

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)



115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 348

H.P. 257

House of Representatives, February 5, 1991

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

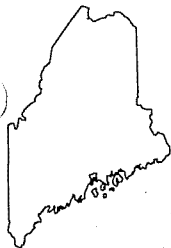
Presented by Representative DUFFY of Bangor.

Cosponsored by Representative RUHLIN of Brewer, Senator TITCOMB of Cumberland and Representative MITCHELL of Vassalboro.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

**An Act to Amend Certain Provisions of the Laws Relating to Health
Insurance.**



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

4 Sec. 1. 24 MRSA §2308-A is enacted to read:

6 §2308-A. Reserves

8 Subscriber rates, subject to approval of the superintendent,
10 may include contributions to reserves to the extent permitted by
12 this section and must include a credit for investment income,
14 subject to approval by the superintendent. To the extent that
16 total corporate reserves are capable of being segregated into
reserves for individual lines or classes of business, all minimum
and maximum limits of this section apply with equal force to the
individual lines or classes of business. It is the intent of
this section that each line of business, over a period of time,
be self-sustaining.

18 Whenever the reserves of a corporation subject to this
20 chapter are less than a dollar amount sufficient to pay claims
22 and operating expenses for 1/2 month, the superintendent shall
24 permit the corporation to charge rates designed to enable
26 corporation to increase its reserves by an amount equal to up to
28 2% of the rate established. If the liabilities of the
30 corporation exceed its assets, the superintendent shall permit
32 the corporation to charge rates designed to enable the
34 corporation to accumulate those reserves by an amount equal to up
to 5% of the rate established until the assets of the corporation
equal its liabilities. The superintendent may not permit the
corporation to charge rates that would result in reserves in
excess of a dollar amount sufficient to pay claims and operating
expenses for 1 1/2 months. For the purposes of this section,
claims and operating expenses are computed as the average monthly
claims and expenses anticipated in the period to be covered by
the rates established.

36 Whenever corporate reserves exceed the maximum limit
38 referred to in this section the corporation shall either reduce
40 rates or refund premiums to subscribers in accordance with
procedures that the superintendent shall adopt by rule.

42 Sec. 2. 24 MRSA §2311 is amended to read:

44 §2311. Taxation

46 Every corporation subject to this chapter is declared to be
48 a charitable and benevolent institution and--its--funds--and
property--shall--be--exempt--from--taxation to the extent that the
corporation provides health insurance coverage that is
community-rated. For the purposes of this section,

2 "community-rated" means rates that are set without reference to
3 age, sex or other characteristics of subscribers. The
4 corporation is exempt from taxation on its property and funds to
5 the extent that it provides community-rated coverages.

6 The superintendent may not approve a rate that contains any
7 charge for taxes paid on lines of business or contracts that is
8 not tax exempt.

10 **Sec. 3. 24 MRSA §2321, sub-§1**, as amended by PL 1985, c. 648,
11 **§1**, is further amended to read:

12
13 **1. Filing of rate information.** Every nonprofit hospital and
14 medical service organization shall file with the superintendent,
15 except as to group subscriber and membership contracts, other
16 than group Medicare supplement contracts as defined in Title
17 24-A, chapter 67 and group nursing home or long-term care
18 contracts as defined in Title 24-A, chapter 68, every rate,
19 rating formula and every modification of any of the foregoing
20 which ~~that~~ it proposes to use. Every such filing shall under this
21 subsection must state the effective date thereof of the filing.
22 ~~Every such filing shall be made not less than 60 days in advance~~
23 ~~of the stated effective date unless such 60 day requirement is~~
24 ~~waived by the superintendent and the effective date may be~~
25 ~~suspended by the superintendent for a period of time not to~~
26 ~~exceed 30 days.~~ Every filing must be made not less than 120 days
27 before the requested effective date. The requested effective
28 date may be delayed by the superintendent for up to 30 days. In
29 the case of nursing home and long-term contracts, rates filed
30 prior to August 1, 1986, shall ~~be~~ are effective until no later
31 than August 1, 1989. Rates filed on or after August 1, 1986, for
32 these types of contracts shall ~~be~~ are effective for no more than
33 3 years, except that rates for contracts with guaranteed level
34 premiums shall ~~be~~ are effective for the duration of the contract.

36 **Sec. 4. 24 MRSA §2321, sub-§§3 and 4** are enacted to read:

37
38 **3. Allocation of hospital differentials.** The
39 superintendent may not approve rates pursuant to this section
40 unless 100% of any hospital discount awarded by the Maine Health
41 Care Finance Commission to the organization pursuant to Title 22,
42 section 396-G, is allocated to the line of business that
43 generates the discount. If any differential is attributable to
44 more than one line of business, the superintendent may not
45 approve rates unless the differential has been allocated to each
46 line of business in proportion to claims paid by line. The
47 organization must demonstrate to the superintendent's
48 satisfaction the origin of each discount.

2 4. Biennial review. Every organization must submit the
3 rate filings for contracts set forth in subsection 1 at least
4 every 2 years. The superintendent may not approve a biennial
5 rate increase greater than 20% of premium, as long as assets of
6 the organization exceed liabilities. Rate approval must be
7 withdrawn by the superintendent if at any time the superintendent
8 has reason to believe the existing rates are excessive,
9 inadequate or unfairly discriminatory and if after notice and
10 hearing the organization has not shown otherwise.

