy or policies or contract or contracts commencing on the date he first becomes eligible in accordance with the rules and regulations of the board of trustees, or on the effective date of such policy or contract whichever last occurs. Anything to the contrary notwithstanding, hospital-medical-surgical coverage for dependents shall become effective when and if

75% of the total number of eligible persons having dependents, or 2,500 persons having dependents, whichever is less, shall signify their willingness to pay for the entire cost of dependent coverage through payroll deduction. Each officer or employee shall furnish the board, on such forms as it shall prescribe, such information as is necessary to enroll his dependents under a policy of hospital-medical-surgical insurance. Each insured officer or employee, desiring not to insure his dependents, shall give written notice that his dependents are not to be insured for any of the coverages provided.

III. Continuance after retirement. Each policy or contract of group hospital-medical-surgical insurance shall contain a provision that, at the option of the insured, equivalent benefits to those currently available for employed participants, except that the maximum coverage allowable under the major medical provisions shall be as prescribed by the board of trustees, shall be continued after retirement from service, provided the insured shall pay the entire premium applicable to himself and to his dependents, which premiums shall not exceed the current costs for non-retired members not actively on the payroll.

IV. Policy. The board of trustees is authorized to purchase from one or more insurance companies a policy or policies of group insurance covering hospital-surgical-medical benefits, or to enter into a contract with one or more non-profit hospital and medical service corporations, or combinations thereof, to provide the benefits specified by this section, provided that such company or companies shall be licensed under the laws of the State of Maine. The policy or contract provisions shall be subject to, and as provided for by, the insurance or other laws of this State except as modified by this section. The board of trustees shall execute all agreements or contracts pertaining to said policies and any amendments thereto, for, and in behalf of, and in the name of the State of Maine and shall also have the right to employ such professional consultants as it deems necessary to effectuate and administer said agreements or contracts.

V. Term of policy; premiums. The board of trustees shall negotiate a contract or contracts for such term as it, in its discretion, may deem to be most advantageous to the State and to the participating officers and employees of the State. The cost of premiums per month shall not exceed the estimated monthly cost for which funds have been appropriated, contributed or collected.

VI. Payment of premiums.

A. For each period that a policy of group hospital-medical-surgical insurance is in effect, the State of Maine as employer shall pay the entire premium for each classified or unclassified officer or employee of the State determined by the board of trustees to be eligible for such coverage provided that under such conditions as the board of trustees may prescribe, if an officer or employee is not entitled to receive any salary, wages or other compensation during a premium-paying period, he may continue his insurance in effect by paying directly to the board of trustees of the State Retirement System a sum equal to that which would be paid by the State for said period, except

that whenever possible the payment shall be made by a deduction from the payroll.

B. With respect to any period of group hospital-medical-surgical insurance which is in effect for the dependents of an insured officer or employee, there shall be withheld from each payment of salary or wages of such insured, the entire cost of premiums of such insurance for said dependents; provided, under such conditions as the board of trustees may prescribe, if an insured is not entitled to receive salary, wages, or other compensation during a premium-paying period, he may continue the insurance in effect for his dependents by paying directly to the board of trustees of the State Retirement System a sum equal to that which would be paid by him through payroll deductions for said period, except that whenever possible the payment shall be made by a deduction from the payroll.

C. For each period in which an eligible officer or employee of the State is insured under a policy of group hospital-medical-surgical insurance, there shall be paid from the Group Hospital Insurance Fund a sum which, together with premium deductions and any direct payments made by the insured for himself and his dependents, shall be sufficient to pay the premiums of such policy or policies and contract or contracts purchased in conformity with this section.

VII. Master policy. The successful bidder or bidders shall furnish the usual master policy or policies and contract or contracts and certificates, and shall arrange to have each person insured under such policy or contract receive a certificate setting forth the benefits to which he is entitled thereunder, to whom such benefits are payable, to whom claims shall be submitted, and summarizing the provisions of the policy or contract principally affecting the insured.'

Sec. 5. R. S., c. 63-A, § 25, repealed and replaced. Section 25 of chapter 63-A of the Revised Statutes, as enacted by chapter 451 of the public laws of 1955, is repealed and the following enacted in place thereof:

'Sec. 25. Administration.

