

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2998 Session of
2004

INTRODUCED BY DeLUCA, BEBKO-JONES, BELARDI, CASORIO, CURRY,
FABRIZIO, FREEMAN, GEORGE, GOOD, GOODMAN, GRUCELA, HERSHEY,
JOSEPHS, KOTIK, LAUGHLIN, LEVDANSKY, McGEEHAN, PALLONE,
PISTELLA, SURRA, TANGRETTI, THOMAS, TIGUE, VEON, WALKO AND
YOUNGBLOOD, NOVEMBER 16, 2004

REFERRED TO COMMITTEE ON INSURANCE, NOVEMBER 16, 2004

AN ACT

1 Amending Title 40 (Insurance) of the Pennsylvania Consolidated
2 Statutes, regulating charitable expenditures; and providing
3 for additional duties of the Insurance Department.

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

6 Section 1. Section 6101 of Title 40 of the Pennsylvania
7 Consolidated Statutes is amended by adding a definition to read:
8 § 6101. Definitions.

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

12 "Charitable expenditure." An expenditure that benefits a
13 class of individuals who are uninsured or underinsured and
14 unable to purchase affordable coverage.

15 * * *

16 Section 2. Title 40 is amended by adding a section to read:
17 § 6128. Charitable expenditures.

1 (a) Requirement.--A hospital plan corporation shall make
2 annual charitable expenditures in an amount equal to:

3 (1) 1.75% of direct written premium of their not-for-
4 profit business; and

5 (2) 1.75% on the net revenue of their for-profit
6 subsidiaries and joint ventures.

7 (b) Audit.--The department shall annually audit hospital
8 plan corporations and their subsidiaries and joint ventures with
9 other corporations to determine the amount of direct written
10 premium of their not-for-profit business and net revenue of
11 their for-profit subsidiaries and joint ventures.

12 (c) Audit cost.--Each hospital plan corporation shall bear
13 the cost of an audit of the corporation under subsection (b).

14 (d) Charitable expenditures.--For purposes of this section,
15 the following expenditures qualify as charitable expenditures:

16 (1) Financial contributions to the Children's Health
17 Insurance program under Article XXIII of the act of May 17,
18 1921 (P.L.682, No.284), known as The Insurance Company Law of
19 1921, adult basic coverage insurance program or other
20 government or private programs which provide subsidized
21 health insurance coverage to individuals and families who are
22 unable to purchase affordable health insurance coverage and
23 whose family incomes are no greater than 200% of the Federal
24 poverty level.

25 (2) Donations of health insurance or its equivalent to
26 individuals who cannot otherwise afford it.

27 (3) Subsidies to provide coverage for eligible
28 individuals who purchase coverage from a designated insurer
29 under the alternative mechanism in individual market as set
30 forth in section 1004-A of The Insurance Company Law of 1921

1 to comply with the Health Insurance Portability and
2 Accountability Act of 1996 (Public Law 104-191, 110 Stat.
3 1936).

4 (4) Other expenditures as identified by the department
5 by regulation as qualifying.

6 (e) Nonqualifying expenditures.--For purposes of this
7 section, the following expenditures do not qualify as charitable
8 expenditures:

9 (1) Taxes or payments in lieu of taxes.

10 (2) Charitable contributions to nonprofit organizations
11 under section 501(c)(3) of the Internal Revenue Code of 1986
12 (Public Law 99-514, 26 U.S.C. § 501(c)(3)) that provide
13 services unrelated to health care and health insurance.

14 (3) Expenditures that cover only administrative expenses
15 of a public program which provides subsidized health
16 insurance coverage to individuals and families who are unable
17 to purchase affordable health insurance coverage, but do not
18 cover actual health care services.

19 (4) The cost of group conversion programs required of
20 all health insurers under section 621.2(d) of The Insurance
21 Company Law of 1921.

22 (5) Investment in infrastructure and capital
23 improvements.

24 (6) Other expenditures as identified by the department
25 by regulation as nonqualifying.

26 (f) Enforcement.--The department shall monitor and enforce
27 compliance with this section.

