

MAINE STATE LEGISLATURE

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124th MAINE LEGISLATURE

FIRST REGULAR SESSION-2009

Legislative Document

No. 1194

S.P. 442

In Senate, March 25, 2009

An Act To Establish a Reinsurance Mechanism To Expand Health Insurance for Individuals and Groups

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

Handwritten signature of Joy J. O'Brien in cursive.

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator ROSEN of Hancock.

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

2 Sec. 1. 24-A MRSA c. 54, as amended, is repealed.

3 Sec. 2. 24-A MRSA c. 54-A is enacted to read:

4 CHAPTER 54-A

5 HEALTH INSURANCE INDIVIDUAL AND

6 SMALL GROUP REINSURANCE FUND

7 §3921. Short title

8 This chapter may be known and cited as "the Health Insurance Individual and Small
9 Group Reinsurance Fund Act."

10 §3922. Definitions

11 As used in this chapter, unless the context otherwise indicates, the following terms
12 have the following meanings.

13 1. Carrier. "Carrier" means an insurance company, nonprofit hospital and medical
14 service organization or health maintenance organization authorized to issue individual
15 health plans or small group health plans in this State.

16 2. Enrollee. "Enrollee" means a person covered under an individual health plan or
17 small group health plan.

18 3. Individual health plan. "Individual health plan" has the same meaning as in
19 section 2736-C, subsection 1, paragraph C.

20 4. Small group health plan. "Small group health plan" has the same meaning as in
21 section 2808-B, subsection 1, paragraph G.

22 §3923. Health Insurance Individual and Small Group Reinsurance Fund

23 1. Fund established. The superintendent shall establish the Health Insurance
24 Individual and Small Group Reinsurance Fund, referred to in this chapter as "the fund,"
25 from which carriers may receive reimbursement, to the extent funds are available, for
26 claims paid by such carriers for enrollees. The superintendent shall establish separate and
27 distinct accounts for funds from which carriers may receive reimbursement for claims
28 paid under individual and small group health plans. The fund is created as an enterprise
29 fund for the deposit of any funds appropriated or allocated to the fund from any public or
30 private source. The fund may not lapse but must be carried forward to carry out the
31 purposes of this chapter.

32 2. Reinsurance levels; eligibility. A carrier is eligible to receive reimbursement for
33 90% of claims paid between \$25,000 and \$75,000 in a calendar year for any enrollee
34 covered under an individual or small group health plan. Once claims paid on behalf of an

1 enrollee reach or exceed \$75,000 in a given calendar year, no further claims paid on
2 behalf of that enrollee in that calendar year are eligible for reimbursement. The
3 superintendent may reallocate the money available for distribution from the fund among
4 the individual and small group reinsurance accounts if the superintendent determines that
5 such reallocation is warranted due to enrollment trends.

6 **3. Claims for reimbursement.** A carrier is eligible for reimbursement on claims
7 only for the calendar year in which the claims are paid. A carrier must submit a request
8 for reimbursement for eligible individual and small group health plan claims on forms
9 prescribed by the superintendent. A reimbursement claim must be submitted no later than
10 April 1st following the end of the calendar year for which the reimbursement requests are
11 being made. The superintendent may require a carrier to submit any claims data in
12 connection with the reimbursement requests that the superintendent considers necessary
13 to oversee the operation of the fund. The data must be submitted in the form and manner
14 prescribed by the superintendent and reported separately for individual and small group
15 health plans.

16 **4. Distribution; pro rata distribution permitted.** The superintendent shall
17 distribute reimbursement amounts from the fund to carriers on a calendar year basis. For
18 each reinsurance account within the fund, the superintendent shall calculate the total
19 claims reimbursement amount for all carriers for the calendar year for which claims are
20 being reported. In the event that the total amount requested for reimbursement for a
21 calendar year exceeds funds available for distribution for claims paid during that same
22 calendar year, the superintendent shall provide for the pro rata distribution of the
23 available funds. Each carrier is eligible to receive only such proportionate amount of the
24 available funds as the individual carrier's total eligible claims paid bears to the total
25 eligible claims paid by all carriers. In the event that funds available for distribution for
26 claims paid by all carriers during a calendar year exceed the total amount requested for
27 reimbursement by all carriers during that same calendar year, the excess funds must be
28 carried forward and made available for distribution in the next calendar year. Any excess
29 funds are in addition to the funds appropriated for the fund in the next calendar year.

30 **5. Estimate of total reimbursement; actuarial assumptions.** The superintendent
31 shall separately estimate the per enrollee annual cost of total claims reimbursement from
32 each reinsurance account based upon available data and appropriate actuarial
33 assumptions. Upon request, each carrier shall furnish to the superintendent claims
34 experience data and enrollment data for use in such estimations. The data must be
35 furnished in the form and manner prescribed by the superintendent.

36 **6. Administrator.** The superintendent may obtain the services, through a
37 competitive bidding process, of a 3rd-party administrator or other organization to
38 administer the fund.

39 **7. Purchase of stop loss or excess insurance.** The superintendent, or the
40 administrator of the fund pursuant to subsection 6 with the prior approval of the
41 superintendent, may purchase stop loss or excess insurance from an insurance company
42 authorized to do business in this State. Such stop loss or excess insurance may be
43 purchased in an amount and at attachment levels determined appropriate by the

1 superintendent for the purposes of providing reimbursement of claims in accordance with
2 this section.

3 **8. Rules.** The superintendent shall adopt rules as necessary for the administration
4 and operation of the fund. Rules adopted pursuant to this subsection are routine technical
5 rules as defined in Title 5, chapter 375, subchapter 2-A.

6 **9. Audit.** The fund must be audited annually by the State Auditor. The
7 superintendent, at the superintendent's discretion, may arrange for an independent audit to
8 be conducted. A copy of the audit must be provided to the joint standing committee of
9 the Legislature having jurisdiction over health insurance matters and the joint standing
10 committee of the Legislature having jurisdiction over appropriations and financial affairs.

11 **10. Annual report.** The superintendent shall report annually by March 15th on the
12 operation of the fund to the joint standing committee of the Legislature having
13 jurisdiction over health insurance matters and the joint standing committee of the
14 Legislature having jurisdiction over appropriations and financial affairs. The report must
15 include information on the total amount of reimbursement made from the fund, the total
16 claims made for reimbursement and the financial solvency of the fund.

17 **Sec. 3. Revisor's review; cross-references.** The Revisor of Statutes shall
18 review the Maine Revised Statutes and include in the errors and inconsistencies bill
19 submitted to the Second Regular Session of the 124th Legislature pursuant to Title 1,
20 section 94 any sections necessary to correct and update any cross-references in the
21 statutes to provisions of law repealed in this Act.

22 SUMMARY

23 This bill repeals the Maine Individual Reinsurance Association enacted as part of
24 Public Law 2007, chapter 629 because the funding source for the association was
25 repealed by people's veto in November 2008. The bill establishes the Health Insurance
26 Individual and Small Group Reinsurance Fund to provide reimbursement of certain high-
27 cost claims for persons covered under individual and small group health plans. The fund
28 would reimburse carriers for 90% of claims paid between \$25,000 and \$75,000 for each
29 enrollee covered by the carrier on a calendar year basis.