

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)

OK  
R. O. S.

L.D. 2337

(Filing No. S- 644)

2  
4  
6  
8  
10  
12  
14  
16  
18  
20  
22  
24  
26  
28  
30  
32  
34  
36  
38  
40  
42  
44  
46  
48

STATE OF MAINE  
SENATE  
114TH LEGISLATURE  
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 926, L.D. 2337, Bill, "An Act Relating to Health Maintenance Organizations"

Amend the bill in section 9 in paragraph D in subparagraph (3) in division (d) in the 2nd line (page 6, line 24 in L.D.) by inserting after the following: "services" the following: 'that contains a covenant consistent with subsection 6'

Further amend the bill in section 10 in the first and 2nd lines by striking out the amending clause (page 6, lines 31 and 32 in L.D.) and inserting in its place the following:

'Sec. 10. 24-A MRSA §4204, sub-§2-A, ¶¶G, H and I are enacted to read:'

Further amend the bill in section 10 by inserting after paragraph H the following:

'I. If any agreement, as set forth in paragraph D, subparagraph (3), division (c), is made by the health maintenance organization, the entity executing the agreement with the health maintenance organization must demonstrate to the superintendent's satisfaction that the entity has sufficient unencumbered surplus funds to cover the assured payments under the agreement, otherwise the superintendent shall disallow the agreement. In considering approval of such an agreement, the superintendent shall consider the entity's record of earnings for the most recent 3 years, the risk characteristics of its investments and whether its investments and other assets are reasonably liquid and available to make payments for health services.'

Further amend the bill in section 13 in subsection 8 in the last line (page 9, line 29 in L.D.) by inserting after the following: "termination," the following: 'That agreement must not require more than 90 days' notice after an initial participation period not to exceed 6 months. If the health

R. of S.

COMMITTEE AMENDMENT "A" to S.P. 926, L.D. 2337

2 maintenance organization has a net loss of 5 or more primary care  
3 physicians in any county in any 30-day period, the health  
4 maintenance organization shall notify the Bureau of Insurance in  
5 writing within 10 days of acquiring knowledge of that loss.'

6 Further amend the bill in section 15 in that part designated  
7 "~~§4209.~~" in subsection 1 in paragraph A in the 2nd and 3rd lines  
8 (page 11, lines 13 and 14 in L.D.) by striking out the  
9 following: "summary of receipts and disbursements" and inserting  
10 in its place the following: 'a statement of operations'

12 Further amend the bill in section 18 in that part designated  
13 "~~§4231.~~" by striking out all of subsection 1 and inserting in its  
14 place the following:

16 '1. Continuation of coverage by other carriers. In the  
17 event of an insolvency of a health maintenance organization and  
18 if satisfactory arrangements for the performance of its  
19 obligations have not been made as provided for in section 4214,  
20 all other carriers that made an offer of coverage to any group  
21 contract holder of the insolvent health maintenance organization  
22 at the most recent purchase or renewal of coverage, upon order of  
23 the superintendent, shall offer the enrollees in the group  
24 covered by that contract a 30-day enrollment period that begins  
25 on the date of insolvency.

26 Each carrier shall offer the group's enrollees the same coverage  
27 and rates that the carrier had offered to those enrollees at the  
28 most recent purchase or renewal of coverage prior to the  
29 insolvency, except that a successor health maintenance  
30 organization may increase the group's rate to the extent  
31 justified by including the new enrollees in a recalculation of  
32 rates using the existing method of rate calculation of the  
33 successor carrier, as approved by the superintendent.'

36 Further amend the bill in section 18 in that part designated  
37 "~~§4231.~~" in subsection 2 in the first line (page 12, line 27 in  
38 L.D.) by striking out the following: "insurer" and inserting in  
39 its place the following: 'carrier'

42 Further amend the bill in section 18 in that part designated  
43 "~~§4232.~~" by striking out all of subsection 2 and inserting in its  
44 place the following:

46 '2. Preexisting conditions. No provision in a succeeding  
47 insurer's or nonprofit hospital or medical service corporation's  
48 contract of replacement coverage may reduce or exclude benefits  
49 to enrollees covered under the prior health maintenance  
50 organization's contract on the date of discontinuance, on the  
51 basis that the condition giving rise to benefits preexisted the  
52 effective date of the succeeding contract, except to the extent  
that benefits for the condition would have been reduced or  
excluded under the prior contract.'

R. of S.

COMMITTEE AMENDMENT "A " to S.P. 926, L.D. 2337

2 Further amend the bill by inserting before the statement of  
fact the following:

4

**FISCAL NOTE**

6

8 This bill will add some additional responsibilities to the  
Bureau of Insurance within the Department of Professional and  
Financial Regulation. However, these additional responsibilities  
10 can be absorbed within current staffing and budgeted resources.

12 A health maintenance organization (HMO) will be required to  
deposit funds if the HMO can "balance bill" subscribers. These  
14 funds would be held in trust by the Treasurer of State. No  
additional interest income would accrue to the State nor would  
16 any significant additional cost be incurred.'

18

20 **STATEMENT OF FACT**

22 This amendment retains the purpose of the bill, which is to  
strengthen regulation of health maintenance organizations (HMO)  
24 but makes certain technical changes and the following substantive  
changes.

26

28 It amends section 9 to require that the contract between an  
HMO and a provider must contain a "hold harmless" provision to  
assure that the provider will not bill any enrollee for covered  
30 services even if the HMO becomes insolvent.

32 It amends section 10 to require any entity that is to  
provide indemnification as a backup to an HMO to demonstrate the  
34 financial capacity to do so.

36 It amends section 13 to ameliorate the impact on providers  
of the "hold harmless" provision by allowing providers to  
38 terminate a contract with at least 60, but no more than 90, days'  
notice, after the first 6 months of the contract.

40

42 It amends section 18 to allow a successor HMO to adjust its  
rates if inclusion of the members from the insolvent HMO requires  
a rate adjustment based on the existing method of rate  
44 calculation used by that successor HMO.

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

(4/5/90)

(Filing No. S-644)