

MAINE STATE LEGISLATURE

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L.D. 1845

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DATE: 5-23-06

(Filing No. S-697)

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STATE OF MAINE
SENATE
122ND LEGISLATURE
SECOND REGULAR SESSION

SENATE AMENDMENT "D" to COMMITTEE AMENDMENT "A" to H.P. 1285, L.D. 1845, Bill, "An Act To Increase Access to Health Insurance Products"

Amend the amendment by inserting before section 1 the following:

'PART A'

Further amend the amendment by inserting after section 10 the following:

'PART B'

Sec. B-1. 24-A MRSA §2736-C, sub-§2, ¶F, as enacted by PL 2003, c. 469, Pt. E, §12, is amended to read:

F. A carrier that adjusts its rate shall account for the savings offset payment or any recovery in that offset payment in its experience consistent with this section and section 6913. For any rate filing made by a carrier on or after August 1, 2006, the carrier shall certify in the filing that the carrier has not included profit from any savings realized by the carrier that were the result of the operation of Dirigo Health and any increased MaineCare enrollment due to an expansion in MaineCare eligibility occurring after June 30, 2004 and that the carrier has used

Reps.

SENATE AMENDMENT "D" to COMMITTEE AMENDMENT "A" to H.P. 1285,
L.D. 1845

2 its best efforts to limit the impact of the savings offset
3 payment on rates in accordance with sound actuarial
4 principles.

5 **Sec. B-2. 24-A MRSA §2808-B, sub-§2-B, ¶D,** as enacted by PL
6 2003, c. 469, Pt. E, §16, is amended to read:

7 D. A carrier that adjusts its rate shall account for the
8 savings offset payment or any recovery of that savings
9 offset payment in its experience consistent with this
10 section and section 6913. For any rate filing made by a
11 carrier on or after August 1, 2006, the carrier shall
12 certify in the filing that the carrier has not included
13 profit from any savings realized by the carrier that were
14 the result of the operation of Dirigo Health and any
15 increased MaineCare enrollment due to an expansion in
16 MaineCare eligibility occurring after June 30, 2004 and that
17 the carrier has used its best efforts to limit the impact of
18 the savings offset payment on rates in accordance with sound
19 actuarial principles.

20 **Sec. B-3. 24-A MRSA §2839-B, sub-§2,** as enacted by PL 2003, c.
21 469, Pt. E, §17, is amended to read:

22 2. **Annual filing.** Every carrier offering group health
23 insurance specified in subsection 1 shall annually file with the
24 superintendent on or before April 30th a certification signed by
25 a member in good standing of the American Academy of Actuaries or
26 a successor organization that the carrier's rating methods and
27 practices are in accordance with generally accepted actuarial
28 principles and with the applicable actuarial standards of
29 practice as promulgated by an actuarial standards board. The
30 filing must also certify that the carrier has included in its
31 experience any savings offset payments or recovery of those
32 savings offset payments consistent with section 6913. For any
33 filing under this subsection made by a carrier on or after August
34 1, 2006, the carrier shall certify in the filing that the carrier
35 has not included profit from any savings realized by the carrier
36 that were the result of the operation of Dirigo Health and any
37 increased MaineCare enrollment due to an expansion in MaineCare
38 eligibility occurring after June 30, 2004 and that the carrier
39 has used its best efforts to limit the impact of the savings
40 offset payment on rates in accordance with sound actuarial
41 principles. The filing also must state the number of
42 policyholders, certificate holders and dependents, as of the
43 close of the preceding calendar year, enrolled in large group
44 health insurance plans offered by the carrier. A filing and
45 supporting information are public records except as provided by
46 Title 1, section 402, subsection 3.

