

MAINE STATE LEGISLATURE

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L.D. 1705

(Filing No. S- 282)

STATE OF MAINE
SENATE
114TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT " A " to S.P. 611, L.D. 1705, Bill, "An Act to Prohibit Unfair Rating Practices in Small Group Health Insurance"

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

Sec. 1. 24 MRSA §2327-A is enacted to read:

§2327-A. Rating practices in group health insurance

Title 24-A, section 2808-A, shall apply to nonprofit hospital corporations, nonprofit medical service corporations and nonprofit health care plans to the extent not inconsistent with this chapter.

Sec. 2. 24-A MRSA §2808-A is enacted to read:

§2808-A. Rating practices in group health insurance

1. Groups with fewer than 25 members. Except as provided in subsection 3, no insurer may increase group health insurance premium rates for a group with fewer than 25 insured members, excluding dependents, on the basis of the claims experience of that group.

2. Subgroups; rate differentiation. Except as provided in subsection 3, no insurer may increase group health insurance premium rates on a basis which discriminates between different subgroups of a group according to the claims experience of the subgroup. The term "subgroup," as used in this section, refers to an employer with fewer than 25 insured employees within a multiple employer trust, or to any similar subdivision of a larger group covered by a single group health insurance policy or contract.

COMMITTEE AMENDMENT "A " to S.P. 611, L.D. 1705

1 3. Tiers of rates allowed. Groups or subgroups subject to
 2 subsection 1 or 2 may be divided into 2 or more tiers for rating
 3 purposes based on the experience of the group or subgroup
 4 provided that the following conditions are satisfied.

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 6 A. The rates for the highest tier may not exceed the
 7 average rate for all tiers by more than 20%.

8
 9 B. At the time of application, the insurer must provide to
 10 the prospective policyholder a prominent disclosure
 11 indicating that premium rates may change based on the claims
 12 experience of the group or subgroup. If the policyholder is
 13 a multiple employer trust, the policyholder must provide
 14 this disclosure to each employer at the time of application
 15 to the trust. For multiple employer trusts in existence on
 16 January 1, 1990, this disclosure procedure must be completed
 17 prior to the first subsequent renewal.

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 19 4. Applicability. This section applies to all policies
 20 executed, delivered, issued for delivery, continued or renewed in
 21 this State on or after January 1, 1990. It applies to any
 22 certificates delivered to residents of this State under a group
 23 health insurance policy described in section 2805-A, 2806 or 2808
 24 and executed, continued or renewed on or after January 1, 1990.
 25 For purposes of this section, all contracts shall be deemed to be
 26 renewed no later than the next yearly anniversary of the contract
 27 date.

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 29 5. Sunset. Unless continued or modified by law, this
 30 section is repealed on October 1, 1991.'

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STATEMENT OF FACT

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 36 The amendment reduces the size of the group for which an
 37 insurer is prohibited from basing group health insurance premiums
 38 on the claims experience of the group. The bill prohibited
 39 experience rating for groups of 50 or fewer members; the
 40 amendment prohibits experience rating for groups of 25 or fewer
 41 members.

42

43 The amendment adds a provision permitting insurers to put
 44 groups of fewer than 25 into 2 or more "tiers," differentiated on
 45 the basis of experience. The rates of the tiers could differ,
 46 but the rate for the highest tier could not exceed the average
 47 rate for all tiers by more than 20%. The amendment also requires
 48 insurers to disclose to prospective policyholders that their
 49 rates may vary based on their experience.