

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)



122nd MAINE LEGISLATURE

SECOND REGULAR SESSION-2006

Legislative Document

No. 1935

S.P. 736

In Senate, January 4, 2006

An Act To Protect Health Insurance Consumers

(EMERGENCY)

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Reference to the Committee on Insurance and Financial Services suggested and ordered printed.

A handwritten signature in cursive script, reading 'Joy J. O'Brien'.

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator MARTIN of Aroostook.

Cosponsored by Representative BRAUTIGAM of Falmouth and

Senators: BRYANT of Oxford, President EDMONDS of Cumberland, MAYO of Sagadahoc,

Representatives: BRYANT of Windham, CUMMINGS of Portland, HARLOW of Portland,

MARRACHÉ of Waterville, PILON of Saco, Speaker RICHARDSON of Brunswick.

2 **Emergency preamble.** Whereas, acts of the Legislature do not
become effective until 90 days after adjournment unless enacted
as emergencies; and

4
6 **Whereas,** the Dirigo Health Program enacted in 2003 has
resulted in aggregate measurable cost savings of \$43.7 million as
determined by the Superintendent of Insurance in an adjudicatory
ruling on October 29, 2005; and

10 **Whereas,** these cost savings will be recovered through the
savings offset payment to be paid by insurance carriers,
12 3rd-party administrators and employee benefit excess insurance
carriers; and

14
16 **Whereas,** these cost savings should be reflected in health
insurance premium rates for the benefit of premium payers and
consumers; and

18
20 **Whereas,** insurance carriers, 3rd-party administrators and
employee benefit excess carriers will begin paying the savings
offset payment in April 2006; and

22
24 **Whereas,** the amount of the savings offset payment must not
be passed on to premium payers and consumers in increased premium
rates; and

26
28 **Whereas,** in the judgment of the Legislature, these facts
create an emergency within the meaning of the Constitution of
Maine and require the following legislation as immediately
30 necessary for the preservation of the public peace, health and
safety; now, therefore,

32
34 **Be it enacted by the People of the State of Maine as follows:**

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

38 F. A carrier that adjusts its rate shall account for the
40 ~~savings-offset-payment~~ or any recovery in that the savings
offset payment in its experience consistent with this
42 section and section 6913, but the carrier may not adjust its
rate to reflect the savings offset payment amount paid by
the carrier.

44
46 **Sec. 2. 24-A MRSA §2808-B, sub-§2-B, ¶D,** as enacted by PL
2003, c. 469, Pt. E, §16, is amended to read:

48 D. A carrier that adjusts its rate shall account for the
50 ~~savings-offset-payment~~ or any recovery of that the savings
offset payment in its experience consistent with this

2 section and section 6913, but the carrier may not adjust its
3 rate to reflect the savings offset payment amount paid by
4 the carrier.

5 **Sec. 3. 24-A MRSA §2839-B, sub-§2,** as enacted by PL 2003, c.
6 469, Pt. E, §17, is amended to read:

7 **2. Annual filing.** Every carrier offering group health
8 insurance specified in subsection 1 shall annually file with the
9 superintendent on or before April 30th a certification signed by
10 a member in good standing of the American Academy of Actuaries or
11 a successor organization that the carrier's rating methods and
12 practices are in accordance with generally accepted actuarial
13 principles and with the applicable actuarial standards of
14 practice as promulgated by an actuarial standards board. The
15 filing must certify that the carrier has not included in its
16 experience any savings offset payments paid in accordance with
17 section 6913. The filing must also certify that the carrier has
18 included in its experience any ~~savings--offset--payments--or~~
19 recovery of these savings offset payments consistent with section
20 6913. The filing also must state the number of policyholders,
21 certificate holders and dependents, as of the close of the
22 preceding calendar year, enrolled in large group health insurance
23 plans offered by the carrier. A filing and supporting information
24 are public records except as provided by Title 1, section 402,
25 subsection 3.

26 **Sec. 4. 24-A MRSA §6913, sub-§2,** as repealed and replaced by
27 PL 2005, c. 400, Pt. A, §11, is amended to read:

28 **2. Determination of savings offset amount.** The board shall
29 determine annually a savings offset amount to be paid by health
30 insurance carriers, employee benefit excess insurance carriers
31 and 3rd-party administrators, not including carriers and
32 3rd-party administrators with respect to accidental injury,
33 specified disease, hospital indemnity, dental, vision, disability
34 income, long-term care, Medicare supplement or other limited
35 benefit health insurance. The board shall determine the savings
36 offset amount in accordance with the following:

37 A. Not later than April of each year, the board shall
38 prospectively determine the savings offset amount to be
39 applied during each 12-month calendar year period;

40 B. To determine the savings offset amount, the board shall
41 use the criteria and reports described in subsections 7 and
42 8;

43 C. The savings offset amount must reflect and may not exceed
44 the savings offset amount determined in subsection 7.

2 aggregate measurable cost savings, as determined by the
board pursuant to subsection 1; and

4 D. The savings offset amount calculation is limited to the
amount of funds necessary to provide subsidies pursuant to
6 section 6912 and to support the Maine Quality Forum
established in section 6951 and may not include general
8 administrative expenses of Dirigo Health, except for general
administrative expenses of the Maine Quality Forum.

10 ~~The savings offset amount determined by the board in accordance~~
12 ~~with this subsection is the determining factor for inclusion of~~
14 ~~savings offset payments in premiums through rate setting review~~
~~by the bureau.~~

16 **Sec. 5. 24-A MRSA §6913, sub-§9,** as enacted by PL 2003, c.
469, Pt. A, §8, is amended to read:

18 **9. Demonstration of recovery of savings offset payments.**
20 As provided in sections 2736-C, 2808-B and 2839-B, the claims
experience used to determine any filed premiums or rating formula
22 may not reflect the savings offset payment amount determined in
accordance with subsection 2, but must reasonably reflect, in
24 accordance with accepted actuarial standards, known changes and
offsets in recovery of savings offset payments by the carrier to
26 health care providers in this State, including any reduction or
avoidance of bad debt and charity care costs to health care
28 providers in this State as a result of the operation of Dirigo
Health and any increased enrollment due to an expansion in
30 MaineCare eligibility occurring after June 30, 2004 as determined
by the board consistent with subsection 1.

32 **Emergency clause.** In view of the emergency cited in the
34 preamble, this Act takes effect when approved.

36 **SUMMARY**

38 This bill prohibits insurance carriers from including the
40 costs of the savings offset payment used to support the Dirigo
Health Program in health insurance premium rates.