



HOUSE COMMITTEE ON APPROPRIATIONS

2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 746

PRINTER'S NO: 2004

PRIME SPONSOR: DeLuca

FISCAL IMPACT SUMMARY	FY 2008/09	FY 2009/10
Expenditure Increase/(Decrease):		
General Fund	\$0	\$0

OVERVIEW:

House Bill 746 amends the Insurance Company Law of 1921 to add Article XLII relating to affordable small group health care coverage. Under the bill, the Insurance Department will develop standard health insurance plans. The department shall consult with insurers and publish the plan in the Pennsylvania Bulletin. These plans may not include any preexisting condition exclusions. The plans may include deductible and other cost-sharing arrangements; however, costs should not dissuade a consumer from seeking services. Insurers may offer additional benefits to the standard plans. Any additional benefits must be listed and priced separately. The bill allows groups of two or more small employers to join together for the purpose of purchasing small group health benefit plans.

The bill applies to dominant insurers (including subsidiaries and affiliates) writing more than one percent of the covered lives in each respective health care region. The bill exempts insurers writing less than one percent of the market, based on premium volume.

Dominant insurers must establish and file a "geographic average rate" or base rate for all small group (2-50 employees) health insurance plans. The geographic average rate methodology is based on the experience of all risks covered by the employer plan without regard to health status, occupation or any other factor. It may only be adjusted to consider age of risk.

Dominant insurers may not charge a rate above or below 33 percent of the geographic average rate filed with the department. Premiums may be adjusted annually to reflect any additional benefits purchased and/or changes in family composition. Premium adjustments may be made more frequently than once a year if those adjustments are necessary due to changes in enrollment of the small employer group, benefit package, family composition or changes due to a government or judicial order.

The bill caps rate renewal increases at 10 percent from the applicable group rate. Exemptions to the cap exist for adjustments relative to changes in enrollment or benefits. Also, when a small employer group participates in a Department of Health approved wellness initiative, the bill requires insurers to adjust their geographic average rate by at least five percent (but no more than 20 percent).

The bill requires all health insurance rate filings to be subject to prior approval by the department. If the department fails to act within 45 days of the filing, insurers must provide written notification of their intent to implement a new rate at least 10 days prior to implementation. Under the bill, the department may deny any rate filing if: the rate is not actuarially sound; the rate change reflects an insurer's inefficiencies or failure to incentivize on insured in order to avoid health care acquired infections or manage chronic conditions; or the insurer's medical loss ratio (MLR) is less than 85 percent. The department may require an insurer with a MLR less than 85 percent to refund the difference to policyholders.

House Bill 746 also requires health insurance coverage for college and graduate students. Ninety days after the effective date, the Insurance Department must establish a minimum benefit package for full-time college and graduate students. All insurers are required to offer the minimum health benefit package no later than 120 days after it is posted in the Pennsylvania Bulletin.

The bill requires every full-time college students or graduate students to maintain health coverage throughout the student's enrollment. Students must present evidence of their coverage to their educational institution.

In addition, the bill requires every public or private college or graduate school to make group or individual health coverage available to students for purchase. This requirement may also be met if an institution provides on-campus health care that is equivalent to the minimum health benefit package.

House Bill 746 also addresses fair marketing standards for insurers providing small group health coverage to small employers in the Commonwealth. The bill also requires insurers to file a report with the department regarding market share by region. The report must include aggregate financial information, marketing information for the preceding year, and aggregate market information. By July 1st of each year, the department must review these reports and publish in the Pennsylvania Bulletin. The department also is responsible for providing this information to the public via a searchable website. Failure to comply with reporting requirements may result in an administrative penalty of \$1,000 against each insurer or \$5,000 against any insurer group for every day that a report is not provided.

Under the bill, the Insurance Commissioner may: issue a cease and desist order; suspend or revoke an insurer's license; impose a \$5,000 administrative penalty for each violation; seek restitution; or impose any other penalty he/she deems appropriate.

The provisions relating to health care coverage for college and graduate students will take effect the August 1 following 180 days after the elements of the standard plan are published in the Pennsylvania Bulletin. The remainder of the act takes effect immediately.