

MAINE STATE LEGISLATURE

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**STATE OF MAINE
119TH LEGISLATURE**

SECOND REGULAR SESSION

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

JULY 2000

MEMBERS:

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Sen. Neria R. Douglass

Sen. I. Joel Abromson

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Staff:

Colleen McCarthy Reid, Legislative Analyst

Office of Policy and Legal Analysis

13 State House Station

Augusta, ME 04333

(207)287-1670



Maine State Legislature
OFFICE OF POLICY AND LEGAL ANALYSIS

13 State House Station, Augusta, Maine 04333-0013
 Telephone: (207) 287-1670
 Fax: (207) 287-1275

ONE HUNDRED NINETEENTH LEGISLATURE
SECOND REGULAR SESSION

Summary Of Legislation Before The Joint Standing Committees
July 2000

We are pleased to provide this summary of bills that were considered by the Joint Standing and Select Committees of the Maine Legislature this past session. The document is a compilation of bill summaries which describe each bill and relevant amendments, as well as the final action taken. Also included are statistical summaries of bill activity this session for the Legislature and each of its joint standing and select committees.

The document is organized for convenient reference to information on bills considered by the committees. It is organized by committees and within committees by bill (LD) number. The committee report(s), prime sponsor for each bill and the lead co-sponsor(s), if designated, are listed below each bill title. All adopted amendments are listed by paper number. Two indices, a subject index and a numerical index by LD number are provided for easy reference to bills. They are located at the back of the document. A separate publication, History and Final Disposition of Legislative Documents, may also be helpful in providing information on the disposition of bills. These bill summaries also are available at the Law and Legislative Reference Library and on the Internet (www.state.me.us/legis/opla).

Final action on each bill is noted to the right of the bill title. The abbreviations used for various categories of final action are as follows:

- CON RES XXX*..... Chapter # of Constitutional Resolution passed by both Houses
- CONF CMTE UNABLE TO AGREE*..... Committee of Conference unable to agree; bill died
- DIED BETWEEN BODIES*..... House & Senate disagree; bill died
- DIED IN CONCURRENCE*..... One body accepts ONTP report; the other indefinitely postpones the bill
- DIED ON ADJOURNMENT*..... Action incomplete when session ended; bill died
- EMERGENCY*..... Enacted law takes effect sooner than 90 days
- FAILED EMERGENCY ENACTMENT/FINAL PASSAGE*..... Emergency bill failed to get 2/3 vote
- FAILED ENACTMENT/FINAL PASSAGE*..... Bill failed to get majority vote
- FAILED MANDATE ENACTMENT*..... Bill imposing local mandate failed to get 2/3 vote
- NOT PROPERLY BEFORE THE BODY*..... Ruled out of order by the presiding officers; bill died
- INDEF PP*..... Bill Indefinitely Postponed
- ONTP*..... Ought Not To Pass report accepted
- OTP ND*..... Committee report Ought To Pass In New Draft
- OTP ND/NT*..... Committee report Ought To Pass In New Draft/New Title
- P&S XXX*..... Chapter # of enacted Private & Special Law
- PUBLIC XXX*..... Chapter # of enacted Public Law
- RESOLVE XXX*..... Chapter # of finally passed Resolve
- UNSIGNED*..... Bill held by Governor
- VETO SUSTAINED*..... Legislature failed to override Governor's Veto

Please note the effective date for all non-emergency legislation enacted in the Second Regular Session (unless otherwise specified in a particular law) is August 11, 2000.

David E. Boulter, Director
 Offices Located in the State House, Rooms 101 & 107

LD 1787

An Act Regarding Dependent and Family Coverage in the State Employee Health Insurance Program

ONTP

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DAGGETT	ONTP	

LD 1787, which was carried over from the First Regular Session, proposed to require the state employee health insurance program to treat the children of 2 unmarried state employees the same as it does the children of 2 married state employees when offering and establishing costs for health insurance. The bill proposed to require the state to offer so-called "split contracts" to unmarried state employees on the same basis and cost as if offered to married state employees.

LD 2029

An Act to Update and Amend the Preferred Provider Arrangement Act

PUBLIC 609

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
SAXL J ABROMSON	OTP-AM	H-860

LD 2029 was submitted on behalf of the Department of Professional and Financial Regulation and carried over from the First Regular Session. LD 2029 proposed to accomplish the following:

1. It makes definitions in the Maine Revised Statutes, Title 24-A, chapter 32 more consistent with those in Title 24-A, chapter 56-A;
2. It adds geographic accessibility standards for preferred provider arrangements, consistent with those of health maintenance organizations;
3. It provides for the incorporation of downstream risk arrangements;
4. It requires a preferred provider administrator who handles money to be licensed as a 3rd-party administrator, rather than being subject to separate standards as they are currently; and
5. It requires registered preferred provider arrangements to generate annual reports consistent with existing law.

Committee Amendment "A" (H-860) replaced the bill.

Preferred provider arrangements, PPAs, include a contract, agreement or arrangement between a carrier or administrator and a provider in which the provider agrees to provide health care services to a health plan enrollee whose plan benefits include incentives, typically a discount, for the enrollee to use the services of that provider. PPAs often serve as the provider network for carriers offering discount arrangements. In some instances, a PPA is the provider network for health maintenance organizations, HMOs. A gatekeeper PPA mirrors an HMO point-of-service product. Because of the similarities between a PPA and an HMO, the amendment proposed to standardize the reporting and filing requirements.