I. Administration. The board of trustees shall administer all group insurance programs and, except as otherwise provided in this section, is authorized to promulgate and publish such regulations as may be necessary and proper to give effect to the intent, purposes and provisions of this chapter. The board shall prepare or cause to be prepared the necessary specifications for competitive bidding on the group insurance program provided for in this chapter, shall review the bidding and shall select one or more insurance companies or non-profit hospital-medical service corporations as the carrier or carriers. The board shall review the contracts or agreements and shall determine annually the desirability or necessity of reopening the bidding process. The board shall annually review the adequacy of coverage, the financial soundness and related aspects of the group insurance provisions and shall incorporate its findings in the official minutes of the board of trustees.

With regard to the group hospital-medical-surgical insurance program provided for in this chapter, the board of trustees shall ask interested insurance

companies and non-profit hospital and medical service corporations or combinations thereof to submit to the board its proposed contracts or policies to provide the hospital-medical-surgical insurance provided for in this chapter. The proposal shall conform with section 24-A and the board of trustees shall review the proposal as presented and may select any one of the proposals which in their discretion they determine to be for the best advantage of the State and to teachers and employees of participating districts, considering the monetary amount of coverage, the extent of the coverage and any other relevant feature which may be a benefit to the participating officers and employees of the State, teachers and employees of participating districts. The board shall determine annually the desirability or necessity of calling for new proposals with regard to this program. The board shall annually review the adequacy of coverage, the financial soundness and related aspects of the group hospital-medical-surgical insurance provisions and shall incorporate its findings in the official minutes of the board of trustees.

II. **Advisory Committee on Group Insurance.** There is established an Advisory Council on Group Insurance, consisting of 6 members, being the Insurance Commissioner, the deputy insurance commissioner and the Commissioner of Finance and Administration *ex officio*, and the Maine Teachers Association, the Maine Municipal Association and the Maine State Employees Association shall each elect, for a 2-year term, one representative to serve on such advisory council. All members of the advisory council shall serve without compensation, but any expenses incurred in performance of their duties shall be reimbursed. The council shall meet once a year, or oftener, and shall review the operations of sections 24 to 26.

III. **Duties.** Duties of the advisory council shall be as follows:

- A. To assist and advise the board of trustees in the preparation of necessary specifications for obtaining the coverage on any or all portions of the group insurance provisions of this chapter;
- B. To assist and advise the board of trustees on the selection of one or more insurance companies or non-profit hospital-medical-surgical service corporations, or combination thereof, as the carrier or carriers;
- C. To review periodically the adequacy of coverage, the financial soundness and related aspects of the group insurance provisions, and to make recommendations to the board of trustees on matters of policy and procedure pertaining thereto.

The board of trustees shall select one or more carriers as the result of competitive bidding or negotiation. The board and advisory council may employ one or more independent consultants to review the plans or programs offered for the purpose of selecting such carrier or carriers.

IV. **Uninterrupted coverage.** Each policy or contract, whether original or renewal, shall provide in the case of persons and their dependents then covered by group life or group hospital-medical-surgical insurance protection by continuing uninterrupted coverages without regard to waiting period.

V. Effective date. The insurance provided by sections 24 to 26 and the withholding and contributions for that purpose shall become effective when directed by the board, except that in no case shall the group hospital-medical-surgical insurance be effective before January 1, 1962.³

Sec. 6. Appropriation. There is appropriated from the Unappropriated Surplus of the General Fund the sum of \$186,335 for the fiscal year ending June 30, 1962 and the sum of \$372,669 for the fiscal year ending June 30, 1963, and there is appropriated from the General Highway Fund the sum of \$133,519 for the fiscal year ending June 30, 1962 and \$267,038 for the fiscal year ending June 30, 1963 to create the Group Hospital-Medical-Surgical Insurance Fund and to carry out the purpose of those sections of this act relating to the group hospital-medical-surgical program for state officers and employees. Any balance in this fund shall not lapse, but shall remain a continuing carrying account.

Sec. 7. Appropriation. There shall be paid for each year of the biennium ending June 30, 1963 from all other funds as may be found practicable by the State Budget Officer to charge with their proportionate share of the costs, in an amount most nearly equal to $1\frac{1}{8}\%$ for the 1961-62 fiscal year and an amount most nearly equal to $2\frac{1}{4}\%$ for the 1962-63 fiscal year of the annual gross personal service costs. Any balance in this fund shall not lapse, but shall remain a continuing carrying account.

Sec. 8. Appropriation. There shall be paid \$50,000 for each year of the biennium from the General Fund for administrative costs for the biennium ending June 30, 1963. Any balance in this fund shall not lapse but shall remain a continuing carrying account.