
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2714 Session of
2002

INTRODUCED BY PRESTON, DeLUCA, MUNDY, MELIO, HORSEY, JAMES,
JOSEPHS, KIRKLAND, LAUGHLIN, MYERS, PISTELLA, STABACK,
STEELMAN, THOMAS, WALKO, J. WILLIAMS, YOUNGBLOOD, BELFANTI,
HARHAI, FREEMAN, LEDERER, ROEBUCK, ROONEY, WATSON, BISHOP AND
MICHLOVIC, 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 reporting requirements of hospital
3 plan corporations and professional health service
4 corporations.

5 The General Assembly finds and declares as follows:

6 (1) Hospital plan corporations and professional health
7 service corporations are nonprofit companies and although
8 they receive special tax-exempt status, many of these
9 corporations have started for-profit ventures outside of this
10 Commonwealth.

11 (2) The conversion to for-profit companies and holding
12 of for-profit ventures has direct implications on the nature
13 of the charitable assets that these corporations hold.

14 (3) While hospital plan corporations and professional
15 health service corporations are nonprofit companies, they
16 have amassed surpluses of nearly \$3 billion.

17 (4) While premium rates have continually increased and

1 hospital and physician reimbursement rates have continually
2 decreased, hospital plan corporations and professional health
3 service corporations have continually raised premium rates,
4 even in periods of economic downturn.

5 (5) Hospital plan corporations and professional health
6 service corporations are guided by missions to be charitable
7 and benevolent, yet 1.1 million uninsured Pennsylvanians are
8 unable to afford the premium rates of these corporations.

9 (6) The Governor, General Assembly and the citizens of
10 this Commonwealth have the right to know certain financial
11 information of these corporations.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. Sections 6125(a) and 6331(a) of Title 40 of the
15 Pennsylvania Consolidated Statutes are amended to read:

16 § 6125. Reports and examinations.

17 (a) Annual report.--

18 (1) Every hospital plan corporation shall on or before
19 March 1 of each year, file with the department a statement,
20 verified by at least two of the principal officers of the
21 corporation showing its condition at the end of the preceding
22 calendar year. Such statement shall be in such form, and
23 shall contain such matters, as the department shall
24 prescribe[.], but at a minimum shall contain the following:

25 (i) Transfers to related parties.

26 (ii) Charitable assets.

27 (iii) Surplus levels.

28 (iv) Net operating margin.

29 (v) Reserve levels.

30 (vi) Medical loss ratio.

1 (vii) Covered lives.

2 (2) Failure of a hospital plan corporation to comply
3 with the reporting requirements of this section shall
4 constitute a violation of the act of July 22, 1974 (P.L.589,
5 No.205), known as the Unfair Insurance Practices Act, in
6 addition to the penalties provided in this article.

7 (3) The department shall annually produce a written
8 report to the Governor and General Assembly and produce a
9 publicly accessible World Wide Web site containing the
10 information of the written report. The report and World Wide
11 Web site shall contain all information reported under
12 paragraph (1). The department shall also include an analysis
13 of individual market share in the total health insurance
14 market, Medicare market, Medicaid market and Pennsylvania
15 insurance market; an analysis of trends in the insurance
16 market in Pennsylvania; and any other information the
17 department may require.

18 * * *

19 § 6331. Reports and examinations.

20 (a) Annual report.--

21 (1) Every professional health service corporation shall,
22 on or before March 1 of each year, file with the department a
23 statement, verified by at least two of the principal officers
24 of the corporation, summarizing its financial activities
25 during the preceding calendar year, and showing its financial
26 condition at the end of that year. Such statement shall be in
27 such form, and shall contain such matters, as the department
28 shall prescribe[.], but at a minimum shall contain the
29 following:

30 (i) Transfers to related parties.

1 (ii) Charitable assets.

2 (iii) Surplus levels.

3 (iv) Net operating margin.

4 (v) Reserve levels.

5 (vi) Medical loss ratio.

6 (vii) Covered lives.

7 (2) Failure of a professional health service corporation
8 to comply with the reporting requirements of this section
9 shall constitute a violation of the act of July 22, 1974
10 (P.L.589, No.205), known as the Unfair Insurance Practices
11 Act, in addition the penalties provided in this article.

12 (3) The department shall annually produce a written
13 report to the Governor and General Assembly and produce a
14 publicly accessible World Wide Web site containing the
15 information of the written report. The report and World Wide
16 Web site shall contain all information reported under
17 paragraph (1). The department shall also include an analysis
18 of individual market share in the total health insurance
19 market, Medicare market, Medicaid market and Pennsylvania
20 insurance market; an analysis of trends in the insurance
21 market in Pennsylvania; and any other information the
22 department may require.

23 * * *

24 Section 2. This act shall take effect in 60 days.