

# MAINE STATE LEGISLATURE

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L.D. 2247

Date: 4/3/8

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Report A

INSURANCE AND FINANCIAL SERVICES

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
123RD LEGISLATURE
FIRST SPECIAL SESSION

COMMITTEE AMENDMENT "A" to H.P. 1608, L.D. 2247, Bill, "An Act To Continue Maine's Leadership in Covering the Uninsured"

Amend the bill in Part B by striking out all of section 3 and inserting the following:

Sec. B-3. 24-A MRSA §2736-C, sub-§2, ¶B, as enacted by PL 1993, c. 477, Pt. C, §1 and affected by Pt. F, §1, is amended to read:

B. A carrier may not vary the premium rate due to the gender, health status, occupation or industry, claims experience or policy duration of the individual.

Sec. B-4. 24-A MRSA §2736-C, sub-§2, ¶D, as amended by PL 2001, c. 410, Pt. A, §2 and affected by §10, is further amended to read:

D. A carrier may vary the premium rate due to age, occupation or industry and geographic area only under the following schedule and within the listed percentage bands in accordance with the limitations set out in this paragraph.

(1) For all policies, contracts or certificates that are executed, delivered, issued for delivery, continued or renewed in this State between December 1, 1993 and July 14, 1994, the premium rate may not deviate above or below the community rate filed by the carrier by more than 50%.

(2) For all policies, contracts or certificates that are executed, delivered, issued for delivery, continued or renewed in this State between July 15, 1994 and July 14, 1995, the premium rate may not deviate above or below the community rate filed by the carrier by more than 33%.

(3) For all policies, contracts or certificates that are executed, delivered, issued for delivery, continued or renewed in this State after between July 15, 1995 and June 30, 2009, the premium rate may not deviate above or below the community rate filed by the carrier by more than 20%.

(4) For all policies, contracts or certificates that are executed, delivered, issued for delivery, continued or renewed in this State on or after July 1, 2009, for each

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COMMITTEE AMENDMENT "A" to H.P. 1608, L.D. 2247

1 health benefit plan offered by a carrier, the highest premium rate for each rating  
2 tier may not exceed 2.5 times the premium rate that could be charged to an  
3 eligible individual with the lowest premium rate for that rating tier in a given  
4 rating period. For purposes of this subparagraph, "rating tier" means each  
5 category of individual or family composition for which a carrier charges separate  
6 rates.

7 (a) In determining the rating factor for geographic area pursuant to this  
8 subparagraph, the ratio between the highest and lowest rating factor used by a  
9 carrier for geographic area may not exceed 1.5 and the ratio between highest  
10 and lowest combined rating factors for age and geographic area may not  
11 exceed 2.5.

12 (b) In determining rating factors for age and geographic area pursuant to this  
13 subparagraph, no resulting rates, taking into account the savings resulting  
14 from the reinsurance program created by chapter 54, may exceed the rates  
15 that would have resulted from using projected claims and expenses and the  
16 rating factors applicable prior to July 1, 2009, as determined without taking  
17 into account the savings resulting from the Maine Individual Reinsurance  
18 Association established in chapter 54.

19 (c) The superintendent shall adopt rules setting forth appropriate  
20 methodologies regarding determination of rating factors pursuant to this  
21 subparagraph. Rules adopted pursuant to this division are routine technical  
22 rules as defined in Title 5, chapter 375, subchapter 2-A.'

23 Amend the bill in Part B in section 5 in paragraph H in the last paragraph in the last  
24 line (page 3, line 42 in L.D.) by inserting after the following: "2-A." the following: 'The  
25 superintendent shall direct the Consumer Health Care Division, established in section  
26 4321, to work with carriers and health advocacy organizations to provide information  
27 about comparable alternative insurance options to individuals in a carrier's closed book of  
28 business and upon request to assist individuals to facilitate the transition to an individual  
29 health plan in that carrier's or another carrier's open book of business.'

