

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2930 Session of
1994

INTRODUCED BY RICHARDSON, SCRIMENTI, ROBINSON, JOSEPHS,
KUKOVICH, TRICH, TRELLO, LAWLESS, RITTER, MANDERINO,
CAPPABIANCA, BEBKO-JONES AND CAWLEY, JUNE 16, 1994

REFERRED TO COMMITTEE ON HEALTH AND WELFARE, JUNE 16, 1994

AN ACT

1 Amending Title 40 (Insurance) of the Pennsylvania Consolidated
2 Statutes, providing for health insurance reforms and
3 protections to consumers by limiting reasons for cancellation
4 of insurance and regulating replacement of group coverage by
5 another insurer with regard to continuity of coverage of when
6 consumers change groups.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. Part II of Title 40 of the Pennsylvania
10 Consolidated Statutes is amended by adding an article to read:

11 ARTICLE C

12 HEALTH INSURANCE

13 Chapter

14 73. Policy Requirements

15 CHAPTER 73

16 POLICY REQUIREMENTS

17 Sec.

18 7301. Definitions.

19 7302. Termination of insurance.

1 7303. Group health insurance agreements; successor
2 agreements.

3 7304. Continuation of coverage for individuals who change
4 groups.

5 7305. Prohibition of excluding any person in a group contract
6 based on that person's health history or genetic status.

7 7306. Preexisting condition exclusion.

8 7307. Penalties.

9 § 7301. Definitions.

10 The following words and phrases when used in this chapter
11 shall have the meanings given to them in this section unless the
12 context clearly indicates otherwise:

13 "Department." The Insurance Department of the Commonwealth.

14 "Genetic status." The presence of a physical condition in an
15 individual which is a result of an inherited trait.

16 "Group health contract." A group health insurance agreement
17 issued by an insurer to cover employees of an employer, a trust
18 fund established to cover employees of one or more employers and
19 an association of employees.

20 "Group health insurance agreement." A health insurance
21 agreement providing group health benefits.

22 "Health insurance agreement." An accident and health
23 insurance policy, contract or group insurance certificate issued
24 by an insurer.

25 "Insurer." Any insurance company, association or reciprocal,
26 nonprofit hospital company, nonprofit professional health
27 service plan, health maintenance organization, fraternal
28 benefits society or any risk-bearing PPO and nonrisk-bearing PPO
29 not governed and regulated under the Employee Retirement Income
30 Security Act of 1974 (Public Law 93-406, 29 U.S.C. § 1001 et

1 seq.).

2 "PPO." A preferred provider organization subject to the
3 provisions of section 630 of the act of May 17, 1921 (P.L.682,
4 No.284), known as The Insurance Company Law of 1921.

5 "Preexisting condition." A disease or physical condition for
6 which medical advise or treatment has been received within 90
7 days immediately prior to the effective date of coverage under a
8 group health contract.

9 "Terminate." Includes cancellation, renewal and rescission.
10 § 7302. Termination of insurance.

11 (a) Prohibition.--An insurer shall not terminate a health
12 insurance agreement for any reason except as permitted under
13 this section.

14 (b) Permissible termination.--An insurer may terminate a
15 health insurance agreement subsequent to the expiration of ten
16 days following the date of written notice to the insured if:

17 (1) the premium for the health insurance agreement is
18 due and payable and remains unpaid beyond the date required
19 for payment;

20 (2) the applicant is a person convicted of fraud in
21 applying for insurance or making a claim for insurance
22 benefits; or

23 (3) an insurer is determined by the Insurance
24 Commissioner to be in jeopardy of insolvency, provided that
25 the health insurance agreement is placed with another insurer
26 without any preexisting condition exclusion.

27 (c) Withdrawal and termination.--An insurer may terminate
28 all health insurance agreements only upon and subsequent to
29 complete withdrawal from the accident and health insurance
30 market in this Commonwealth by amendment of its certificate of

1 authority. Any termination under this provision for withdrawal
2 shall not occur sooner than the renewal date and only after the
3 expiration of not less than 30 days following the date of
4 written notice of termination to the insured.

