

MAINE STATE LEGISLATURE

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*State Of Maine
120th Legislature*

First Regular Session

Bill Summaries

*Joint Standing Committee
on
Banking and Insurance*

August 2001

Members:

Sen. Lloyd P. LaFountain III, Chair

Sen. I. Joel Abromson

Sen. Neria R. Douglass

Rep. Christopher P. O'Neil, Chair

Rep. Benjamin F. Dudley

Rep. Nancy B. Sullivan

Rep. Marilyn E. Canavan

Rep. Lisa T. Marrache

Rep. William J. Smith

Rep. Arthur F. Mayo III

Rep. Kevin J. Glynn

Rep. Florence T. Young

Rep. John M. Michael

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Maine State Legislature
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120th Legislature
First Regular Session

Summary Of Legislation Before The Joint Standing Committees
August 2001

Enclosed please find a summary of all bills, resolves, joint study orders, joint resolutions and Constitutional resolutions that were considered by the joint standing 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 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:

CARRIED OVER..... *Bill Carried Over to Second Regular Session*
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 First Regular Session (unless otherwise specified in a particular law) is **September 21, 2001**.

David E. Boulter, Director
 Offices Located in the State House, Rooms 101/107/135

Joint Standing Committee on Banking and Insurance

LD 1745

An Act to Address Issues in the Maine Health Insurance Market

PUBLIC 410

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
ABROMSON	OTP-AM MAJ OTP-AM MIN	S-274

LD 1745 was submitted on behalf of the Department of Professional and Financial Regulation.

Part A of LD 1745 proposed to amend several provisions of the individual and small group health insurance reform laws in the following ways.

1. It eliminates the requirement that private purchasing alliances offer health coverage through more than one carrier.
2. It increases the permitted downward adjustments in individual insurance rates based on age and geographic area from 20% to 40% over a 2-year period. It increases the permitted downward adjustments in small group insurance rates based on age, geographic area and occupation or industry from 20% to 40% over a 2-year period. Upward variations for both individual and small group rates would remain limited to 20%.
3. It removes entirely the current restrictions on differentiating individual and small group health insurance rates based on smoking status and permits discounts for nonsmokers and those with healthy lifestyles.
4. It permits rates for individual health insurance to vary based on health status, within limits. For policies issued after January 1, 2002, higher rates may be used for those in poor health at time of issue, but renewal rates may not be increased based on subsequent deterioration of health. The highest rate charged for a given age and geographic area is limited to 150% of the standard rate for that age and geographic area.
5. It authorizes the Superintendent of Insurance to approve pilot projects under which insurers may offer innovative products that are exempted from certain provisions of the insurance code including access requirements and mandated benefits. It also authorizes approval of pilot projects under which insurers may be exempted from certain provisions of the insurance code in order to offer the same product in multiple states.
6. It eliminates the requirement for carriers to offer standardized plans in the small group market.

Part B proposed to include the following consumer protection provisions.

1. It requires health insurers to provide a minimum 30-day notice of rate increases to policyholders. It also requires disclosure of anticipated rate increases when quoting rates for new business.
2. It requires more complete disclosure of loss information in order to facilitate shopping by employers for alternate coverage while protecting confidential information from improper disclosure.
3. It makes health maintenance organizations subject to the same continuation of coverage requirements currently applicable to group indemnity coverage. It also clarifies that the general penalty provisions of the insurance code apply to health maintenance organizations.

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4. It establishes standards applicable to health policies and contracts that limit payment of claims for covered services based on a determination of "usual, customary and reasonable charges," UCR or similar methodology. The bill requires disclosure to insureds that they may be subject to balance billing, requires carriers to give insureds the opportunity to request the carrier's UCR rate for a given procedure to permit the insured to shop around for services, requires carriers to disclose their methodology and specific data relied upon in calculating UCR for a given claim and limits carriers' ability to apply UCR when credible data is not available.
5. It requires utilization review notices to advise whether or not the service reviewed for medical necessity is covered under the health contract or policy at issue. Utilization review notices frequently advise only whether or not a requested service is medically necessary, causing consumer confusion when a service authorized as medically necessary is subsequently denied as not being covered.
6. It permits those who lose eligibility for the low-cost drugs for the elderly or disabled program to purchase a Medicare supplement policy with prescription drug benefits.

Part C proposed to create a new chapter of the Maine Insurance Code based on a National Association of Insurance Commissioners model law to standardize and simplify the terms and coverages of individual health insurance policies and group health insurance policies and certificates. It is also intended to facilitate public understanding and comparison and to eliminate provisions contained in health insurance policies that may be misleading or unreasonably confusing in connection either with the purchase of these coverages or with the settlement of claims. It further would provide for full disclosure in the sale of health coverages and give the Superintendent of Insurance authority to adopt rules to carry out the purposes of the chapter.

Committee Amendment "A" (S-274) was the majority report of the committee.

In Part A, the amendment proposed to do the following.

