

SENATE BILL NO. 315

INTRODUCED BY E. FRANKLIN, HARGROVE, BECK, BISHOP, DEPRATU, LASLOVICH, SCHMIDT,
B. THOMAS

BY REQUEST OF THE STATE AUDITOR

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING THE MONTANA COMPREHENSIVE HEALTH ASSOCIATION TO ADOPT A SLIDING SCALE OF PREMIUM RATES FOR PARTICIPATION OF LOW-INCOME PERSONS IN THE ASSOCIATION PLANS; ~~ALLOWING THE ASSOCIATION'S APPROPRIATION TO SUBSIDIZE THE REDUCED PREMIUM PROGRAM; PROVIDING FOR THE NONREVERSION OF FUNDS APPROPRIATED TO THE ASSOCIATION FOR THE 2000-01 BIENNIUM;~~ AMENDING SECTIONS 33-22-1512 AND 33-22-1513, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 33-22-1512, MCA, is amended to read:

"33-22-1512. Association plan and association portability plan premium. (1) The association shall establish the schedule of premiums to be charged eligible persons for membership in the association plan. The schedule of association plan premiums for eligible persons may not exceed 200% of the average premium rates charged by the five insurers or health service corporations with the largest premium amount of individual plans of major medical insurance in force in this state. The schedule of association portability plan premiums for federally defined eligible individuals may not, ~~for the period of 1 year from July 1, 1997,~~ ~~be less than 135% and may not~~ at any time exceed 150% of the average premium rates charged by the five insurers or health service corporations with the largest premium amount of individual plans of major medical insurance in force in this state. The premium rates of the five insurers or health service corporations used to establish the premium rates for each type of coverage offered by the association must be determined by the commissioner from information provided annually at the request of the commissioner. The association shall use generally acceptable actuarial principles and structurally compatible rates.

(2) (a) The association, with the approval of the commissioner, may adopt a reduced premium rate schedule that is equitably proportional to the income level for eligible persons who have an income less

1 than or equal to 150% of the federal poverty level. THE ASSOCIATION MAY NOT ADOPT A REDUCED PREMIUM RATE
 2 SCHEDULE UNLESS IT HAS SECURED FEDERAL OR PRIVATE FUNDING SPECIFICALLY FOR THAT PURPOSE AND LIMITS
 3 PARTICIPATION TO THE AVAILABLE FUNDING.

4 (b) The association, with the approval of the commissioner, may adopt as many income categories
 5 as it finds necessary.

6 (c) Any person who qualifies for coverage under this section may apply to the association for a
 7 reduced premium. However, eligible persons with coverage in the traditional association plan must receive
 8 first priority for reduced premiums. By agreement of the association and the commissioner, reduced
 9 premiums may be made available to persons eligible for the portability plan.

10 (d) The association may grant as many reduced premiums as funding sources allow BUT MAY NOT
 11 INCREASE OVERALL PREMIUM RATES TO SUBSIDIZE THE REDUCED PREMIUM RATE SCHEDULE. The association may limit
 12 the number of people receiving reduced premiums when funds are not available and may establish a
 13 waiting list for reduced premiums, if necessary."

14

15 **Section 2.** Section 33-22-1513, MCA, is amended to read:

16 **"33-22-1513. Operation of association plan and association portability plans.** (1) Upon acceptance
 17 by the lead carrier under 33-22-1516, an eligible person may enroll in the association plan by payment of
 18 the association plan premium to the lead carrier.

19 (2) Upon application by a federally defined eligible individual to the lead carrier for an association
 20 portability plan, the association may not:

21 (a) decline to offer an association portability plan; or

22 (b) impose a preexisting condition exclusion with respect to an individual's association portability
 23 plan coverage if application for association portability plan coverage is made within 63 days following
 24 termination of the applicant's most recent prior creditable coverage.

