

MAINE STATE LEGISLATURE

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L.D. 2069

(Filing No. S- 578)

STATE OF MAINE
SENATE
114TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A " to S.P. 806, L.D. 2069, Bill, "An Act to Allow the Maine State Employees Health Insurance Program to Self-insure Health or Dental Insurance"

Amend the bill in section 1 by inserting at the end the following:

'9. Restrictions on self-insured programs. The following restrictions apply to self-insured group health or dental plans.

A. To the extent that the State assumes the risk with respect to any program provided for in this section, the State shall maintain a reserve at least equal to the sum of:

(1) An amount estimated to be necessary to pay claims and administrative costs for the assumed risk for 2 1/2 months; and

(2) The amount determined annually by a qualified actuary to be necessary to fund the unpaid portion of ultimate expected losses, including incurred but not reported claims, and related expenses incurred in the provision of benefits for eligible participants, less any credit, as determined by a qualified actuary, for excess or stop-loss insurance.

The reserve must be maintained in the fund provided for in section 286. If the State self-insures for more than one program, a reserve meeting the requirements of this paragraph must be maintained for each program.

B. The State may purchase excess or stop-loss insurance for any program, with attachment levels and limits as recommended by a qualified actuary.

C. Paragraph A does not apply to a program in the first 2 years after the program is changed from a fully insured program to a fully or partially self-insured program. Before a program may begin its first year of operation:

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2 (1) The reserve fund must contain a reserve at least
4 equal to the amount estimated to be necessary to pay
6 the claims and administrative costs with respect to the
 assumed risk for one full month; and

8 (2) The rate structure of the program, as certified by
10 a qualified actuary, must be designed to enable the
 fund to attain the following reserve levels:

12 (a) By the end of the first year of the program,
14 the reserve required by paragraph A, subparagraph
16 (2), and an amount estimated to be necessary to
 pay claims and administrative costs for the
 assumed risk for 2 full months; and

18 (b) By the end of the 2nd year of the program,
20 the reserve required by paragraph A, subparagraph
22 (2), and an amount estimated to be necessary to
 pay claims and administrative costs for the
 assumed risk for 2 1/2 full months.

24 If the State purchases stop-loss or excess insurance with
26 respect to the risk, the required reserve is reduced by the
28 credit specified in paragraph A. A self-insurance program
 may not continue if the reserve fund with respect to that
 program does not contain the amounts set forth in
 subparagraph (2) by the time limits established.

30 D. For purposes of paragraphs A, B and C, a "qualified
32 actuary" is an actuary who is a member of the American
 Academy of Actuaries qualified as to health reserving
 methodologies.

34 E. The commission may not enter into a contract with a
36 3rd-party administrator that has not demonstrated compliance
38 with all applicable state laws, and that is not, at the time
40 of entering into the contract, administering a health plan
 or providing health care coverage for a total number of
 lives equal to the number that would be covered by the state
 contract.

42 F. This paragraph is effective only if no other applicable
44 state law requires bonding of 3rd-party administrators.

46 (1) Every applicant to provide service as a 3rd-party
48 administrator for this program shall file with the
 proposal, and shall maintain in force while
 representing the state program, a fidelity bond in
50 favor of the Treasurer of State executed by a surety
 company for the benefit of the State or beneficiaries

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of the program. The bond must be continuous in form and in one of the following amounts:

(a) For an administrator that collects contributions and premiums for the program but does not administer or pay claims, the greater of \$50,000 or 5% of contributions and premiums projected to be received or collected for the following plan year from the State or from persons covered by the program, but not to exceed \$1,000,000;

(b) For an administrator that administers and pays claims, but does not collect premiums and contributions, the greater of \$50,000 or 5% of the claims and claim expenses projected to be held for the following year to pay claims and claim expenses for persons covered by the program, but not to exceed \$1,000,000; or

(c) For an administrator that collects premiums and contributions and administers and pays claims, the greater of the amounts determined under division (a) or (b), but not to exceed \$1,000,000.

G. Any contract entered into by the State must provide for coverage that meets the same level of benefits as those that would be required by state law if the coverage was provided by a health insurance plan governed by Title 24 or Title 24-A.

10. Commission not insurer. The commission or other entity operating any self-funded plan pursuant to this section is not an insurer, reciprocal insurer, or joint underwriting association under the laws of the State. The administration of such a program by the director of the employees health insurance program does not constitute doing the business of insurance.'

Further amend the bill by striking out all of section 3 and inserting in its place the following:

'Sec. 3. 5 MRSA §286, as repealed and replaced by PL 1987, c. 731, §7, is amended by adding at the end 2 new paragraphs to read:

A reserve fund, administered by the director of the state employees health insurance program with approval of the Commissioner of Administration, is created to protect the program from unexpected losses and self-insured losses and related expenses incurred in the provision of health and dental benefits for the eligible participants. The fund is a continuing fund and

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may not lapse. The Treasurer of State shall invest the fund.
All proceeds of these investments accrue to the fund.

The reserve fund is capitalized by money from premium payments and by legislative appropriation, payments from state departments and agencies and by such other means as the Legislature may approve. All money in the fund is deemed to be the commingled assets of all the covered employees and must be used only for the purposes of this section.

FISCAL NOTE

This bill authorizes the State Employee Health Commission to self-insure its health and dental plans. Self-insurance will result in an overall net savings to State Government. The amount of the savings will depend upon the degree to which the commission decides to self-insure. Because this self-insurance would reduce General Fund revenues from insurance premium taxes, a commission decision to self-insure for the dental plan alone would result in an annual net cost to the General Fund of approximately \$6,000 based on current year premiums. On the other hand, a commission decision to totally self-insure for health and dental plans would result in a net annual savings of \$946,500.

The State Employee Health Commission will not implement any type of self-insurance before July 1, 1991. Therefore, this bill will not affect revenues and expenditures in the current biennium.'

STATEMENT OF FACT

The amendment adds reserve requirements for any self-funded health or dental plan administered by the State Employee Health Commission; permits the commission to contract with a 3rd-party administrator only if the administrator is subject to a bonding requirement and only if the administrator has experience administering a plan as large as the state plan; and requires the self-funded plan to include the same mandated benefits that would be required if the health program were an insured program.

Finally, the amendment requires that any self-funded state health or dental plan include all benefits currently mandated by state law in insured plans.

Reported by Senator Theriault for the Committee on Banking and Insurance. Reproduced and Distributed Pursuant to Senate Rule 12.

(3/12/90)

(Filing No. S-578)