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### (Filing No. H-316)

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

COMMITTEE AMENDMENT "B" 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 18 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:

24 Board of directors established. The Governor 3. shall appoint a board of directors for the organization. The board shall-be is composed of 7 members. Six of those members shall 26 must represent the following interests: Two members shall must 28 represent consumers of health insurance who are not otherwise affiliated with the provision or financing of health care; one 30 member shall must represent domestic commercial insurers; one member shall must represent nonprofit hospital and medical service organizations; one member shall must represent hospitals; 32 and one member shall must be the Superintendent of Insurance, or 34 his a designee. Appointments shall--be are for 5-year terms, except that no more than 2 members' terms may expire in any one 36 calendar year. Appointments for terms of less than 5 years may be made initially and to replace vacancies, if necessary, to 38 maintain the appropriate staggered terms of office. Members serve until their successors are appointed and qualified. The Governor shall designate the shairman chair of the board. The 40 ehaifman chair of the board shall schedule an organizational 42 meeting within 60 days of appointment.

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

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5. Select program administrator. Select an-administering insufef a program administrator;

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

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affairs, insurance and human resources by February April 1st of each year. The report shall must include the following: 2 4 Α. Experience under the funding plan and recommendations for further funding; 6 regarding administrative в. Experience costs and 8 recommendations regarding an amount of or the need for a statutory cap; 10 с. Experience regarding the subsidy program and recommendations for future aspects of the subsidy program; 12 and 14 D. An annual audited financial statement certified by an independent certified public accountant. 16 Sec. 3. 24-A MRSA §6055. as amended by PL 1989, c. 308, §3, 18 is further amended to read: 20 §6055. Program administrator 22 Selection process. The board shall select an-insurer-or 1. insurers --- authorized -- te --- write -- health -- insurance a program 24 administrator through a competitive bidding process to administer the organization. The board shall evaluate bids submitted based 26 on criteria established by the board which-includes that include: 28 The insurer's program administrator's proven ability to Α. handle individual accident and health insurance; 30 32 в. 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 insurer's program administrator's D. The ability to administer the plan in a cost efficient manner. 40 2. Term and subsequent appointment. Term and subsequent 42 appointment shall-be are structured as follows. The administering-insurer-shall-serve-for-a-period-of-3-44 Α. years initial program administrator serves until June 30, 46 1992, subject to removal for cause. The terms of subsequent program administrators must be set by the board of directors. 48 в. At least one year prior to the expiration of the 3-year 50 period of service by an-administering-insurer a program administrator, the board shall invite all insurers, and

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<u>3rd-party</u> <u>administrators</u>, including the current administering-insurer program <u>administrator</u>, to submit bids to serve as the <u>administering-insurer</u> program <u>administrator</u> for the <u>any</u> succeeding 3-year period. Selection of the administering---insurer program <u>administrator</u> for the succeeding period shall <u>must</u> be made at least 6 months prior to the end of the current 3-year period.

3. Duties. The administering-insurer program administrator shall:

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

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

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

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

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

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

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

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

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

 Reasonableness. Premiums charged for coverages issued
by the organization may not be unreasonable <u>for the group or the</u> <u>individual</u> in relation to the benefits provided, the risk
experience and the reasonable expenses of providing the coverage. COMMITTEE AMENDMENT "B" to H.P. 546, L.D. 783

2 Separate schedules. Separate schedules of premium rates 2. based on age, sex and geographical location may apply for 4 individual risks. Rates and rate schedules may be adjusted for appropriate risk factors, such as age and area variation in claim cost, if based on individual rating, or may be based upon 6 community rating for the entire group, and shall must take into consideration appropriate risk factors in accordance with 8 established actuarial and underwriting practices. <u>If using a</u> 10 community rate, the board shall develop a weighted average of individual rates of the 5 largest insurers. In no event may organization rates exceed 150% of rates applicable to the 12 standard risk rate. 14

The board shall determine the з. Standard risk rate. 16 standard risk rate by calculating the average individual standard rate charged by the 5 largest insurers offering coverages in the 18 State comparable to the organization coverage. In the event 5 insurers do not offer comparable coverage, the standard risk rate 20 shall must be established using reasonable actuarial techniques and shall must reflect anticipated experience and expenses for the coverage. In no event may organization rates exceed 150% of 22 rates applicable to the standard risk rate. 24

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

#### <u>§6059-A. Community rating</u>

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The Maine High-Risk Insurance Organization shall plan for 30 the use and establishment of community rating for premiums and shall implement a transition plan for such rating as of the 32 effective date of this section.'

## STATEMENT OF FACT

This amendment changes the report date for the Maine 38 High-Risk Insurance Organization to April 1st each year. It allows community rating and sets standards if community rating is 40 used. The amendment deletes the requirement that the term of the contract for program administrator be at least one year.

Reported by the Committee on Banking and Insurance Reproduced and distributed under the direction of the Clerk of the House (5/14/91) (Filing No. H-316)

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