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2 **Sec. B-4. Fixed savings offset payment for plan years beginning**
January 1, 2006 to December 31, 2006. Notwithstanding the Maine
3 Revised Statutes, Title 24-A, section 6913, subsections 1 to 3,
4 the savings offset payment for plan years beginning January 1,
5 2006 to December 31, 2006 must equal a total of \$23,000,000 for
6 all health insurance carriers, 3rd-party administrators and
7 employee benefit excess insurance carriers. For plan years
8 beginning January 1, 2006 to December 31, 2006 the Board of
9 Directors of Dirigo Health shall disregard the savings offset
10 amount calculation set forth in Title 24-A, section 6913,
11 subsection 2. The savings offset payment established pursuant to
12 this section must be paid in accordance with the schedule
13 established in Title 24-A, section 6913, subsection 3, paragraph
14 F. No later than 90 days after the effective date of this Act,
15 all health insurance carriers shall file amended rate filings
16 with the Superintendent of Insurance demonstrating the effect of
17 the reduced savings offset payment pursuant to this section on
18 premium rates and attesting that the carrier has used its best
19 efforts to ensure that rates reflect the reduced savings offset
20 payment. The savings offset payment set forth in this section
21 applies retroactively to any savings offset payment that has been
22 assessed and paid pursuant to Title 24-A, section 6913 for plan
23 years beginning January 1, 2006. No later than 30 days following
24 the effective date of this Act, Dirigo Health shall issue refunds
25 of, or credits for, any amounts collected in excess of the
26 limitations established in this section. This section applies
27 only to the savings offset payment for plan years beginning
28 January 1, 2006 to December 31, 2006. This section may not be
29 construed as repealing, amending or modifying in any way the
30 provisions of Title 24-A, section 6913 for plan years beginning
31 on or after January 1, 2007. This section may not be construed
32 by a court of law as affirming or not affirming any actions of
33 the Board of Directors of Dirigo Health or the Superintendent of
34 Insurance.

36 **Sec. B-5. Final settlement of experience modification payment.**
37 Dirigo Health shall renegotiate with the carrier contracted to
38 underwrite and provide Dirigo Health Program coverage for the
39 purpose of reducing the 2006 experience modification payment by
40 \$11,000,000.

42 **Sec. B-6. Reduced administrative costs.** Dirigo Health shall
43 achieve savings of \$1,900,000 for fiscal year 2006-07 through
44 reductions in administrative expenses.

PART C

46
48 **Sec. C-1. Commission established.** The Blue Ribbon

R.O.S.

2 Commission on the Long-term Funding of the Dirigo Health Program,
referred to in this Part as "the commission," is established.

4 **Sec. C-2. Membership.** The commission consists of 15 members
appointed as follows:

6
8 1. Two members of the Senate appointed by the President of
the Senate and 2 members of the House of Representatives
appointed by the Speaker of the House. At least one legislative
10 member appointed must be a member of the Joint Standing Committee
on Insurance and Financial Services and at least one legislative
12 member appointed must be a member of the Joint Standing Committee
on Appropriations and Financial Affairs. Legislative appointments
14 under this subsection must be representative of the bipartisan
interests of the Legislature;

16
18 2. Three members appointed by the President of the Senate,
one member representing the interests of employers recommended by
a statewide organization of business and employer members, one
20 member representing hospitals recommended by a statewide hospital
association and one member representing insurance producers;

22
24 3. Three members appointed by the Speaker of the House of
Representatives, one member representing health insurance
carriers recommended by a statewide association of health plans,
26 one member representing physicians recommended by a statewide
medical association and one member representing the Medicaid
28 Advisory Committee; and

30 4. Five members appointed by the Governor, one member
representing the Governor's Office of Health Policy and Finance,
32 one member representing the Board of Directors of Dirigo Health,
one member representing organized labor, one member representing
34 a statewide health care advocacy organization and one member
representing a statewide consumer advocacy organization.

36
38 **Sec. C-3. Chairs.** The first-named Senator is the Senate chair
of the commission and the first-named member of the House is the
House chair of the commission.

