

HB 1278 -- Insurance

Sponsor: Luetkemeyer

This bill makes changes to the laws regarding insurance.

DEPARTMENT OF INSURANCE FEES

The bill changes the way fees are assessed to pay for expenses incurred by the Department of Insurance. The bill:

(1) Limits the expenses that insurance companies must pay for examinations by the department. Current law allows the director to assess fees on each insurer for the examination of that insurer. The bill limits this assessment to the direct expenses incurred by the examiners. The department must provide an itemized report of expenses which includes the rate of pay for each examiner and the amount of time spent by each examiner. The itemized reports must be verified by the insurance company before the department can issue the assessment;

(2) Changes the additional assessment for examiner support staff from 15% to 5% of the total expenses assessed; and

(3) Limits the reimbursement of department employees to either 80% of the federal per diem rate or the actual travel expenses incurred in conducting the examinations, whichever is less.

MANDATED HEALTH BENEFIT REVIEW COMMISSION

The bill creates the Mandated Health Benefit Review Commission. The commission will review all health insurance coverage mandates currently required by law and any mandates offered by legislators in the future. The commission must file a report with the General Assembly by January 2006 detailing any proposed changes to those mandates currently in law. Any bill containing a health insurance coverage mandate must be evaluated by the commission before the law can be enacted. The bill sets an extensive list of issues that the commission must address when it reviews any proposed mandate. The commission will be composed of the directors of the departments of Insurance and Health and Senior Services, two members of the House of Representatives, and two members of the Senate, all of whom serve as ex-officio members. The Governor will appoint six voting members to the commission who will include two individuals representing employers, two employees who pay for a portion of their health insurance, and two individuals who purchase their own health insurance. The bill also removes all of the mandated coverages from the Limited Mandate Health Insurance Law. Under current law, health insurers may sell a less expensive health insurance policy that does not

include many of the coverages that are mandated by law. This limited mandate policy contains nine mandated coverage areas. The bill removes those nine mandated coverages, which include maternity stays in the hospital, mammograms, immunizations, PKU coverage, and coverage for adopted children. The bill also removes language that restricts the marketing of limited coverage to people who do not have health insurance.

PROPERTY AND CASUALTY INSURANCE

The bill amends the laws governing the Property and Casualty Insurance Guaranty Association Act. The bill:

- (1) Expands the guaranty association's obligations for claims arising from bodily injury, sickness, or disease to include damages for pain and suffering;
- (2) Adds provisions establishing the guaranty association's obligations for insurance products that have been created during the past several years; and
- (3) Clarifies provisions regarding the administration of the guaranty fund to comply with the recommendations of the National Conference on Insurance Guaranty Funds.

GROUP HEALTH INSURANCE

The bill amends the law regarding group health insurance. The bill:

- (1) Defines the terms "pre-existing condition exclusions" and "waiting period";
- (2) Prohibits group health insurance issuers from establishing enrollment eligibility requirements based on health status-related factors, which include medical history and genetic information;
- (3) Prohibits health insurance issuers that offer group health insurance coverage from requiring any individual, as a condition of enrollment, to pay a premium or other contribution that is greater than that made by other similarly situated individuals enrolled in the plan on the basis of health status-related factors;
- (4) Requires health insurance issuers offering large group health plan coverage to renew or continue coverage in force at the option of the plan sponsor;
- (5) Outlines conditions under which health insurance issuers can

non-renew or discontinue group health plan coverage, particular types of large group health insurance coverage, and all large group health insurance coverage;

(6) Permits health insurance issuers to modify coverage for a large group health plan at the time of coverage renewal; and

(7) Changes the definition of the term "placement" as it pertains to coverage of adopted children. In current law, placement means that the child is in the physical custody of the adoptive parent. The bill changes it to mean the assumption and retention by the insured of a legal obligation for total or partial support of a child in anticipation of adoption.