5 (d) Construction.--This section shall not be construed to
6 prohibit the sale of a specific block of business by one insurer
7 to another insurer licensed in this Commonwealth.

8 (e) Review.--An insured or policyholder may request the
9 department to review in the manner provided for by law any
10 termination of a health insurance agreement. Except for
11 terminations occurring under the provisions of this section
12 relating to withdrawals, the insured's coverage under the health
13 insurance agreement shall not be terminated and shall continue
14 in full force and effect until the issuance of a finding by the
15 department that the termination was not unlawful.

16 § 7303. Group health insurance agreements; successor
17 agreements.

18 (a) Continuation of coverage.--Except as otherwise provided
19 in this section, a person shall be entitled to and be provided
20 coverage and benefits under a group health insurance agreement
21 without regard to a preexisting condition exclusion period if:

22 (1) the group health insurance agreement is issued to
23 the policyholder as a replacement and successor to a prior
24 group health insurance agreement; and

25 (2) the person was covered under the prior group health
26 insurance agreement.

27 (b) Exception.--Any unexpired time period of a preexisting
28 condition exclusion period for any medical condition contained
29 in a prior group health insurance agreement may be applied to
30 any person who otherwise would qualify for coverage and benefits

1 under this section in the manner required by section 7306
2 (relating to preexisting condition exclusion).

3 (c) Applicability.--Long-term care benefits and disability
4 income benefits shall not be subject to this section.

5 § 7304. Continuation of coverage for individuals who change
6 groups.

7 (a) Continuation of coverage.--Except as otherwise provided
8 in this section, a person shall be entitled to and be provided
9 coverage and benefits under a group health contract without
10 regard to a preexisting condition exclusion period or a waiting
11 period if:

12 (1) the person was covered under a prior group health
13 contract for at least six months; and

14 (2) the insurer receives the application of the person
15 for coverage governed by this provision within three months
16 of the date of termination of coverage under a prior group
17 health contract.

18 (b) Exception.--Any unexpired time period of a preexisting
19 condition exclusion period or waiting period contained in a
20 prior group health contract may be applied to any person who
21 otherwise would qualify for coverage and benefits under this
22 section in the manner required by section 7306 (relating to
23 preexisting condition exclusion).

24 (c) Construction.--Nothing in this section shall be
25 construed to require any employer or insurer to issue or provide
26 the same benefits or similar benefits or extent of coverage
27 contained in a prior group health contract.

28 (d) Applicability.--This section shall not apply to long-
29 term care benefits or to disability income benefits.

30 § 7305. Prohibition of excluding any person in a group contract

1 based on that person's health history or genetic
2 status.

3 (a) Prohibition.--No person shall be denied coverage under a
4 group health insurance agreement who is otherwise eligible for
5 coverage as a group member but for such person's health history,
6 genetic status or specific preexisting condition, except for a
7 preexisting condition permitted under section 7306 (relating to
8 preexisting condition exclusion).

9 (b) Applicability.--This section shall not apply to group
10 long-term care policies.

11 § 7306. Preexisting condition exclusion.

12 A preexisting condition exclusion shall not exclude, limit or
13 reduce coverage or benefits in a group health insurance
14 agreement or a group health contract beyond six months from the
15 effective date of coverage.

16 § 7307. Penalties.

17 Upon satisfactory evidence of a violation of this chapter by
18 an insurer, the Insurance Commissioner may:

19 (1) Order that the insurer cease and desist from the
20 violation.

21 (2) Impose a civil penalty of not more than \$5,000 for
22 each violation.

23 Section 2. The provisions of this act are severable. If any
24 provision of this act or its application to any person or
25 circumstance is held invalid, the invalidity shall not affect
26 other provisions or applications of this act which can be given
27 effect without the invalid provision or application.

28 Section 3. All acts and parts of acts are repealed insofar
29 as they are inconsistent with this act.

30 Section 4. (a) This act shall apply to every individual

1 accident and health insurance policy or contract issued by an
2 insurer on or after the effective date of this act.

3 (b) This act shall apply to every group accident and health
4 insurance policy or contract or group insurance certificate
5 issued, reissued, renewed or amended by an insurer on or after
6 the effective date of this act.

7 Section 5. This act shall take effect in 90 days.