

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

Legislative Document

No. 285

H.P. 205

House of Representatives, February 21, 1989

Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 24.

Reference to the Committee on Banking and Insurance suggested and ordered printed.

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

Presented by Representative WEBSTER of Cape Elizabeth.

Cosponsored by Representative GARLAND of Bangor, Representative STEVENS of Bangor and Senator GILL of Cumberland.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-NINE

An Act to Improve Regulatory Oversight of Health Maintenance Organizations.



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

3 **Sec. 1. 24-A MRSA §4204, sub-§2-A, ¶D, as amended by PL 1985,**
5 **c. 704, §6, is repealed and the following enacted in its place:**

7 D. The health maintenance organization is financially
9 responsible and, among other factors, shall reasonably be
 expected to meet its obligations to enrollees and
 prospective enrollees.

11 (1) The health maintenance organization has a minimum
13 surplus as follows:

15 (a) As of December 31, 1990, \$150,000;

17 (b) As of December 31, 1991, \$200,000; and

19 (c) As of December 31, 1992, \$250,000.

21 (2) Each health maintenance organization shall
23 establish and maintain an unimpaired appropriation of
25 surplus, represented by liquid assets consisting of
27 cash, prime commercial paper, marketable securities
29 with maturities not exceeding 2 years' duration and
31 fully insured certificates of deposits issued by banks
33 and savings and loan associations located within the
35 United States. The value of this appropriation of
37 surplus shall be equal to the organization's claims
 incurred, but not reported, as determined monthly by
 methods of claims valuation found acceptable by the
 superintendent. Any nonprofit health maintenance
 organization employing fund accounts shall hold a
 reserved portion of its General Fund balance in a like
 manner. These funds shall be in addition to and shall
 not be included as a part of other working capital
 funds required by regulation of the Bureau of Insurance.

39 (3) In making the determination whether the health
41 maintenance organization is financially responsible,
43 the superintendent may also consider:

45 (a) The financial soundness of the health
47 maintenance organization's arrangements for health
49 care services and the schedule of charges used;

51 (b) The adequacy of working capital;

(c) Any agreement with an insurer, a nonprofit
 hospital or medical service corporation, a
 government or any other organization for insuring
 or providing the payment of the cost of health

1 care services or the provision for automatic
3 applicability of an alternative coverage in the
event of discontinuance of the plan;

5 (d) Any agreement with providers for the
7 provision of health care services; and

9 (e) Any arrangements for insurance coverage or an
11 adequate plan for self-insurance to respond to
claims for injuries arising out of the furnishing
of health care services.

13 **Sec. 2. 24-A MRSA §4229** is enacted to read:

15 **§4229. Trade practices and frauds**

17 Chapter 23 and any rules adopted pursuant to it, to the
19 extent not inconsistent with this chapter and the reasonable
implications of this chapter, shall apply to health maintenance
21 organizations.

23 **STATEMENT OF FACT**

25
27 Section 1 phases in minimum surplus requirements for health
29 maintenance organizations. Given the financial problems
31 experienced by health maintenance organizations in other states
this provision should help to assure the continuing financial
viability of health maintenance organizations operating in this
State.

33 Section 2 makes health maintenance organizations (HMOs)
35 subject to the unfair trade practices chapter of the Maine
Insurance Code. Currently HMOs are exempt from provisions of the
37 Maine Insurance Code not specifically contained in the Maine
Revised Statutes, Title 24-A, chapter 56. Title 24-A, chapter
39 23, Trade Practices and Frauds, contains a variety of provisions
41 including, among other things, general prohibitions of unfair and
deceptive business practices, false advertising, discrimination
against the handicapped and unfair claims settlement practices.