30 Amend the bill in Part B in section 8 in the 3rd line (page 9, line 23 in L.D.) by  
31 striking out the following: "paragraph C" and inserting the following: 'paragraph D'

32 Amend the bill in Part E by striking out all of sections 3 and 4 and inserting the  
33 following:

34 **‘Sec. E-3. 24-A MRSA §6915, as amended by PL 2005, c. 386, Pt. D, §3, is**  
35 **further amended to read:**

36 **§6915. Dirigo Health Enterprise Fund**

37 The Dirigo Health Enterprise Fund is created as an enterprise fund for the deposit of  
38 any funds advanced for initial operating expenses, payments made by employers and  
39 individuals, any ~~savings offset~~ payments made pursuant to former section 6913 and  
40 section 6913-A, revenues transferred pursuant to Title 36, chapters 703 and 704 and any  
41 funds received from any public or private source for the Dirigo Health Program and the

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1 Maine Individual Reinsurance Association established by chapter 54. An amount equal  
2 to 20% of the deposits received by the Dirigo Health Enterprise Fund from revenues  
3 deposited pursuant to section 6913-A and revenues transferred pursuant to Title 36,  
4 chapters 703 and 704 in the preceding month must be transferred to the Maine Individual  
5 Reinsurance Association by the first of each month beginning July 1, 2009. The fund  
6 may not lapse, but must be carried forward to carry out the purposes of this chapter.'

7 Amend the bill in Part E in section 7 in §4365-G in subsection 1 by striking out all of  
8 the last underlined sentence (page 14, lines 18 and 19 in L.D.)

9 Amend the bill in Part E in section 7 in §4365-G in subsection 4 in the 2nd line (page  
10 14, line 30 in L.D.) by inserting after the following: "Assessor" the following: 'by  
11 October 1, 2008.'

12 Amend the bill in Part E by striking out all of section 11 and inserting the following:

13 'Sec. E-11. 36 MRSA §4401, sub-§2-A is enacted to read:

14 2-A. Little cigar. "Little cigar" means a small cigar, as defined in Section 5702 of  
15 the Code, weighing not more than 3 pounds per thousand.

16 Sec. E-12. 36 MRSA §4401, sub-§6-A is enacted to read:

17 6-A. Roll-your-own tobacco. "Roll-your-own tobacco" means tobacco suitable for  
18 making cigarettes as defined in Section 5702 of the Code.'

19 Amend the bill in Part E in section 12 in subsection 1 in the 2nd line (page 15, line 19  
20 in L.D.) by striking out the following: "78%" and inserting the following: '78% 97.5%'

21 Amend the bill in Part E by striking out all of section 13 and inserting the following:

22 'Sec. E-13. 36 MRSA §4403, sub-§2, as amended by PL 2005, c. 627, §8, is  
23 further amended to read:

24 2. Other tobacco. A tax is imposed on cigars, pipe tobacco and other tobacco  
25 intended for smoking, other than little cigars and roll-your-own tobacco, at the rate of  
26 20% 25% of the wholesale sales price beginning October 1, 2005.

27 Sec. E-14. 36 MRSA §4403, sub-§2-A is enacted to read:

28 2-A. Little cigars and roll-your-own tobacco. A tax is imposed on little cigars at  
29 the rate of 125 mills per little cigar and on roll-your-own tobacco at the rate of 125 mills  
30 per 0.036 ounce.'

31 Amend the bill by inserting after Part E the following:

32 **PART F**

33 **Sec. F-1. Appropriations and allocations.** The following appropriations and  
34 allocations are made.

35 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**  
36 **Revenue Services - Bureau of 0002**

COMMITTEE AMENDMENT "A" to H.P. 1608, L.D. 2247

ROS

1 Initiative: Provides one-time funds for the administrative costs associated with the  
 2 cigarette and other tobacco products tax increases.

