HOUSE RESEARCH

Bill Summary

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Overview

Article 1 of this bill makes changes to the individual and small group health insurance market, including requirements relating to underwriting, renewability, and benefits. Article 2 of this bill creates an individual health insurance reinsurance association and program.

Article 1: Health Insurance Reform

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1 **[62A.614] Preexisting condition disclosed at time of application.** Prohibits an insurer from canceling a health insurance policy if the insured gave the insurer notice of a preexisting condition to the insurer. Requires an insurer to disclose in writing at the time a health insurance policy is issued whether there is a preexisting condition limitation in the policy.

2 **Premium rate restriction.** Requires that the state be one geographic rating area for purposes of individual health insurance. Allows health carriers to set individual health insurance premium rates 10 percent above and 50 percent below standard rates based on the individual's health status and claims experience. Allows premium rates to be adjusted more than annually if the insured requests re-underwriting or enhanced coverage.

3 **Portability and conversion of coverage.** Allows a preexisting condition limitation on individual health insurance policies during the first 12 months of coverage if the individual was diagnosed or treated for the condition in the six months before applying for coverage. Provides that for an individual who has not maintained continuous coverage (63 days or less between coverages), a new preexisting condition limitation can be implemented. Provides

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that individual coverage be made available as soon as an individual leaves a group plan without regard to coverage available through COBRA.

4 **[62K.16] Termination of coverage due to nonpayment.** Allows a health carrier offering individual or small group policies to terminate coverage of an insured for nonpayment of premiums 30 days from when the premium was due. An insured is responsible for claims incurred during the 30 day grace period.

5 **Small employer.** Includes sole proprietors, self-employed individuals, and associations with one employee in the definition of "small employer" for purposes of small group health plans.

6 **Preexisting condition.** Allows a preexisting condition limitation for small group health plans during the first 12 months of coverage if the employee was diagnosed or treated for the condition in the six months before applying for coverage. Requires a health carrier to credit the time an employee was previously covered by a qualifying coverage.

7 **General premium variations.** Allows health carriers to base small group health plan premium rates 25 percent above and 25 percent below standard rates based on health status, claims experience, industry of the employer, and duration of coverage.

8 **Premium rate development.** Provides that small group health plan premium rates may be based on benefit design of the health plan, age, health factor and claims experience, but not geographic rating area.

9 **Guaranteed issue.** Allows a health plan company to offer, sell, or issue individual health plans that contain a preexisting condition limitation or exclusion as provided under section 2 of the bill.

10 **[62Q.461] Choice of contraceptive coverage.**

Subd. 1. Applicability. Applies this section to individual and small group health plans.

Subd. 2. Requirement to provide enrollee choice. Requires health plan companies to offer a health plan option to enrollees that does not include coverage for certain contraceptive methods.

11 **[62Q.678] Health plan open enrollment.** Requires all health plans to be made available in compliance with federal open enrollment requirements. Requires individual health plans to be available for purchase at any time.

12 **State innovation waiver.**

Subd. 1. Submission of waiver application. Requires the commissioner of commerce to apply to the secretary of the Department of Health and Human Services for a state innovation waiver to implement article 1, sections 2 to 11 and 13 of this bill.

Subd. 2. Consultation. Requires the commissioner of commerce to consult with the commissioners of human services and health when developing the waiver application.

Subd. 3. Application timelines; notification. Requires the commissioner of commerce to submit the waiver on or before July 5, 2017, and to make a draft application available for public review and comment by June 1, 2017. Requires the

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commissioner to notify the legislature of federal action relating to the waiver application.

This section is effective the day following final enactment.

13 **Repealer.** Repeals sections 62A.65, subdivision 2 (which provides guaranteed renewal for individual health plans), and 62L.08, subdivision 4 (which provides geographic rating areas for small group insurance).

14 **Effective Date.** Sections 1 to 11 and 13 are effective January 1, 2018, or upon the effective date of any necessary federal waivers or law changes, whichever is later, and apply to health plans offered, issued, or renewed on or after that date.

Article 2: Reinsurance Program

1 **Minnesota Health Reinsurance Association.** Provides that certain data maintained by the Minnesota Health Reinsurance Association is classified.

2 **[62W.01] Citation.** Provides that this chapter may be cited as the "Minnesota Health Reinsurance Association Act."

3 **[62W.02] Definitions.** Provides definitions for chapter 62W, including "eligible individual," "health reinsurance program," and "member."

4 **[62W.03] Duties of commissioner.** Allows the commissioner of commerce to formulate general policies to advance the purposes of this chapter, supervise the creation of the association, appoint advisory committees, conduct audits, contract with government units to coordinate the program with other programs, contract with health carriers for administrative services, and use rulemaking authority in connection with this chapter.

