

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2708 Session of
2002

INTRODUCED BY MUNDY, BELFANTI, BEBKO-JONES, BELARDI, CRUZ,
CURRY, FREEMAN, HARHAI, JAMES, JOSEPHS, KIRKLAND, MELIO,
PALLONE, SHANER, STABACK, STEELMAN, SURRA, THOMAS, TIGUE,
WANSACZ, WASHINGTON, J. WILLIAMS, G. WRIGHT, YOUNGBLOOD AND
DeLUCA, JUNE 17, 2002

REFERRED TO COMMITTEE ON INSURANCE, JUNE 17, 2002

AN ACT

1 Amending Title 40 (Insurance) of the Pennsylvania Consolidated
2 Statutes, providing for required and excess reserves of
3 hospital plan corporations; and further providing for
4 required reserves.

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 Section 1. Title 40 of the Pennsylvania Consolidated
8 Statutes is amended by adding a section to read:

9 § 1628. Required and excess reserves of hospital plan
10 corporations.

11 (a) General rule.--A hospital plan corporation shall, at all
12 times while engaged in business, maintain reserves in such form
13 and amount as the department may determine, to insure its
14 subscribers against loss through the failure of the corporation
15 to provide the services agreed to in its contracts.

16 (b) Excess reserves.--When a hospital plan corporation holds
17 reserves which exceed the minimum reserve levels established by

1 the department and which would enable the hospital plan
2 corporation to provide the services agreed to in its subscriber
3 contracts for an additional three months, the department shall
4 require that the hospital plan corporation use the remaining
5 reserves above that amount to reduce premium rates for all of
6 its subscribers at proportionally equal rates.

7 (c) Premium reductions to occur on an annual basis.--The
8 department shall, on an annual basis occurring no later than one
9 month following the submission of the annual report required
10 under section 6125 (relating to reports and examinations),
11 require premium reductions as specified in this section. The
12 department shall provide notice in the Pennsylvania Bulletin of
13 each hospital plan corporation's premium reductions prior to the
14 effective date of the premium reductions.

15 (d) Transfers of certain assets to be calculated as
16 reserves.--Transfers of assets by a hospital plan corporation to
17 any for-profit or not-for-profit subsidiary, foundation or
18 business interest which does not directly provide health
19 insurance services related to the hospital plan corporation's
20 mission as a charitable and benevolent institution shall be
21 included in reserve calculations by the department.

22 (e) Failure to reduce premiums.--The department shall not
23 approve any premium rate increase filing or filing to reduce
24 services for subscribers by a hospital plan corporation that
25 does not use excess reserves to reduce premiums as required by
26 this section.

27 Section 2. Section 6321 of Title 40 is amended to read:

28 § 6321. Required and excess reserves of professional health
29 services corporations.

30 (a) General rule.--A professional health service corporation

1 shall at all times while engaged in business maintain reserves,
2 in such form and amount as the department may determine, to
3 insure its subscribers against loss through the failure of the
4 corporation to provide the services agreed to in its contracts.

5 (b) Excess reserves.--When a professional health service
6 corporation holds reserves which exceed the minimum reserve
7 levels established by the department and which would enable the
8 professional health service corporation to provide the services
9 agreed to in its subscriber contracts for an additional three
10 months, the department shall require that the professional
11 health service corporation use the remaining reserves above that
12 amount to reduce premium rates for all of its subscribers at
13 proportionally equal rates.

14 (c) Premium reductions to occur on an annual basis.--The
15 department shall, on an annual basis occurring no later than one
16 month following the submission of the annual report required
17 under section 6331 (relating to reports and examinations),
18 require premium reductions as specified in this section. The
19 department shall provide notice in the Pennsylvania Bulletin of
20 each professional health service corporation's premium
21 reductions prior to the effective date of the premium
22 reductions.

23 (d) Transfers of certain assets to be calculated as
24 reserves.--Transfers of assets by a professional health service
25 corporation to any for-profit or not-for-profit subsidiary,
26 foundation or business venture which does not directly provide
27 health insurance services related to the professional health
28 service hospital plan corporation's mission as a charitable and
29 benevolent institution shall be included in reserve calculations
30 by the department.

1 (e) Failure to reduce premiums.--The department shall not
2 approve any premium rate increase filing or filing to reduce
3 services for subscribers by a professional health service
4 corporation that does not use excess reserves to reduce premiums
5 as required by this section.

6 Section 3. This act shall take effect in 60 days.