The amendment proposed to clarify definitions in the PPA statute and make the definitions consistent with the HMO statute. The amendment would make the accessibility and reporting standards for PPAs and HMOs consistent. It also clarified the information that PPAs must file with the Superintendent of Insurance to be registered in the State. The amendment proposed to require preferred provider administrators who transfer funds, manage funds or adjust claims to register as insurance administrators. The amendment would require that carriers offering more than one health plan with different provider networks must register each arrangement as a separate PPA with the superintendent. The amendment would clarify that the rules adopted pursuant to the Maine Revised Statutes, Title 24-A, chapter 56-A are applicable to PPAs.

The amendment proposed to require providers that enter into limited risk arrangements to meet certain criteria to protect enrollees from financial risk. Carriers that enter into downstream risk arrangements with downstream entities must acknowledge responsibility for providing services to enrollees in the event a downstream entity fails financially. Under the amendment, Title 24-A, chapter 56-A, subchapter III would allow the waiver of licensure requirements for downstream risk arrangements that meet safe harbor provisions or meet additional contractual and disclosure requirements specified by the superintendent. This subchapter proposed to establish a risk threshold under which a downstream entity may operate without licensure. Specific contractual and disclosure provisions are established that downstream entities must comply with to meet safe harbor standards. Additionally, the superintendent may waive licensing requirements for downstream entities that exceed the risk threshold if they meet specific contractual and disclosure conditions.

The amendment also added a fiscal note to the bill.

Enacted law summary

Public Law 1999, chapter 609 makes changes to the laws governing preferred provider arrangements to make them more consistent with the laws governing health maintenance organizations. A preferred provider arrangement is a contract, agreement or arrangement between a health insurance carrier or administrator and a provider in which the provider agrees to provide health care services to a health plan enrollee whose plan benefits include incentives, typically a discount, for the enrollee to use the services of that provider. Because of the similarities between a preferred provider arrangement (PPA) and a health maintenance organization (HMO), Public Law 1999, chapter 609 standardizes the reporting and filing requirements for PPAs and HMOs and makes the definitions consistent with those used in the Maine Revised Statutes, Title 24-A, chapter 56.

Public Law 1999, chapter 609 also makes the accessibility standards for PPAs consistent with the standards for HMOs. It clarifies the information that PPAs must file with the Superintendent of Insurance to be registered in the State. It requires administrators of preferred provider arrangements who transfer funds, manage funds or adjust claims to register as insurance administrators. The law requires that carriers offering more than one health plan with different provider networks must register each arrangement or provider network as a separate PPA with the Superintendent of Insurance. Finally, the law makes the rules adopted pursuant to the Health Plan Improvement Act, Maine Revised Statutes, Title 24-A, chapter 56-A, applicable to PPAs.

Public Law 1999, chapter 609 also enacts a new subchapter regulating downstream risk arrangements. Under a downstream risk arrangement, providers enter into arrangements with carriers that transfer all or part of the financial risk from a carrier's health plan to the provider. The law requires that downstream risk

arrangements be licensed or expressly permitted by the Superintendent unless the arrangements meet certain criteria under which a downstream entity may operate without licensure or obtain a waiver from the Superintendent. Downstream risk arrangements between a carrier and a downstream entity may operate without licensure if the arrangements do not involve substantial insurance risk or substantial enrollee risk and the arrangements meet specific contractual and disclosure requirements. Substantial insurance risk is defined as risk based on the use or costs of referral services only when the downstream entity is at risk for more than 75% of potential payments by the carrier to the downstream entity. Substantial enrollee risk is defined as an arrangement with a downstream entity involving more than 25% of the enrollees served by the carrier. Downstream risk arrangements that exceed the risk threshold for insurance risk or enrollee risk may request and receive a waiver from licensure from the Superintendent. The waiver request must include a plan for managing financial exposure sufficient to quantify in dollars per quarter and per annum all elements of downstream risk to be assumed by the downstream entity.

LD 2043

An Act to Clarify Underinsured Motor Vehicle Coverage

PUBLIC 663

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
LAFOUNTAIN SAXL J	OTP-AM	S-572

LD 2043 was recommitted to the Joint Standing Committee on Banking and Insurance near the end of the First Regular Session and carried over to the Second Regular Session. LD 2043 proposed to amend the laws governing underinsured vehicle coverage to address certain cases when more than one person is injured in an accident. It proposed to amend the provision of law construed in Mullen v. Liberty Mutual Insurance Co., 589 A.2d 1275 (Me. 1991) to deny a consumer the full benefit of the purchased insurance coverage in certain circumstances.

In Mullen v. Liberty Mutual Insurance Co., the Supreme Judicial Court determined that under current law the victim of a negligent motorist may be denied the full benefit of the uninsured motorist insurance purchased if multiple people are injured. LD 2043 proposed to amend the provision of law construed in Mullen to ensure that a person who is injured in an automobile accident is covered to the full extent of the underinsured motorist coverage purchased by the injured person when the insurance policy of the negligent motorist does not cover the injured person's claims.

Committee Amendment "B" (S-572) replaced the bill. The amendment proposed to require that, in instances when more than one person is injured in a motor vehicle accident involving an underinsured motor vehicle, the amount of underinsured vehicle coverage available to the injured person is determined by subtracting any payments actually made to the injured person under the motor vehicle liability policy applicable to the particular owner or operator of the underinsured motor vehicle from the injured person's, operator's or owner's underinsured vehicle coverage policy limits if applicable to that person. The amount of recovery must also be reduced by the amount by which the policy limits of the motor vehicle liability policy covering the underinsured motor vehicle exceed the total payments made under that policy to injured persons.

The amendment also proposed to clarify that the requirement that uninsured motor vehicle coverage limits equal the amount of liability coverage under a policy unless lower amounts are expressly rejected applies to personal motor vehicle insurance coverage and not to commercial coverage. It adds a provision governing the manner and time frame in which purchasers of personal motor vehicle insurance coverage may reject