

MAINE STATE LEGISLATURE

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**STATE OF MAINE
114TH LEGISLATURE
SECOND REGULAR SESSION**



**BILL SUMMARIES
JOINT STANDING COMMITTEE
ON
BANKING AND INSURANCE**

JUNE 1990

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**One Hundred and Fourteenth Legislature
Second Regular Session**

**Joint Standing Committee
Bill Summaries**

June 1990

This document is a compilation of the bill summaries prepared by this office for the Joint Standing Committees and Joint Select Committees of the Maine Legislature. The summaries are arranged by LD number for each committee.

All Adopted Amendments are listed, by paper number (e.g., H-584 or S-222), together with the sponsor for floor amendments. Final action is listed to the right of the title. Committee Reports and Floor Action are abbreviated as follows:

| | |
|-----------|---------------------------------------|
| OTP | Ought to Pass |
| OTP-ND | Ought to Pass in New Draft |
| OTP-ND-NT | Ought to Pass in New Draft, New Title |
| OTP-A | Ought to Pass as Amended |
| ONTP | Ought Not to Pass |
| LVWD | Leave to Withdraw |
| INDEF PP | Indefinitely Postponed |

Each individual summary was prepared by the analyst or analysts assigned to the committee. But, this document was produced by the efforts of all the office staff, including secretaries: Charlene Raymond, and Valarie Parlin, and especially Laurette Knox who coordinated preparation of the overall document.

Please give us your suggestions and comments on these summaries and tell us of any inaccuracies.

4. It requires that a business plan for establishing a HMO contain provisions that address a business failure and how specified providers will then act on any undischarged subscriber's benefits.
5. It modifies standards under which demonstration of quality of care, correction of deficiencies, and ongoing evaluation of coordination of patient care are to be incorporated in qualifying for a certificate of authority.
6. It establishes a new capitalization requirement as of January 1, 1994. An HMO must possess surplus funds equal to \$1,500,000 when formed and maintain \$1,000,000 thereafter. There is a 3 year phase-in period: 40% of these amounts is required in 1991, 60% in 1992, 80% in 1993, and 100% thereafter.
7. It sets the form of subordinated debt to be used by a HMO.
8. It requires fidelity bonding for officials who handle funds.
9. It applies to HMOs the investment standards that apply to insurers.
10. It requires deposit funds to be maintained with the Treasurer of State if the HMO can "balance bill" subscribers. Balance billing occurs when the provider is not fully compensated by the HMO for services rendered.
11. The bill required a hold harmless provision to avoid, to the extent possible, balance billing to subscribers of financially distressed HMOs, but the amendment requires that the contract between an HMO and a provider must contain a "hold harmless" provision to assure that the provider will not bill any enrollee for covered services even if the HMO becomes insolvent. It then ameliorates the impact on providers by allowing them to terminate a contract with 60 to 90 days notice, after the first 6 months of the contract.
12. It provides for suspension or revocation of the license of an HMO if it fails to maintain adequate surplus funds.
13. It provides for alternative or replacement coverage for subscribers of an HMO which becomes insolvent. The amendment allows a successor HMO to adjust its rates if inclusion of the members from the insolvent HMO justifies a rate adjustment.
14. It requires a holding company controlling a HMO to register with the Bureau of Insurance.
15. The amendment also requires any entity providing indemnification as a back-up to an HMO to demonstrate financial capacity.

LD 2357

An Act to Amend the Laws Applicable to Medicare Supplement Insurance Policies

**PUBLIC 852
EMERGENCY**

SPONSOR(S)

GARLAND
THERIAULT
ERWIN P
COLLINS

COMMITTEE REPORT

OTP-AM

AMENDMENTS ADOPTED

H-1017

SUMMARY

The bill makes certain amendments to state law required by the federal Medicare Catastrophic Coverage Repeal Act of 1989 in order for the state Medicare supplement regulatory program to remain in place. These amendments are consumer protection measures designed to level commissions and limit the

differential between commissions paid on new and renewal business. The bill also extends the rule-making authority of the Superintendent of Insurance regarding the establishment of minimum standards under Medicare supplement policies and contracts.

The Committee Amendment (H-1017) strikes the sections of the bill that limit the commissions payable on the sale and renewal of Medicare supplement policies. Instead, the Bureau of Insurance will address this issue in rules. The amendment also repeals the current provision in the Maine Insurance Code limiting commissions on replacement policies to avoid duplication of or inconsistency between the laws and rules to be adopted by the Bureau. Finally, the amendment adds an emergency preamble and an emergency clause.

LD 2378 An Act to Amend the Fresh Start Provision of the Workers' Compensation Insurance Laws

PUBLIC 854

| SPONSOR(S) | COMMITTEE REPORT | AMENDMENTS ADOPTED |
|-------------------|-------------------------|---------------------------|
| THERIAULT | OTP-AM | S-638 |
| RYDELL | | S-651 BUSTIN |
| KETOVER | | |
| JOSEPH | | |

SUMMARY

The bill would have repealed the "fresh start" process with respect to workers' compensation insurance policies issued after July 1, 1990, but would have permitted surcharges and credits to continue for deficits or surpluses created by policies issued before July 1, 1990. The Superintendent would make a final determination in 1997 as to the amount of the deficit or surplus for all pre-July 1, 1990 policies and would establish a 10-year schedule for surcharges to be imposed to reimburse insurers or credit employers. The bill also would require the Superintendent to order a surcharge to recover at least part of any calculated deficit each year until 1997, in an amount at least sufficient to cover the investment income that would be earned by insurers on any part of the deficit not recovered by surcharge that year.

The Committee Amendment (S-638) replaces the original bill. The amendment clarifies the definition and application of the minimum annual surcharge described in the bill and establishes the circumstances under which the "fresh start" process will terminate and Maine employers will no longer be responsible for residual market deficits or obtain rights to residual market surpluses. The process will terminate for policies issued on or after January 1 following the superintendent's determination, in any "fresh start" proceeding, that there is at least one prior policy year for which there is no deficit in the residual market or that the rate of return for the entire workers' compensation market is just and reasonable. The amendment authorizes the Superintendent to adopt rules to allocate residual market surpluses and deficits not subject to the "fresh start" process among workers' compensation insurers. The amendment also allows the Superintendent to spread the surcharge over a period not to exceed 10 years. The amendment calls for a final determination of the deficit for any policy year after losses from that policy year have been developed for 7 full years. Finally, the amendment deletes the emergency preamble, the emergency clause and the application section.

The Senate Amendment (S-651) to the Committee Amendment corrects a technical error.