3	<b>GENERAL FUND</b>	<b>2007-08</b>	<b>2008-09</b>
4	All Other	\$0	\$43,857
5			
6	<b>GENERAL FUND TOTAL</b>	<u>\$0</u>	<u>\$43,857</u>

7 **ADMINISTRATIVE AND FINANCIAL**  
 8 **SERVICES, DEPARTMENT OF**  
 9 **DEPARTMENT TOTALS**

10		<b>2007-08</b>	<b>2008-09</b>
11	<b>GENERAL FUND</b>	\$0	\$43,857
12			
13	<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<u>\$0</u>	<u>\$43,857</u>

14 **DIRIGO HEALTH**

15 **Dirigo Health Fund 0988**

16 Initiative: Allocates Dirigo Health funds from the increase in the cigarette tax to \$2.50  
 17 and other tobacco products to 78%.

18	<b>DIRIGO HEALTH FUND</b>	<b>2007-08</b>	<b>2008-09</b>
19	All Other	\$0	\$28,502,356
20			
21	<b>DIRIGO HEALTH FUND TOTAL</b>	<u>\$0</u>	<u>\$28,502,356</u>

22 **Dirigo Health Fund 0988**

23 Initiative: Deallocates funds for Dirigo Health costs that were funded by the savings  
 24 offset payment.

25	<b>DIRIGO HEALTH FUND</b>	<b>2007-08</b>	<b>2008-09</b>
26	All Other	\$0	(\$32,900,000)
27			
28	<b>DIRIGO HEALTH FUND TOTAL</b>	<u>\$0</u>	<u>(\$32,900,000)</u>

29 **Dirigo Health Fund 0988**

30 Initiative: Allocates Dirigo Health funds from a health access surcharge of 1.8% on all  
 31 paid claims.

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1	<b>DIRIGO HEALTH FUND</b>	<b>2007-08</b>	<b>2008-09</b>
2	All Other	\$0	\$33,000,000
3			
4	<b>DIRIGO HEALTH FUND TOTAL</b>	<u>\$0</u>	<u>\$33,000,000</u>

5	<b>DIRIGO HEALTH</b>		
6	<b>DEPARTMENT TOTALS</b>	<b>2007-08</b>	<b>2008-09</b>
7			
8	<b>DIRIGO HEALTH FUND</b>	<b>\$0</b>	<b>\$28,602,356</b>
9			
10	<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<u>\$0</u>	<u>\$28,602,356</u>

11	<b>SECTION TOTALS</b>	<b>2007-08</b>	<b>2008-09</b>
12			
13	<b>GENERAL FUND</b>	<b>\$0</b>	<b>\$43,857</b>
14	<b>DIRIGO HEALTH FUND</b>	<b>\$0</b>	<b>\$28,602,356</b>
15			
16	<b>SECTION TOTAL - ALL FUNDS</b>	<u>\$0</u>	<u>\$28,646,213</u>

18 Amend the bill by relettering or renumbering any nonconsecutive Part letter or  
19 section number to read consecutively.

20 **SUMMARY**

21 This amendment is the majority report of the committee. The amendment preserves  
22 the current law with regard to rating on the basis of geographic area at 20% above or  
23 below the community rate. The amendment otherwise permits premium rates to vary on  
24 the basis of age and geographic area in combination to a ratio of 2.5 to 1 from the highest  
25 premium rate to the lowest premium rate as proposed in the bill. The amendment also  
26 requires that the Bureau of Insurance, Consumer Health Care Division provide assistance  
27 to individuals who are in the closed book of business as a result of the rating provisions in  
28 the bill to facilitate the transition to alternative health coverage in the open book of  
29 business.