40
42 **Sec. C-4. Appointments.** All appointments must be made no later
than 30 days following the effective date of this Act. The
appointing authorities shall notify the Executive Director of the
44 Legislative Council upon making their appointments. When the
appointment of all members is complete, the chairs shall call and
46 convene the first meeting of the commission no later than August
1st.

48
50 **Sec. C-5. Duties.** The commission shall study the Dirigo
Health Program and make recommendations for a long-term funding

SENATE AMENDMENT

R.O.S.

mechanism in an effort to ensure its sustainability over time. In
conducting the study, the commission shall:

1. Review and make recommendations for alternatives for
funding the Dirigo Health Program and subsidies under the program
in a fair, equitable and broadly distributed manner. The
recommendations must include a number of funding sources and may
include the savings offset payment in some manner;

2. Evaluate the MaineCare expansion in the Dirigo Health
reform law, including its funding source, enrollment of the
uninsured and the potential impact on private payors and
providers;

3. Review and make recommendations for reforms that may
improve the affordability of health insurance in the individual
market;

4. Review and make recommendations on cost containment
methods proven effective in reducing and controlling health care
costs and health care spending or creating savings in Maine's
health care market; and

5. Review alternatives for funding sources within existing
resources to maximize federal Medicaid matching funds for the
purpose of reimbursing medical providers for unpaid claims or to
adjust rates.

Sec. C-6. Meetings. The commission is authorized to meet at
least 4 times in 2006 and with approval of the presiding officers
of the Legislature may hold additional meetings and may meet at
various locations throughout the State. Meetings must be open to
the public. The commission shall consult stakeholders for
information and assistance in gathering information related to
the duties described in section 5.

Sec. C-7. Staff assistance. Upon approval of the Legislative
Council, the Office of Policy and Legal Analysis and the Office
of Fiscal and Program Review shall provide staffing assistance to
the commission.

Sec. C-8. Compensation. Legislative members are entitled to
receive the legislative per diem and reimbursement of necessary
expenses for their attendance at authorized meetings of the
commission. Public members not otherwise compensated by their
employers or other entities that they represent are entitled to
receive reimbursement of necessary expenses and a per diem equal
to the legislative per diem for their attendance at authorized
meetings of the commission. The Executive Director of the
Legislative Council shall administer the commission's budget.

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2 **Sec. C-9. Budget.** The chairs of the commission, with
3 assistance from the commission staff, shall administer the
4 commission's budget. Within 10 days after its first meeting,
5 the commission shall present a work plan and proposed budget to
6 the Legislative Council for its approval. The commission may not
7 incur expenses that would result in the commission exceeding its
8 approved budget. Upon request from the commission, the Executive
9 Director of the Legislative Council shall promptly provide the
10 commission chairs and staff with a status report on the
11 commission's budget, expenditures incurred and paid and available
12 funds.

14 **Sec. C-10. Receipt of outside funds authorized.** The commission may
15 seek outside funds to fund costs of the commission other than
16 authorized per diem and expenses of the members authorized by
17 section 8. Contributions to support the work of the commission
18 may not be accepted from any party having a pecuniary or other
19 vested interest in the outcome of the matters being studied. Any
20 person, other than a state agency, desiring to make a financial
21 or in-kind contribution must certify to the Legislative Council
22 that it has no pecuniary or other vested interest in the outcome
23 of the study. The certification must be made in the manner
24 prescribed by the Legislative Council. All contributions are
25 subject to approval by the Legislative Council. All funds
26 accepted must be forwarded to the Executive Director of the
27 Legislative Council along with an accounting record that includes
28 the amount of the funds, the date the funds were received, from
29 whom the funds were received and the purpose of or any limitation
30 on the use of the funds. The Executive Director of the
31 Legislative Council shall administer any funds received by the
32 commission.