1. It removes the provisions relating to private purchasing alliances because those changes are included in other legislation.
2. It removes the provisions proposing changes to the community rating laws applicable to individual and small group health insurance except that it allows carriers to vary premium rates in the individual and small group markets based on smoking status outside of the rating bands.
3. It removes the provisions authorizing the Superintendent of Insurance to authorize pilot projects for innovative products and multistate products in the individual and small group health insurance markets.
4. It retains the provision eliminating the requirement for carriers to offer standardized plans in the small group market.

In Part B, the amendment proposed to do the following.

1. It removes the provisions relating to notices of rate increases to policyholders because similar provisions are included in other legislation.

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2. It requires insurers to provide loss information in aggregate form to group policyholders upon written request within 21 business days of the request. Under current law, insurers are required to provide the information upon request 60 days prior to renewal of the policy and again 6 months from the date the policy becomes effective.
3. It removes the provisions that would have permitted the disclosure of confidential loss information relating to the medical diagnosis, treatment or health status of group members, including potentially identifying information.
4. It retains the provision making the continuity and penalties provisions of the Maine Insurance Code applicable to health maintenance organizations.
5. It retains the provision relating to standards applicable to health insurance policies that limit payment of claims for covered services based on a determination of "usual, customary and reasonable" charges.
6. It retains the provision requiring utilization review entities to advise whether or not the service reviewed for medical necessity is a covered service under the health policy or contract at issue.
7. It retains the provision permitting those who lose eligibility for the low-cost drugs for the elderly or disabled program to purchase a Medicare supplement policy with prescription drug benefits. The amendment also clarifies that Medicare supplement coverage with prescription drug benefits may not affect eligibility for coverage under the low-cost drugs for the elderly or disabled program if the individual no longer has Medicare supplement coverage with prescription drug benefits at the time of reapplication for the program.

In Part C, the amendment proposed to clarify that the new chapter of the Maine Insurance Code does not apply to group disability income protection coverage. The amendment also would make the rules adopted by the Superintendent of Insurance major substantive rules and subject to legislative review before final adoption.

The amendment also added a fiscal note to the bill.

Committee Amendment "B" (S-275) was the minority report of the committee. The amendment differs from the majority report only in Part A because it would retain the provisions relating to community rating with the exception of the medical underwriting and healthy lifestyle provisions in the bill.

In Part A, the amendment proposed to do the following.

1. It removes the provisions relating to private purchasing alliances because those changes are included in other legislation.
2. It removes the provisions proposing to allow medical underwriting on the basis of health status and healthy lifestyle in the individual health insurance market, but retains the provisions allowing rating on the basis of smoking status in the community rating laws applicable to individual and small group health insurance.
3. It retains the provisions increasing the downward adjustments in the community rating bands in the individual and small group health insurance market on the basis of age and geographic area.
4. It removes the provisions authorizing the Superintendent of Insurance to authorize pilot projects for innovative products and multistate products in the individual and small group health insurance markets.

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5. It retains the provision eliminating the requirement for carriers to offer standardized plans in the small group market.

The changes proposed in the amendment to Parts B and C of the bill are identical to those contained in the majority report. The amendment also added a fiscal note to the bill.

Committee Amendment "B" was not adopted.

Enacted law summary

Public Law 2001, chapter 410 amends the individual and small group health insurance laws.

In Part A, Public Law 2001, chapter 410 allows carriers to vary premium rates in the individual and small group markets based on smoking status outside of the prescribed community rating bands. The law also eliminates the requirement for carriers to offer standardized plans in the small group market.

In Part B, Public Law 2001, chapter 410 requires insurers to provide loss information in aggregate form to group policyholders upon written request within 21 business days of the request. Under current law, insurers are required to provide the information upon request 60 days prior to renewal of the policy and again 6 months from the date the policy becomes effective.

The law makes health maintenance organizations subject to the same continuity of coverage requirements currently applicable to indemnity coverage. And it clarifies that the general penalty provisions of the Maine Insurance Code apply to health maintenance organizations.

The law establishes standards applicable to health insurance policies that limit payment of claims for covered services based on a determination of "usual, customary and reasonable" charges. It requires disclosure to insureds that they may be subject to balance billing, requires carriers to give insureds the opportunity to request a carrier's UCR rate for a given procedure, requires disclosure of a carrier's methodology and specific data used to calculate UCR for a given claim and limits a carrier's ability to apply UCR in the absence of creditable supporting data.

Part B of Public Law 2001, chapter 410 also requires utilization review entities to advise whether or not the service reviewed for medical necessity is a covered service under the health policy or contract at issue.

The law also permits those who lose eligibility for the low-cost drugs for the elderly or disabled program to purchase a Medicare supplement policy with prescription drug benefits and clarifies that Medicare supplement coverage with prescription drug benefits may not affect eligibility for coverage under the low-cost drugs for the elderly or disabled program if the individual no longer has Medicare supplement coverage with prescription drug benefits at the time of reapplication for the program.

In Part C, Public Law 2001, chapter 410 creates a new chapter of the Maine Insurance Code to standardize and simplify the terms and coverages of individual and group health insurance. The law is intended to facilitate public understanding and enable comparison among insurance policies. It also gives authority to the Superintendent of Insurance to adopt rules relating to the required disclosures in the sale of health insurance policies and designates those rules as major substantive rules subject to legislative review before final adoption.