

MAINE STATE LEGISLATURE

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124th MAINE LEGISLATURE

FIRST REGULAR SESSION-2009

Legislative Document

No. 859

H.P. 590

House of Representatives, March 5, 2009

An Act To Control Premium Costs in the Small Group Health Insurance Market

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

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative TREAT of Hallowell. (GOVERNOR'S BILL)
Cosponsored by Senator BOWMAN of York.

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

2 **Sec. 1. 24-A MRSA §2808-B, sub-§2-B, ¶A,** as amended by PL 2007, c. 629,
3 Pt. M, §7, is further amended to read:

4 A. The superintendent shall disapprove any premium rates filed by any carrier,
5 whether initial or revised, for a small group health plan unless it is anticipated that the
6 aggregate benefits estimated to be paid under all the small group health plans
7 maintained in force by the carrier for the period for which coverage is to be provided
8 will return to policyholders at least ~~75%~~ 78% of the aggregate premiums collected for
9 those policies, as determined in accordance with accepted actuarial principles and
10 practices and on the basis of incurred claims experience and earned premiums. For
11 the purposes of this calculation, any payments paid pursuant to ~~former~~ section 6913
12 must be treated as incurred claims.

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

15 E. Any filing of rates, rating formulas and modifications that satisfies the criteria set
16 forth in this paragraph is subject to the provisions of paragraph F:

17 (1) The proposed rate for any group or subgroup does not include a unit cost
18 change that exceeds the index of inflation multiplied by 1.5, excluding any
19 approved rate differential based on age. For the purposes of this subparagraph,
20 "index of inflation" means the rate of increase in medical costs for a section of
21 the United States selected by the superintendent that includes this State for the
22 most recent 12-month period immediately preceding the date of the filing for
23 which data are available; and

24 (2) The carrier demonstrates in accordance with generally accepted actuarial
25 principles and practices consistently applied that, as of a date no more than 210
26 days prior to the filing, the ratio of benefits incurred to premiums earned averages
27 no less than ~~78%~~ 80% for the previous 36-month period.

28 **Sec. 3. 24-A MRSA §2808-B, sub-§2-C, ¶C,** as amended by PL 2007, c. 629,
29 Pt. M, §10, is further amended to read:

30 C. If incurred claims were less than ~~78%~~ 80% of aggregate earned premiums over a
31 continuous 36-month period, the carrier shall refund a percentage of the premium to
32 the current in-force policyholder. For the purposes of calculating this loss-ratio
33 percentage, any payments paid pursuant to ~~former~~ section 6913 must be treated as
34 incurred claims. The excess premium is the amount of premium above that amount
35 necessary to achieve a ~~78%~~ 80% loss ratio for all of the carrier's small group policies
36 during the same 36-month period. The refund must be distributed to policyholders in
37 an amount reasonably calculated to correspond to the aggregate experience of all
38 policyholders holding policies having similar benefits. The total of all refunds must
39 equal the excess premiums.

40 (1) For determination of loss-ratio percentages in 2005, actual aggregate incurred
41 claims expenses include expenses incurred in 2005 and projected expenses for
42 2006 and 2007. For determination of loss-ratio percentages in 2006, actual

1 incurred claims expenses include expenses in 2005 and 2006 and projected
2 expenses for 2007.

3 (2) The superintendent may waive the requirement for refunds during the first 3
4 years after the effective date of this subsection.

5 **SUMMARY**

6 This bill requires a benefits-incurred-to-premiums-earned loss ratio of 78% for one
7 year or 80% over a 3-year average in the small group insurance market.