

# MAINE STATE LEGISLATURE

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L.D. 783

(Filing No. H-135 )

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
115TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 546, L.D. 783, Bill, "An Act to Amend the Law Concerning the Maine High-Risk Insurance Organization"

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-A MRSA §6052, sub-§3, as enacted by PL 1987, c. 542, Pt. H, §5, is amended to read:

3. Board of directors established. The Governor shall appoint a board of directors for the organization. The board ~~shall be~~ is composed of 7 members. Six of those members ~~shall~~ must represent the following interests: Two members ~~shall~~ must represent consumers of health insurance who are not otherwise affiliated with the provision or financing of health care; one member ~~shall~~ must represent domestic commercial insurers; one member ~~shall~~ must represent nonprofit hospital and medical service organizations; one member ~~shall~~ must represent hospitals; and one member ~~shall~~ must be the Superintendent of Insurance, or his a designee. Appointments ~~shall be~~ are for 5-year terms, except that no more than 2 members' terms may expire in any one calendar year. Appointments for terms of less than 5 years may be made initially and to replace vacancies, if necessary, to maintain the appropriate staggered terms of office. Members serve until their successors are appointed and qualified. The Governor shall designate the ~~chairman~~ chair of the board. The ~~chairman~~ chair of the board shall schedule an organizational meeting within 60 days of appointment.

Sec. 2. 24-A MRSA §6053, sub-§§5 and 7, as enacted by PL 1987, c. 542, Pt. H, §5, are amended to read:

5. Select program administrator. ~~Select an administering insurer~~ a program administrator;

7. Report. Report to the joint standing committees of the Legislature having jurisdiction over appropriations and financial

2 affairs, insurance and human resources by ~~February~~ April 1st of  
each year. The report shall must include the following:

4 A. Experience under the funding plan and recommendations  
for further funding;

6 B. Experience regarding administrative costs and  
8 recommendations regarding an amount of or the need for a  
statutory cap;

10 C. Experience regarding the subsidy program and  
12 recommendations for future aspects of the subsidy program;  
and

14 D. An annual audited financial statement certified by an  
16 independent certified public accountant.

18 **Sec. 3. 24-A M RSA §6055**, as amended by PL 1989, c. 308, §3,  
is further amended to read:

20 **§6055. Program administrator**

22 1. **Selection process.** The board shall select ~~an insurer or~~  
24 ~~insurers--authorized--to--write--health--insurance~~ a program  
administrator through a competitive bidding process to administer  
26 the organization. The board shall evaluate bids submitted based  
on criteria established by the board which ~~includes~~ that include:

28 A. The ~~insurer's~~ program administrator's proven ability to  
30 handle individual accident and health insurance;

32 B. The efficiency of the ~~insurer's--claim--paying~~ program  
administrator's claim-paying procedures;

34 C. An estimate of total charges for administering the plan;  
36 and

38 D. The ~~insurer's~~ program administrator's ability to  
40 administer the plan in a cost efficient manner.

42 2. **Term and subsequent appointment.** Term and subsequent  
appointment shall ~~be~~ are structured as follows.

44 A. ~~The administering insurer shall serve for a period of 3~~  
46 ~~years~~ initial program administrator serves until June 30,  
1992, subject to removal for cause. The terms of subsequent  
48 program administrators must be set by the board of directors  
and must last at least one year.

50 B. At least one year prior to the expiration of the 3-year  
52 period of service by ~~an--administering--insurer~~ a program  
administrator, the board shall invite all insurers, and

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2 ~~3rd-party administrators, including the current~~  
3 ~~administering-insurer program administrator, to submit bids~~  
4 ~~to serve as the administering-insurer program administrator~~  
5 ~~for the any succeeding 3-year period. Selection of the~~  
6 ~~administering---insurer program administrator for the~~  
7 ~~succeeding period shall must be made at least 6 months prior~~  
8 ~~to the end of the current 3-year period.~~

9  
10 **3. Duties.** The ~~administering-insurer program administrator~~  
11 shall:

12 A. Perform all eligibility and administrative claims  
13 payment functions relating to the organization;

14 B. Establish a premium billing procedure for collection of  
15 premiums from insured persons. Billings shall must be made  
16 on a periodic basis as determined by the board;

17 C. Perform all necessary functions to assure timely payment  
18 of benefits to covered persons under the organization,  
19 including:

20 (1) Making available information relating to the  
21 proper manner of submitting a claim for benefits to the  
22 organization and distributing forms upon which  
23 submission shall must be made; and

24 (2) Evaluating the eligibility of each claim for  
25 payment by the organization;

26 D. Submit regular reports to the board regarding the  
27 operation of the organization, the frequency, content and  
28 form of which shall must be determined by the board;

29 E. Following the close of each fiscal year, determine net  
30 written and earned premiums, the expense of administration  
31 and the paid and incurred losses for the year and report  
32 this information to the board on a form as prescribed by the  
33 board; and

34 F. Be paid as provided in the plan of operation for its  
35 expenses incurred in the performance of its services.

36 **Sec. 4. 24-A MRSA §6059, sub-§§1 to 3, as enacted by PL 1987,**  
37 **c. 542, Pt. H, §5, are amended to read:**

38 **1. Reasonableness.** Premiums charged for coverages issued  
39 by the organization may not be unreasonable for the group or the  
40 individual in relation to the benefits provided, the risk  
41 experience and the reasonable expenses of providing the coverage.  
42

2           2. **Separate schedules.** Separate schedules of premium rates  
3 based on age, sex and geographical location may apply for  
4 individual risks. Rates and rate schedules may be adjusted for  
5 appropriate risk factors, such as age and area variation in claim  
6 cost, if based on individual rating, or may be based upon  
7 community rating for the entire group, and shall must take into  
8 consideration appropriate risk factors in accordance with  
9 established actuarial and underwriting practices. If using a  
10 community rate, the board shall develop a weighted average of  
11 individual rates of the 5 largest insurers. In no event may  
12 organization rates exceed 150% of rates applicable to the  
13 standard risk rate.

14           3. **Standard risk rate.** The board shall determine the  
15 standard risk rate by calculating the average individual standard  
16 rate charged by the 5 largest insurers offering coverages in the  
17 State comparable to the organization coverage. In the event 5  
18 insurers do not offer comparable coverage, the standard risk rate  
19 shall must be established using reasonable actuarial techniques  
20 and shall must reflect anticipated experience and expenses for  
21 the coverage. In no event may organization rates exceed 150% of  
22 rates applicable to the standard risk rate.

23           **Sec. 5. 24-A MRSA §6059-A is enacted to read:**

24           **§6059-A. Community rating**

25           The Maine High-Risk Insurance Organization shall plan for  
26 the use and establishment of community rating for premiums and  
27 shall implement a transition plan for such rating as of the  
28 effective date of this section.

29           **Sec. 6. 24-A MRSA §6061, as amended by PL 1989, c. 875, Pt.**  
30 **H. §2, is further amended to read:**

31           **§6061. Sunset provision**

32           Unless continued or modified by law, the organization shall  
33 cease enrollments and renewals of participants no later than June  
34 30, 1992 1993, and shall-be is subject to review by the joint  
35 standing committee of the Legislature having jurisdiction over  
36 audit and program review matters and the joint standing committee  
37 of the Legislature having jurisdiction over banking and insurance  
38 matters.

39           If either or both of the joint standing committees consider  
40 continuing the organization, the committee or committees shall  
41 consider methods of funding the reserve fund other than by an  
42 assessment on hospitals. This consideration must include funding  
43 the reserve fund from the General Fund of the State.'

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**STATEMENT OF FACT**

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This amendment changes the report date for the Maine High-Risk Insurance Organization to April 1st each year. It extends the sunset date on the organization by one year, until June 30, 1993. It allows community rating and sets standards if community rating is used.

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Reported by the Committee on Banking and Insurance  
Reproduced and distributed under the direction of the Clerk of the House  
(4/16/91) (Filing No. H-135)

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