28 (g) Reports.--A hospital plan corporation must make an
29 annual report on its compliance with charitable expenditure
30 requirements to the department, the chairman and minority

1 chairman of the Banking and Insurance Committee of the Senate
2 and the chairman and minority chairman of the Insurance
3 Committee of the House of Representatives.

4 Section 3. Section 6302(a) of Title 40 is amended by adding
5 a definition to read:

6 § 6302. Definitions.

7 (a) General rule.--The following words and phrases when used
8 in this chapter shall have, unless the context clearly indicates
9 otherwise, the meanings given to them in this section:

10 * * *

11 "Charitable expenditure." An expenditure that benefits a
12 class of individuals who are uninsured or underinsured and
13 unable to purchase affordable coverage.

14 * * *

15 Section 4. Title 40 is amended by adding a section to read:
16 § 6336. Charitable expenditures.

17 (a) Requirement.--A professional health service corporation
18 shall make annual charitable expenditures in an amount equal to:

19 (1) 1.75% of direct written premium of their not-for-
20 profit business; and

21 (2) 1.75% on the net revenue of their for-profit
22 subsidiaries and joint ventures.

23 (b) Audit.--The department shall annually audit professional
24 health service corporations and their subsidiaries and joint
25 ventures with other corporations to determine the amount of
26 direct written premium of their not-for-profit business and net
27 revenue of their for-profit subsidiaries and joint ventures.

28 (c) Audit cost.--Each professional health service
29 corporation shall bear the cost of an audit of the corporation
30 under subsection (b).

1 (d) Charitable expenditures.--For purposes of this section,
2 the following expenditures qualify as charitable expenditures:

3 (1) Financial contributions to the Children's Health
4 Insurance program under Article XXIII of the act of May 17,
5 1921 (P.L.682, No.284), known as The Insurance Company Law of
6 1921, adult basic coverage insurance program or other
7 government or private programs which provide subsidized
8 health insurance coverage to individuals and families who are
9 unable to purchase affordable health insurance coverage and
10 whose family incomes are no greater than 200% of the Federal
11 poverty level.

12 (2) Donations of health insurance or its equivalent to
13 individuals who cannot otherwise afford it.

14 (3) Subsidies to provide coverage for eligible
15 individuals who purchase coverage from a designated insurer
16 under the alternative mechanism in individual market as set
17 forth in section 1004-A of The Insurance Company Law of 1921
18 to comply with the Health Insurance Portability and
19 Accountability Act of 1996 (Public Law 104-191, 110 Stat.
20 1936).

21 (4) Other expenditures as identified by the department
22 by regulation as qualifying.

23 (e) Nonqualifying expenditures.--For purposes of this
24 section, the following expenditures do not qualify as charitable
25 expenditures:

26 (1) Taxes or payments in lieu of taxes.

27 (2) Charitable contributions to nonprofit organizations
28 under section 501(c)(3) of the Internal Revenue Code of 1986
29 (Public Law 99-514, 26 U.S.C. § 501(c)(3)) that provide
30 services unrelated to health care and health insurance.

1 (3) Expenditures that cover only administrative expenses
2 of a public program which provides subsidized health
3 insurance coverage to individuals and families who are unable
4 to purchase affordable health insurance coverage, but do not
5 cover actual health care services.

6 (4) The cost of group conversion programs required of
7 all health insurers under section 621.2(d) of The Insurance
8 Company Law of 1921.

9 (5) Investment in infrastructure and capital
10 improvements.

11 (6) Other expenditures as identified by the department
12 by regulation as nonqualifying.

13 (f) Enforcement.--The department shall monitor and enforce
14 compliance with this section.

15 (g) Reports.--A professional health service corporation must
16 make an annual report on its compliance with charitable
17 expenditure requirements to the department, the chairman and
18 minority chairman of the Banking and Insurance Committee of the
19 Senate and the chairman and minority chairman of the Insurance
20 Committee of the House of Representatives.

21 Section 5. This act shall take effect in 60 days.