30 The amendment makes the following changes to the provisions of the bill relating to  
31 cigarette and tobacco taxes. The amendment removes the language in the bill  
32 reclassifying little cigars as cigarettes and adds a definition of "little cigar." It adds a  
33 definition of "roll-your-own tobacco." The amendment also changes the rate of tax on all  
34 other tobacco products to a cigarette tax equivalent of \$2.50 per pack by taxing little  
35 cigars and roll-your-own tobacco the same as cigarettes and by adjusting the rate of tax

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1 on smokeless tobacco and on other cigars, pipe tobacco and other smoking tobacco in  
2 proportion to the increase in the cigarette tax.

3 The amendment also makes technical corrections to the bill and adds an  
4 appropriations and allocations section to the bill.

5 **FISCAL NOTE REQUIRED**  
6 (See attached)



# 123rd MAINE LEGISLATURE

LD 2247

LR 3143(02)

## An Act To Continue Maine's Leadership in Covering the Uninsured

Fiscal Note for Bill as Amended by Committee Amendment "A"

Committee: Insurance and Financial Services

Fiscal Note Required: Yes

### Fiscal Note

	2007-08	2008-09	Projections 2009-10	Projections 2010-11
<b>Net Cost (Savings)</b>				
General Fund	\$0	(\$860,397)	(\$889,514)	(\$885,311)
<b>Appropriations/Allocations</b>				
General Fund	\$0	\$43,857	\$0	\$0
Dirigo Health Fund	\$0	\$28,602,356	\$33,154,381	\$34,292,790
<b>Revenue</b>				
General Fund	\$0	\$904,254	\$889,514	\$885,311
Other Special Revenue Funds	\$0	\$48,595	\$48,792	\$48,561
Dirigo Health Fund	\$0	\$28,602,356	\$33,154,381	\$34,292,790

### Fiscal Detail and Notes

Transferring a portion of cigarette tax and other tobacco products tax revenue to the Dirigo Health Agency will increase revenue in the Dirigo Enterprise Fund by \$28,502,356 in fiscal year 2008-09. The related General Fund revenue increase in sales tax revenue is estimated to be \$904,254 in fiscal year 2008-09. Maine Revenue Services will require a one-time General Fund appropriation of \$43,857 in fiscal year 2008-09 for the administrative costs associated with these tax increases.

This bill would eliminate the Saving Offset Payment (SOP), one of the funding sources for the Dirigo Health Program, beginning with the assessment effective July 1, 2008, and replace this revenue with a health access surcharge of 1.8% on paid claims and the cigarette tax and other tobacco products tax revenue. For the purposes of this fiscal note, the baseline assumption for future year SOPs is the \$32.8 million SOP assessed for the year beginning July 1, 2008.

Any additional costs to the Bureau of Insurance in the Department of Professional and Financial Regulation can be absorbed by the bureau utilizing existing budgeted resources. The difference between the SOP budgeted to be paid by the State Employee Health program and the health access surcharge is expected to be minor.



The bill would create the Maine Individual Reinsurance Association established as a nonprofit legal entity that is assumed to be funded beginning in July 1, 2009 by 20% of Dirigo's share of the revenue generated by the health access surcharge and cigarette tax and other tobacco products tax revenue.

Dirigo Health Fund Summary	<b>2008-09</b>	<b>Projections 2009-10</b>	<b>Projections 2010-11</b>
Revenue Changes:			
Elimination of the Savings Offset Payment	(\$32,900,000)	(\$32,800,000)	(\$32,800,000)
Paid Claims Surcharge	\$33,000,000	\$37,080,000	\$38,192,400
Tobacco Tax Increase	\$28,502,356	\$28,874,381	\$28,900,390
Revenue Changes	<u>\$28,602,356</u>	<u>\$33,154,381</u>	<u>\$34,292,790</u>
Allocation Changes:			
Payment To Reinsurance Program	\$0	\$13,190,876	\$13,418,558
Other Dirigo Net Allocation Increase	\$28,602,356	\$19,963,505	\$20,874,232
Allocation Changes	<u>\$28,602,356</u>	<u>\$33,154,381</u>	<u>\$34,292,790</u>