25 (3) Not less than 88% of the association plan premiums paid to the lead carrier may be used to
 26 pay claims and not more than 12% may be used for payment of the lead carrier's direct and indirect
 27 expenses as specified in 33-22-1514.

28 (4) Any income in excess of the costs incurred by the association in providing reinsurance or
 29 administrative services must be held at interest and used by the association to offset past and future
 30 losses ~~due to~~ because of claims expenses of the association plan and the association portability plan or

1 be allocated to reduce association plan premiums.

2 (5) (a) Each participating member of the association shall share the losses ~~due to~~ because of
 3 claims expenses of the association plan and the association portability plan for plans issued or approved
 4 for issuance by the association and shall share in the operating and administrative expenses incurred or
 5 estimated to be incurred by the association incident to the conduct of its affairs in the following manner:

6 (i) Each participating member of the association must be assessed by the association on an annual
 7 basis an amount equal to 1% of the association member's total disability insurance premium received from
 8 or on behalf of Montana residents as determined by the commissioner. Assessments made under this
 9 subsection (5)(a) or funds from any other source must be allocated to the association plan and the
 10 association portability plan in proportion to the needs of the two plans. If the needs of the association plan
 11 and the association portability plan exceed the funds generated by the 1% assessment, the association
 12 is then authorized to spend any funds appropriated by the legislature for the support of the plans. Any
 13 appropriation to the association may be expended for any of the following purposes:

14 ~~—— (A) to subsidize the reduced premiums for qualified low-income persons;~~

15 ~~—— (B) for the general operation of the reduced premium program; or~~

16 ~~—— (C) for the operation of the association plan or the association portability plan.~~

17 (ii) The association may abate, in whole or in part, the 1% assessment if the needs of the
 18 association plan and the association portability plan do not require the funds generated by the full 1%
 19 assessment. The commissioner shall approve any abatement of the 1% assessment.

20 (iii) Payment of an assessment is due within 30 days of receipt by a member of a written notice
 21 of the annual assessment. Failure by a contributing member to tender the association assessment within
 22 the 30-day period is grounds for termination of membership. A member terminated for failure to tender
 23 the association assessment is ineligible to write health care benefit policies or contracts in this state under
 24 33-22-1503(2).

25 (iv) An associate member that ceases to do disability insurance business within the state remains
 26 liable for assessments through the calendar year in which the member ceased doing disability insurance
 27 business. The association may decline to levy an assessment against an association member if the
 28 assessment, as determined pursuant to this section, would not exceed \$10.

29 (b) For purposes of this subsection (5), "total disability insurance premium" does not include
 30 premiums received from disability income insurance, credit disability insurance, disability waiver insurance,

1 life insurance, medicare risk or other similar medicare health maintenance organization payments, or
2 medicaid health maintenance organization payments.

3 (c) Any income in excess of the incurred or estimated claims expenses of the association plan and
4 the association portability plan and the operating and administrative expenses of the association must be
5 held at interest and used by the association to offset past and future losses ~~due to~~ because of claims
6 expenses of the association plan and the association portability plan or be allocated to reduce association
7 plan premiums.

8 (6) The proportion of the annual assessment allocated to the operation and expenses of the
9 association plan may be offset by an association member against the premium tax payable by that
10 association member pursuant to 33-2-705 for the year in which the annual assessment is levied. The
11 ~~insurance~~ commissioner shall report to the office of budget and program planning, as a part of the
12 information required by 17-7-111, the total amount of premium tax offset claimed by association members
13 during the preceding biennium. The proportion of the annual assessment allocated to the operation and
14 expenses of the association portability plan and levied against an association member may not be offset
15 against the premium tax payable by that association member."

16

17 ~~NEW SECTION. Section 3. Nonreversion of funds. Unexpended funds appropriated to the~~
18 ~~Montana comprehensive health association for fiscal years 2000 and 2001 may not revert to the general~~
19 ~~fund.~~

20

21 NEW SECTION. Section 3. Effective date. [This act] is effective on passage and approval.

22

- END -