34 **Sec. C-11. Reports.** No later than November 15, 2006, the
35 commission shall submit a report with findings and
36 recommendations, including any suggested legislation, for
37 presentation to the joint standing committee of the Legislature
38 having jurisdiction over insurance and financial services matters
39 and the joint standing committee of the Legislature having
40 jurisdiction over appropriations and financial affairs. The joint
41 standing committee of the Legislature having jurisdiction over
42 insurance and financial services matters and the joint standing
43 committee of the Legislature having jurisdiction over
44 appropriations and financial affairs may each report out
45 legislation to the 123rd Legislature based on the commission's
46 report. If the commission fails to recommend legislation, the
47 joint standing committee of the Legislature having jurisdiction
48 over insurance and financial services matters shall report out
49 legislation to the 123rd Legislature to address the impact of the
50 savings offset payment on health insurance premium rates.

SENATE AMENDMENT

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SENATE AMENDMENT "D" to COMMITTEE AMENDMENT "A" to H.P. 1285,
L.D. 1845

2 **Sec. C-12. Appropriations and allocations.** The following
appropriations and allocations are made.

4 **DIRIGO HEALTH**

6 **Dirigo Health Fund 0988**

8 Initiative: Deallocates funds to be achieved by a \$1.9 million
10 reduction in Dirigo Health administrative expenses and an \$11
12 million reduction in contracted Dirigo Health Program experience
modification payments.

14	DIRIGO HEALTH ENTERPRISE FUND	2005-06	2006-07
	Unallocated	\$0	(\$12,900,000)
16		<hr/>	<hr/>
	DIRIGO HEALTH ENTERPRISE FUND TOTAL	\$0	(\$12,900,000)

18	DIRIGO HEALTH		
20	DEPARTMENT TOTALS	2005-06	2006-07
22	DIRIGO HEALTH ENTERPRISE FUND	\$0	(\$12,900,000)
24	DEPARTMENT TOTAL - ALL FUNDS	\$0	(\$12,900,000)

26 **LEGISLATURE**

28 **Study Commissions - Funding 0444**

30 Initiative: Provides funds for the per diem and expenses of the
Blue Ribbon Commission on the Long-term Funding of the Dirigo
32 Health Program.

34	GENERAL FUND	2005-06	2006-07
	Personal Services	\$0	\$880
36	All Other	\$0	\$5,250
38	GENERAL FUND TOTAL	\$0	\$6,130

40 **Study Commissions - Funding 0444**

42 Initiative: Provides a base allocation of \$500 in fiscal year
2006-07 in the event that outside funding is received to support
44 the work of the Blue Ribbon Commission on the Long-term Funding
of the Dirigo Health Program.

46	OTHER SPECIAL REVENUE FUNDS	2005-06	2006-07
48	All Other	\$0	\$500
50	OTHER SPECIAL REVENUE FUNDS TOTAL	\$0	\$500

SENATE AMENDMENT

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2	LEGISLATURE		
	DEPARTMENT TOTALS	2005-06	2006-07
4			
	GENERAL FUND	\$0	\$6,130
6	OTHER SPECIAL REVENUE FUNDS	\$0	\$500
8	DEPARTMENT TOTAL - ALL FUNDS	\$0	\$6,630
10	SECTION TOTALS	2005-06	2006-07
12	GENERAL FUND	\$0	\$6,130
	OTHER SPECIAL REVENUE FUNDS	\$0	\$500
14	DIRIGO HEALTH ENTERPRISE FUND	\$0	(\$12,900,000)
16	SECTION TOTAL - ALL FUNDS	\$0	(\$12,893,370)

18 Further amend the amendment by relettering or renumbering
19 any nonconsecutive Part letter or section number to read
20 consecutively.

22
24

SUMMARY

26 This amendment does the following.

28 1. It requires carriers to certify that the carrier has not
29 included profit from any savings realized by the carrier that
30 were the result of the operation of Dirigo Health and any
31 increased MaineCare enrollment due to an expansion in MaineCare
32 eligibility and to use their best efforts to limit the impact of
the savings offset payment on rates.

