

# Bill Summary

**COMMITTEE:** Banking and Insurance

**DATE:** 4/8/10

**PRIME SPONSOR:** Folmer

**BILL NO:** SB507

**PREPARED BY:** Allison Dutrey

**PRINTER'S NO:** 514

## **A. Synopsis:**

SB507 establishes the Pennsylvania High-Risk Health Insurance Pool.

## **B. Summary:**

Under SB507, health insurance policies available in accordance with this act will be available for sale within one year from the effective date of this section.

### Eligibility:

Any individual who is and continues to be a resident of PA and a citizen of the US is eligible, along with each of their dependents.

A person may maintain pool coverage for the period of time they are satisfying a pre-existing waiting period under another health insurance policy, or insurance arrangement intended to replace the pool policy.

A person is *ineligible* for coverage from the pool if the person: has health insurance coverage from an insurer; is ineligible for other health care benefits at the time application is made, including COBRA; has terminated coverage in the pool within 12 months of the date that application is made unless the person demonstrates a good faith reason for the termination; is confined in a county or state prison; or if the person receives premium payment assistance through the Federal health insurance tax credit; has not had prior coverage with the pool terminated for nonpayment of premiums or fraud.

Pool coverage will terminate: on the date a person is no longer a resident of the state, a person requests coverage to end, the covered person dies, the state law requires cancellation of the policy, at the option of the pool, on the 31<sup>st</sup> day after the day on which a premium payment for pool coverage becomes due, when the person reaches maximum lifetime limit, or when the person ceases to meet eligibility requirements.

### State Comprehensive Health Insurance Pool Board:

Board members will be representatives of:

- a domestic insurance company appointed by the President Pro Tempore
- a domestic insurance company appointed by the Speaker of the House
- a nonprofit health care service plan appointed by the President Pro Tempore
- an HMO appointed by the Speaker of the House
- the medical provider community appointed by the Secretary of Health

- the general public (five appointed representatives) not employed by or affiliated with an insurance company or plan

No elected official may be a board member, and at least one board member must be 60 years old or older. The chairman will be elected by the board, and may only serve two years in this capacity. Three board members' terms will be one year, two members for two years, two members for three years, and all terms after the initial term shall be for three years. Board members will not be compensated for their services, and are not liable for action performed in good faith.

The Board will adopt a plan and submit its articles, bylaws and operating rules to the commissioner for approval. It will operate, supervise, and administer the pool; establish administrative and accounting procedures; establish procedures under which applicants and participants may have grievances reviewed by an impartial body and reported to the board; select an administering insurer; require that all policy forms issued by the board conform to standard forms developed by the board; develop a program to publicize the existence of the plan, the eligibility requirements, the procedures for enrollment, and shall maintain public awareness; promulgate a list of medical or health conditions for which a person shall be eligible for pool coverage without applying for health insurance. It will make an annual report to the governor, general assembly, and commissioner.

#### Operation of the Pool

The pool may: Provide health benefits coverage to people eligible for coverage; Enter into contracts that are necessary to carry out the act; Sue or be sued; Institute any legal action necessary to avoid payment of improper claims against the pool or the coverage provided by or through the pool; Establish appropriate rates; Adopt policy forms, endorsements, and riders; Issue insurance policies subject to this act; Appoint committees; Employ and set the compensation of any persons necessary to assist the pool; Contract for stop-loss insurance for risks incurred; Borrow money as necessary; Issue additional types of health insurance policies; Provide for and employ cost containment measures and requirements; Design, utilize, and contact delivery of cost-effective health care services; and provide for reinsurance on a facultative or treaty basis.

#### Selection of Administering Insurer

The board will select an insurer through a competitive bidding process to administer the plan. The insurer must enter into a contract with the board. The term of the contract will be for a period of three years.

The administering insurer must: Perform all eligibility and administrative claims; pay an agent's referral fee; establish a premium billing procedure for collection of premiums; perform all necessary functions to assure timely payment of benefits to covered persons; submit regular reports to the board; determine net premiums, reinsurance premiums, administrative expenses for the year; and pay claims expenses.

#### Payment of plan costs

The board will pay plan costs, excluding any premium, deductible and copayment subsidies, first from Federal funds that are transferred to the fund and that exceed premium, deductible and copayment subsidy costs in a policy year. The board will make applications for any federal grants or other sources under which the plan may be eligible to receive funds.

### Plan benefits

The plan will offer the coverage specified for each eligible person in an annually renewable policy. It will also provide each person the option of selecting a health plan from at least one high deductible plan that would qualify to be used in conjunction with an HSA.

Major medical expense coverage will be offered, and the usual customary charges or negotiable reimbursement will be covered.

The board will provide for at least two choices of annual deductibles for major medical expenses, plus the benefits payable under any other type of insurance coverage or workers' compensation, provided that two family members satisfy the applicable deductible.

The board will annually determine the schedule of premium rates and risk rates for each benefit plan option offered by the pool.

The board will provide that the pool will be the last payer of benefits whenever any other benefit or source of third party payment is available.

The Act will take effect in 60 days.