MISSOURI HEALTH INSURANCE POOL

The bill makes several changes to the laws regarding the Missouri Health Insurance Pool, known as the high-risk pool. The bill:

(1) Adds the term "federal defined eligible individual" as it relates to the health insurance pool;

(2) Adds two members to the board of directors;

(3) Designates as eligible for pool coverage individuals who are residents of Missouri and who provide evidence of: (a) refusal by one insurer to issue substantially similar insurance for health reasons; or (b) refusal by an insurer to issue insurance except at a rate exceeding 150% of the standard risk rate;

(4) Creates a qualified plan that will comply with the federal Trade Adjustment Assistance Reform Act of 2002;

(5) Requires insurers to inform a person of the existence of the high-risk pool and how to apply for coverage when the person is affected by a change in the insurer's underwriting, such as the insurer putting new limitations on coverage or increasing premiums;

(6) Defers, for three years, the deductions from premium taxes that may be taken for high-risk pool participation assessments, starting in the 2005 tax year;

(7) Makes eligible for pool coverage persons who terminated coverage in the pool less than 12 months prior, persons on whose behalf the pool has paid out \$1 million in benefits, and persons receiving treatment for drug or alcohol abuse. Under current law, these persons are ineligible for pool coverage;

(8) Allows persons who do not maintain residency in Missouri to

be terminated at the end of the policy period;

(9) Changes the percentage limit on pool rates from 200% to 150% of the rates applicable to individual standard risks; and

(10) Changes the time within which a person has to apply for pool coverage from 60 days to 63 days in order to have a waiver of pre-existing condition exclusions.

SMALL EMPLOYER HEALTH INSURANCE

The bill amends the laws regarding the Small Employer Health Insurance Availability Act. The bill:

(1) Adds the terms "creditable coverage," "excepted benefits," "health status-related factor," and "medical care" as they relate to the Small Employer Health Insurance Availability Act;

(2) Modifies the definition of "small employer" as it pertains to a group health plan to include political subdivisions. A small employer is one who employs two to 50 eligible employees. Under current law, a small employer has three to 25 employees;

(3) Modifies conditions under which small employer health benefit plans are not renewable;

(4) Lists conditions under which small employer carriers can discontinue a particular type of small group health benefit plan and discontinue all small employer health insurance coverage;

(5) Repeals the requirement for small employer carriers electing to non-renew all of its small employer health plans in the state to provide certain types of notice;

(6) Allows small employer carriers offering coverage through a network plan not to offer coverage to an eligible person who no longer lives or works in the service area or to a small employer who no longer has an enrollee in the plan who lives or works in the service area;

(7) Requires small employer carriers to offer all health benefit plans they actively market to small employers in the state. Current law requires small employer carriers to offer at least two health benefit plans: a basic and a standard health benefit plan;

(8) Changes the way small employer health benefit plans can define pre-existing conditions. The bill specifies that a pregnancy existing on the effective date of coverage is not considered a pre-existing condition;

(9) Changes the requirement that creditable coverage be continuous from 30 days prior to the effective date of new coverage to a date not less than 63 days prior to application for new coverage;

(10) Establishes cases where small employer carriers are prohibited from imposing any pre-existing condition exclusion; and

(11) Abolishes the Missouri Small Employer Reinsurance Program on December 31, 2005. The program will not take on any risk after October 1, 2004.

OTHER PROVISIONS

In other provisions regarding insurance, the bill:

(1) Repeals the sunset clause on a section of law governing the liquidation of insurance companies. This provision is currently set to expire on December 31, 2005. The provision allows an estimation of contingent liabilities to be used to fix creditors' claims during the liquidation process. It also requires a reinsurer's payment to be made directly to the liquidator, except where the contract specifically provides for another payee or where another insurer assumes the ceding insurer's policy obligations;

(2) Changes the definition of "renewal" as it applies to automobile insurance. Any automobile insurance policy with a term of less than six months or with no fixed expiration date will be considered a six-month policy. Under current law, the default term is 12 months;

(3) Repeals the bond requirement for acquiring a license to sell surplus lines of insurance; and

(4) Amends the formula used to determine extraordinary dividends for shareholders in insurance holding companies.