

MAINE STATE LEGISLATURE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
114TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 385, L.D. 516, Bill, "An Act to Clarify the Responsibilities of School Boards"

Amend the bill by striking out everything after the enacting clause and before the emergency clause and inserting in its place the following:

'Sec. 1. 20-A MRSA §1001, sub-§5, as enacted by PL 1981, c. 693, §§5 and 8, is repealed and the following enacted in its place:

5. Insurance premiums and employee benefits. They may:

A. Pay the premiums on life, health, dental, disability, accident, hospitalization, major medical and such other types of insurance as may be provided to employees and their families from time to time;

B. Provide direct reimbursement of the costs incurred by employees and their family members pursuant to a direct reimbursement plan for dental costs, including endodontic, periodontic and orthodontic costs, provided that reimbursement of orthodontic costs shall be limited to 60% of the plan participant's costs.

(1) Prior to the commencement of operation of any such direct reimbursement plan or program, the school board shall adopt guidelines which embody a funding mechanism adequate to the financial needs of the plan or program and shall provide for the fixed costs of operations of the plan for the first prospective fund year. A reasonable amount sufficient to satisfy immediate claims costs shall be held in a segregated account to be used solely for this purpose.

(2) The school board or other legal entity

1 establishing a plan or program for the purpose of
2 direct reimbursement pursuant to this paragraph,
3 whether or not a body corporate, may with respect to
4 the plan or program sue or be sued; make contracts;
5 hold and dispose of real property; borrow money,
6 contract debts and pledge assets in the name of the
7 plan; and perform such other actions incidental to this
8 subparagraph as necessary.

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10
11 (3) The plan or program may be established as a
12 separate legal or administrative entity.

13 (4) The legal entity which establishes a plan or
14 program which provides coverage for more than one
15 school administrative unit with respect to the benefits
16 authorized in this paragraph shall adopt a plan of
17 management which, at a minimum, provides the following:

18 (a) The means of establishing and maintaining a
19 governing authority of the program, including the
20 selection of a governing authority, which shall be
21 a board of directors or trustees for the plan, a
22 majority of whom shall be from the participating
23 school administrative unit or units;

24
25 (b) That the governing authority has the
26 responsibility with regard to fixing contributions
27 to the plan, maintaining reserves, levying and
28 collecting assessments for deficiencies, disposing
29 of surplus and administering the plan in the event
30 of its termination, liquidation or insolvency;

31
32 (c) The identification of funds and reserves by
33 the type of benefit provided and exposure area;

34
35 (d) The basis upon which new members may be
36 admitted to and existing members may leave the
37 plan;

38
39 (e) That any member of a group plan or pool
40 established for more than one school
41 administrative unit shall prepay to the plan
42 administrator an initial deposit equal to 25% of
43 the annual contribution before coverage is
44 effective;

45
46 (f) Other provisions as necessary or desirable
47 for the operation of the plan;

48
49 (g) A provision that if the assets set aside in
50 any group plan for more than one school
51 administrative unit are at any time determined to

1 be insufficient to enable the plan to discharge
3 its legal liabilities and other obligations and to
5 maintain sound reserves for the provision of the
7 employee benefits provided by the plan, the
9 governing authority shall within 90 days satisfy
11 the deficiency or levy a prorated assessment upon
13 the participating school administrative unit or
 units for the amount needed to satisfy the
 deficiency. The agreement among school
 administrative units in the group plan shall
 provide sanctions for failure to comply with a
 mandatory assessment under this subparagraph;

15 (5) Prior to the operation of any group or pool plan
17 for more than one school administrative unit, the
19 governing authority shall adopt underwriting guidelines
21 which embody rate charges to prospective members at a
23 level adequate to its financial needs and shall provide
25 for the fixed costs of operations for the first
 prospective fund year. An amount sufficient to
 reasonably meet immediate claims costs shall be held in
 a segregated account to be used solely for this
 purpose. Funds determined to be necessary to fund the
 program on an ongoing basis shall also be held in a
 segregated account;

27 (6) Each group plan or pool established for more than
29 one school administrative unit shall file with its
31 members, by the last day of the 6th month following the
33 end of the fiscal year, audited financial statements
 certified by an independent certified public
 accountant. The financial statement shall include, but
 is not limited to:

- 35 (a) Appropriate reserves for known claims and
37 expenses associated with those claims;
- 39 (b) Claims incurred but not reported and expenses
 associated with those claims;
- 41 (c) Unearned contributions; and
- 43 (d) Reserve for bad debts.

45 The audited financial statement shall include
47 information concerning the adequacy of the plan. This
49 report shall result from a charge by the directors to
51 the plan's actuary and auditor and shall address excess
 insurance, charges for coverage to members, service
 agents' costs and costs of administration of the
 program.

1 Two additional copies of the audited financial
2 statements shall be filed with the Superintendent of
3 Insurance.

5 If a group plan or pool established for more than one
6 school administrative unit fails to provide for the
7 audited financial statements required, the
8 Superintendent of Insurance shall perform or cause to
9 be performed the audit. The group plan or pool shall
10 reimburse the Superintendent of Insurance for the cost
11 of the audit; and

13 (7) Any reimbursement plan or program for the
14 provision of the employee benefits established and
15 operated pursuant to this paragraph is not an insurance
16 company, reciprocal insurer or insurer under the laws
17 of this State and the development, administration and
18 provision of such plans and programs does not
19 constitute doing an insurance business;

21 C. Pay premiums on liability insurance for employees and
22 school officials; and

23 D. Provide such other employee benefits, directly or
24 indirectly, to their employees as any school board
25 determines from time to time, upon such terms and conditions
26 and in such manner as the school board determines, subject
27 to the requirements of all applicable laws.

29 **Sec. 2. 20-A MRSA §1001, sub-§5-B is enacted to read:**

31 5-B. Workers' compensation self-insurance. Notwithstanding
32 any other provision of this section, they may participate in or
33 cause their school administrative unit to participate in a
34 self-insurance program or plan for workers' compensation
35 established under and operated in accordance with the Workers'
36 Compensation Act, Title 39, chapter 1, as amended.

37 **Sec. 3. 20-A MRSA §15004, as enacted by PL 1981, c. 693, §§5**
38 **and 8, is amended to read:**

39 **§15004. Unexpended balances**

40 The unexpended balance of all moneys money raised by a
41 school administrative unit, received:--From from the State for
42 general-purpose aid or for other educational programs; from the
43 Federal Government directly or from the Federal Government
44 through the State; from tuition payments made by other units, the
45 State, or by individuals; and other receipts for school purposes
46 shall be carried forward and credited to the unit for educational
47 programs for the ensuing year.

1 Funds which are set aside for direct reimbursement programs
2 or for workers' compensation self-insurance programs, established
3 pursuant to section 1001, shall not be considered unexpended
4 balances. These funds shall be carried forward to be used only
5 for the reimbursement or self-insurance program for which they
6 were originally dedicated.'

7

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STATEMENT OF FACT

11 The amendment limits the type of direct reimbursement
12 programs that school boards may establish to dental
13 reimbursement, and provides for guidelines for the establishment
14 and operation of individual and group programs. School boards
15 establishing programs would be required to set aside sufficient
16 amounts to pay immediate claims before commencing operating of
17 the plan, and would be required to adopt guidelines establishing
18 a funding mechanism for the program. The legal entity
19 establishing a program to serve a group of school administrative
20 units would be required to adopt a plan of management providing
21 for the financial operation of the program.

Reported by the Committee on Banking and Insurance
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