

MAINE STATE LEGISLATURE

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

HOUSE AMENDMENT "J" to COMMITTEE AMENDMENT "A" to H.P. 1547, L.D. 2185, Bill, "An Act to Make Supplemental Appropriations and Allocations for the Expenditures of State Government for the Fiscal Years ending June 30, 1992 and June 30, 1993 and to Change Certain Provisions of the Laws"

Amend the amendment by inserting at the end before the fiscal note the following:

PART XX

Sec. XX-1. 5 MRSA §285, sub-§9, as enacted by PL 1989, c. 776, §1, is repealed and the following enacted in its place:

9. Restrictions on self-insurance 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 amount determined by a qualified actuary to be necessary to fund the unpaid portion of ultimate expected losses, including incurred but not paid claims and related expenses incurred in the provision of benefits for eligible participants. The method by which this reserve is to be initially funded and replenished if it falls short is as set forth in this subsection.

B. 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 paragraph A must be maintained for each program.

2 C. Contributions to the program by the State, employees,
3 including Consolidated Omnibus Budget Reconciliation Act
4 beneficiaries, retirees and participating agencies must be
5 based on rates developed by a qualified actuary. Such rates
6 must be established to generate a "recognized cost" equal to
7 the amount determined by a qualified actuary to represent
8 the incurred cost of claims and related expenses in the
9 rating period, net of interest earnings on the fund provided
10 for in section 286, plus any margin added to replenish a
11 reserve shortfall pursuant to paragraph E. The reserve
12 required in paragraph A must be established out of the
13 difference between the recognized incurred cost and the
14 actual cash cost in the program's first year of operation.
15 Adjustments to maintain the reserve at its required level in
16 subsequent years must be funded out of each year's
recognized cost.

18 D. If the recognized incurred cost in any year of operation
19 exceeds the amount determined by a qualified actuary to be
20 the amount necessary to cover that year's cash costs and to
21 maintain the reserve at its required level, all or a portion
22 of the excess recognized cost may be required to be held in
23 the fund provided for in section 286 as margin for future
24 adverse claim experience. The amount of excess recognized
25 cost to be retained as an additional reserve must be
26 determined by a qualified actuary based on observed and
27 expected trends and claim fluctuations.

28 E. If the recognized incurred cost in any year of operation
29 is less than the amount determined by a qualified actuary to
30 be necessary to cover that year's cash costs and to maintain
31 the reserve at its required level, the shortfall in the
32 required reserve must be recovered over an amortization
33 period not to exceed 3 years through addition of margin to
34 the following year's or years' recognized costs.

36 F. If it becomes apparent during the course of a year that
37 the incurred cost recognized under paragraph C is likely to
38 exceed or fall short of a qualified actuary's updated
39 projections by a significant margin, the recognized cost for
40 the remaining months of the year may be adjusted either up
41 or down.

44 G. Before a program may begin its first year of operation:

46 (1) The reserve fund must contain a reserve at least
47 equal to the amount necessary to pay the program's
48 implementation costs and the expected cash claims and
49 administrative expenses for the program's first month.
50 The amount of this reserve is to be determined by a
qualified actuary; and

2 (2) The rate structure of the program, as certified by
4 a qualified actuary, must represent the projected
6 incurred cost, including administrative and
 implementation costs, to enable the fund to attain the
 reserve required in paragraph A;

8 Any contributions to the reserve fund made in advance of the
10 program's implementation pursuant to this paragraph
 represent prepayment of the first year's obligations and are
 not in addition to the recognized cost for the first year.

12 H. If the program purchases stop-loss insurance with
14 respect to any program, the qualified actuary shall take
16 such insurance into account in determining the rate and
 reserve levels required by this section.

18 I. If the program is required to maintain a deposit with
20 its administrator, that deposit is recognized as a credit
 against the reserve required in paragraph A.

22 J. The commission may not enter into a contract with a
24 3rd-party administrator that has not demonstrated compliance
26 with all applicable state laws and that is not, at the time
28 of the contract's implementation, administering a health
 plan providing health care coverage for a total number of
 lives at least equal to the number that would be covered by
 the state contract.

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

32 (1) Every applicant to provide service as a 3rd-party
34 administrator for this program shall file with the
36 proposal, and shall maintain in force while
38 representing the state program, a fidelity bond in
40 favor of the Treasurer of State executed by a surety
 company for the benefit of the State or beneficiaries
 of the program. The bond must be continuous in form
 and in one of the following amounts:

42 (a) For an administrator that collects
44 contributions and premiums for the program but
46 does not administer or pay claims, the greater of
48 \$50,000 or 5% of contributions and premiums
50 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;

2 (b) For an administrator that administers and
4 pays claims, but does not collect premiums and
6 contributions, the greater of \$50,000 or 5% of the
8 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

10 (c) For an administrator that collects premiums
12 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.

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

20 For purposes of this subsection, a "qualified actuary" is an
22 actuary who is a member of the American Academy of Actuaries and
 who is qualified as to health reserving methodologies.'

24 Further amend the amendment by relettering the Parts to read
26 consecutively.

28 FISCAL NOTE

30 This amendment may result in cost savings to the State
32 related to health insurance costs for state employees. The
34 timing of the amendment and the amount of any potential savings
 can not be determined at this time.

36 STATEMENT OF FACT

38 This amendment amends the provision of current law governing
40 restrictions on self-insurance programs in the following ways.

42 1. It changes the amount estimated to be necessary to pay
44 claims and administrative costs for the assumed risk from 2 1/2
 months to an amount determined to be necessary by a qualified
 actuary.

HOUSE AMENDMENT "J" to COMMITTEE AMENDMENT "A" to H.P. 1547,
L.D. 2185

2 2. It provides details and guidelines for the financing and
administration of a self-insured health insurance program for the
4 State.

Filed by Rep. Mitchell of Vassalboro
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House
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