34 2. It provides that the savings offset payment for plan
35 years beginning January 1, 2006 to December 31, 2006 must equal a
36 total of \$23,000,000 for all health insurance carriers, 3rd-party
37 administrators and employee benefit excess insurance carriers.
38 It specifies that the provision may not be construed by a court
39 of law as affirming or not affirming any actions of the Board of
40 Directors of Dirigo Health or the Superintendent of Insurance.

42 3. It requires Dirigo Health to renegotiate with the
43 carrier contracted to underwrite the Dirigo Health Program for
44 the purpose of reducing the 2006 experience modification payment
45 by \$11,000,000.

46 4. It requires Dirigo Health to achieve savings of \$1.9
48 million in administrative costs.

SENATE AMENDMENT

SENATE AMENDMENT "D" to COMMITTEE AMENDMENT "A" to H.P. 1285,
L.D. 1845

5. It creates the Blue Ribbon Commission on the Long-term
Funding of the Dirigo Health Program to study the Dirigo Health
Program and make recommendations on a long-term funding mechanism
in an effort to ensure its sustainability. It is the intent of
the Legislature that the commission recommend a long-term funding
mechanism to replace the savings offset payment as the sole
source of funding subsidies for the Dirigo Health Program. The
commission is required to submit a report by November 15, 2006 to
the joint standing committee of the Legislature having
jurisdiction over insurance and financial services matters and
the joint standing committee of the Legislature having
jurisdiction over appropriations and financial affairs. The joint
standing committee of the Legislature having jurisdiction over
insurance and financial services matters shall report out
legislation to address the impact of the savings offset payment
on health insurance premium rates.

SPONSORED BY: *Bruce Bryant*
(Senator B. BRYANT)

COUNTY: Oxford

FISCAL NOTE REQUIRED
(See attached)



122nd MAINE LEGISLATURE

LD 1845

LR 2927(14)

An Act To Increase Access to Health Insurance Products

Fiscal Note for Senate Amendment "D" to Committee Amendment "A"

Sponsor: Sen. Bryant

Fiscal Note Required: Yes

Fiscal Note

Current Costs - Legislative Study

	2005-06	2006-07	Projections 2007-08	Projections 2008-09
Net Cost (Savings)				
General Fund	\$0	\$6,130	\$0	\$0
Appropriations/Allocations				
General Fund	\$0	\$6,130	\$0	\$0
Other Special Revenue Funds	\$0	\$500	\$0	\$0
Other Funds	\$0	(\$12,900,000)	\$0	\$0
Revenue				
Other Funds	\$0	(\$20,700,000)	\$0	\$0

Legislative Study

The projected expenses of the Blue Ribbon Commission on the Long-term Funding of the Dirigo Health Program are \$6,130 in fiscal year 2006-07. Since the Legislature's budget includes \$20,000 in fiscal year 2006-07 for legislative studies and the Council has already committed this amount, a General Fund appropriation to the Legislature of \$6,130 in fiscal year 2006-07 for this study has been included in this amendment. There is also a base allocation of \$500 in fiscal year 2006-07 in the event that outside funding is received to support the work of the commission.

Fiscal Detail and Notes

Assumes the amendment's decrease in the 2006 savings offset payment (SOP) would reduce Dirigo Health Program revenue by \$20,700,000 in fiscal year 2006-07. Includes a FY 2006-07 deallocation of \$12.9 million to be achieved by savings of \$1.9 million in Dirigo Health Agency administrative costs and an \$11.0 million reduction in contracted Dirigo Health Program experience modification payments. While these deallocations do not fully offset the reduction in revenue, the Dirigo Health Program does have existing authority to keep program spending within available resources. Any additional costs to the Bureau of Insurance in the Department of Professional and Financial Regulation resulting from the amendment can be absorbed by the Bureau utilizing existing budgetary resources.