

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 938 Session of
1995

INTRODUCED BY RICHARDSON, YOUNGBLOOD, ROBINSON, KUKOVICH AND
CARN, FEBRUARY 28, 1995

REFERRED TO COMMITTEE ON INSURANCE, FEBRUARY 28, 1995

AN ACT

1 Amending Title 40 (Insurance) of the Pennsylvania Consolidated
2 Statutes, providing for health insurance reform and for the
3 protection of consumers by limiting reasons for cancellation
4 of insurance; regulating replacement of group coverage by
5 another insurer; and providing for continuity of coverage.

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

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

10 ARTICLE C

11 HEALTH INSURANCE

12 Chapter

13 73. Policy Requirements

14 CHAPTER 73

15 POLICY REQUIREMENTS

16 Sec.

17 7301. Definitions.

18 7302. Termination of insurance.

19 7303. Group health insurance agreements; successor

1 agreements.

2 7304. Continuation of coverage for individuals who change
3 groups.

4 7305. Prohibition of excluding any person in a group contract
5 based on that person's health history or genetic status.

6 7306. Preexisting condition exclusion.

7 7307. Penalties.

8 § 7301. Definitions.

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

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

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

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

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

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

24 "Insurer." Any insurance company, association or reciprocal,
25 nonprofit hospital company, nonprofit professional health
26 service plan, health maintenance organization, fraternal
27 benefits society or any risk-bearing PPO and nonrisk-bearing PPO
28 not governed and regulated under the Employee Retirement Income
29 Security Act of 1974 (Public Law 93-406, 88 Stat. 829).

30 "PPO." A preferred provider organization subject to the

1 provisions of section 630 of the act of May 17, 1921 (P.L.682,
2 No.284), known as The Insurance Company Law of 1921.

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

7 "Terminate." Includes cancellation, renewal and rescission.
8 § 7302. Termination of insurance.

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

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

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

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

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

25 (c) Withdrawal and termination.--An insurer may terminate
26 all health insurance agreements only upon and subsequent to
27 complete withdrawal from the accident and health insurance
28 market in this Commonwealth by amendment of its certificate of
29 authority. Any termination under this provision for withdrawal
30 shall not occur sooner than the renewal date and only after the

1 expiration of not less than 30 days following the date of
2 written notice of termination to the insured.

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

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

14 § 7303. Group health insurance agreements; successor
15 agreements.

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

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

23 (2) the person was covered under the prior group health
24 insurance agreement.

25 (b) Exception.--Any unexpired time period of a preexisting
26 condition exclusion period for any medical condition contained
27 in a prior group health insurance agreement may be applied to
28 any person who otherwise would qualify for coverage and benefits
29 under this section in the manner required by section 7306
30 (relating to preexisting condition exclusion).

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

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

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

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

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

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

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

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

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

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

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

9 § 7306. Preexisting condition exclusion.

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

14 § 7307. Penalties.

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

17 (1) Order that the insurer cease and desist from the
18 violation.

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

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

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

28 Section 4. (a) This act shall apply to every individual
29 accident and health insurance policy or contract issued by an
30 insurer on or after the effective date of this act.

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

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