11 Sec. 5. 24 MRSA §2322, as repealed and replaced by PL 1979,
12 c. 558, §3, is repealed and the following enacted in its place:

13 §2322. Hearing

14 Rates may not be approved until after a public hearing,
15 which must be held no sooner than 45 days but no later than 60
16 days after the date of the filing of rates with the
17 superintendent. Notice of the hearing must be advertised in
18 newspapers throughout the State. The superintendent may extend
19 these time periods for good cause consistent with the time frames
20 set forth in section 2321, subsection 1.

21 Hearings held under this section must conform to the
22 procedural requirements set forth in the Maine Administrative
23 Procedure Act.

24 Sec. 6. 24 MRSA §2323, as amended by PL 1989, c. 269, §1, is
25 repealed and the following enacted in its place:

26 §2323. Order

27 The superintendent shall issue an order or decision after
28 the close of the hearing or of any rehearing or reargument but no
29 later than 90 days after the rate filing, or 120 days if the
30 effective date is delayed. In the order or decision, the
31 superintendent shall either approve or disapprove the rate
32 filing. If the superintendent disapproves the rate filing, the
33 superintendent shall establish the date on which the filing is no
34 longer effective, specify the filing the superintendent would
35 approve and authorize the organization to submit a new filing in
36 accordance with the terms of the order or decision. If the
37 superintendent approves the rate filing, the superintendent must
38 first make a finding on the basis of information submitted by the
39 nonprofit hospital and medical service organization that the
40 organization employs a utilization review program and other
41 policies and programs acceptable to the superintendent that have
42 had or are expected to have a demonstrated impact on cost
43 containment. Rates approved are effective no earlier than 30
44 days subsequent to the approval.

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

Sec. 7. 24-A MRSA §5002, sub-§3 is enacted to read:

3. Open enrollment. All insurers, nonprofit hospitals, medical service organizations or nonprofit health care plans that offer supplemental coverage to Medicare shall provide open enrollment for subscribers to Medicare supplemental coverage during the period 3 months before, the month of or 3 months after the subscriber's 65th birthday and the period from February 1st to March 31st of each year. Nothing in this subsection precludes additional periods of open enrollment for subscribers to Medicare supplemental coverage. Proper notification must be given to prospective subscribers in a form subject to approval by the superintendent.

Sec. 8. 24-A MRSA §5006-A is enacted to read:

§5006-A. Replacement policies

If a Medicare supplement policy or certificate replaces another Medicare supplement policy or certificate, the replacing insurer shall waive any time periods applicable to preexisting conditions, waiting periods, elimination periods and probationary periods in the new Medicare supplement policy for similar benefits to the extent that time was spent under the original policy.

Sec. 9. P&SL 1939, c. 24, §15 is amended to read:

Sec. 15. Taxation. This corporation is hereby declared to be a charitable and benevolent institution, to the extent that the corporation provides community-rated health insurance coverage as described in the Maine Revised Statutes, Title 24, section 2311, and ~~its funds and property shall be~~ is exempt from taxation on its funds, to the extent that that coverage is provided, and is exempt from taxation on its property.

STATEMENT OF FACT

The purpose of this bill is to protect consumers in this State who purchase health care coverage for services or benefits from nonprofit hospital or medical service organizations from sudden, extremely large rate increases and to protect consumers' ability to purchase Medicare supplemental coverage.

The bill ensures that rates charged by nonprofit hospital or medical service organizations, already subject to approval by the

2 Superintendent of Insurance, contain no more than a specific
percentage amount for the purpose of replenishing corporate
reserves.

4
6 The bill removes the tax exemption status from those
portions of nonprofit hospital or medical service organization
8 businesses that are not "community-rated," that is, set without
reference to age, sex or other characteristics of the
10 subscribers. In addition, to the extent that the superintendent
is approving rates for those portions of the nonprofit hospital
12 or medical service organization businesses that are tax exempt,
those rates may not include any charge for the taxes paid on the
14 organizations' taxable lines of their businesses. The bill
includes an amendment to the charter of the Associated Hospital
16 Service of Maine incorporating the statutory scheme changes in
the tax status of nonprofit hospital or medical services
organizations into the charter.

18
20 The bill requires every organization subject to rate review
to submit a rate filing at least once every 2 years and includes
22 a number of changes to the time frames for rate filings and
hearings. This bill specifically: requires the Superintendent
of Insurance, in approving rates, to allocate 100% of any
24 hospital discount awarded by the Maine Health Care Finance
Commission to the line of business generating the discount;
26 prohibits the superintendent from approving a biennial rate
increase greater than 20% of the prior approved premium; requires
28 that a public hearing be held on the filed rates; and requires
that no rate filing be approved unless the superintendent is
30 first able to find, on the basis of information submitted by the
nonprofit hospital or medical service organization, that the
32 organization employs a utilization review program and other
policies and programs that have had or are expected to have a
34 demonstrated impact on cost containment.

36 The bill ensures that every year a minimum 2-month period is
provided to potential subscribers by each insurer, nonprofit
38 hospital, medical service organization or nonprofit health care
plan offering Medicare supplemental coverage.

40
42 The bill requires that any entity offering a Medicare
supplement policy or certificate that replaces another Medicare
44 supplement policy or certificate waive any time periods
applicable to preexisting conditions, waiting periods,
elimination periods and probationary periods to the extent that
46 time has already been spent under the original policy being
replaced.