5 **[62W.04] Approval of reinsurance payments.**

Subd. 1. Information submitted to commissioner. Requires the association to submit information to the commissioner regarding the reinsurance payments to be made the following year.

Subd. 2. Modification by the commissioner. Allows the commissioner to modify the association's anticipated reinsurance payment schedule in accordance with certain criteria.

6 **[62W.05] Minnesota Health Reinsurance Association.**

Subd. 1. Creation; tax exemption. Establishes the Minnesota Health Reinsurance Association and provides that membership in the association consists of all health carriers in the individual market. Exempts the association from all state taxes, including those relating to health insurance.

Subd. 2. Board of directors; organization. Creates the requirements to be a director, how members can vote for directors, and what the commissioner must consider when appointing directors.

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Subd. 3. Membership. Requires all health carriers offering individual health plans to maintain membership in the association as a condition of participating in the individual market.

Subd. 4. Operation. Requires the association to submit its articles, bylaws, and operating rules to the commissioner for approval and exempts these documents from chapter 14.

Subd. 5. Open meetings. Requires all meetings of the board and committees to comply with chapter 13D.

Subd. 6. Data. Provides that the association and board are subject to chapter 13 and classifies data the board receives from a member about an individual as private.

Subd. 7. Appeals. Allows a decision of the board to be appealed to the commissioner within 30 days after the decision was made. Provides that chapter 14 governs judicial review of a determination of an appeal to the commissioner. Allows a decision of the board to be judicially reviewed instead of appealed to the commissioner.

Subd. 8. Antitrust exemption. Provides that the members are exempt from sections 325D.49 to 325D.66 when in performance of their duties as members of the association.

Subd. 9. General powers. Allows the association to exercise powers granted to insurers under state law, sue or be sued, establish administrative and accounting procedures for its operation, and enter into certain contracts.

Subd. 10. Rulemaking. Exempts the association from the Administrative Procedures Act. Allows the association to adopt rules using the expedited rulemaking process, if they wish to make rules.

7 [62W.06] Association; administration of program.

Subd. 1. Acceptance of risk. Requires the association to accept a transfer from a member to the program of the risk and associated cost of an individual that has received a diagnosis of one of the conditions in paragraph (b).

Subd. 2. Payment to members. Requires the association to reimburse members on a quarterly basis for claims paid on behalf of an eligible individual whose risk and cost has been transferred to the program. Limits reinsurance payments for any one individual to $5 million over their lifetime.

S**ubd. 3. Plan of operation.** Requires the association, in consultation with the commissioners of health and commerce, to create a plan of operation to administer the program. Requires the plan of operation to include certain items.

Subd. 4. Use of premium payments. Requires the association to retain premiums it receives in excess of administrative and operational expenses and claims. Requires the association to apply any excess premiums to future administrative and operation expenses and claims.

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8 **[62W.07] Members; compliance with program.**

Subd. 1. Transfer of risk. Requires members to transfer the risk and associated cost of an eligible individual's health coverage to the program. Requires transfer to occur within ten days of receiving a disclosure that a diagnosis of a covered condition has occurred, and makes reinsurance effective as of the effective date of the health plan and until the person ceases coverage with the member.

Subd. 2. Reinsurance payments. Provides that a member can receive reinsurance payments from the program for an eligible individual they insure if certain reporting and verification requirements are met. Requires a member to transfer all premium payments and pharmacy rebates received to the association if the risk and cost associated with the eligible individual has been transferred to the program. Limits reinsurance payments for any one eligible individual to $5 million over their lifetime.

Subd. 3. Duties; members. Requires members to comply with the plan of operation, administer health plans in accordance with the health plan terms, not vary premiums based on whether an eligible individual's risk and cost has been transferred to the program, keep the risk and cost with the program for the benefit year, and submit claims within 12 months of their occurrence for payment.

9 **[62W.08] Accounts and audits.**

Subd. 1. Reports and audits. Provides requirements the association must meet relating to accounting, payment of claims, reinsurance payment calculation, auditing of members, and auditing of the association.

Subd. 2. Annual settle-up. Requires the association to create an annual settle-up process to adjust reinsurance payments to reflect the crediting of premiums paid, adjustments necessary due to funding of the reinsurance program, and commercial or federal payments made to a member. Provides a system for the commissioner to review federal risk adjustment transfers.

10 **[62W.10] Assessment on issuers of accident and health insurance policies.**

Subd. 1. Definitions. Provides definitions for this section including "accident and health insurance policy" and "market member."

Subd. 2. Assessment. Requires the association to annually determine a market member's financial liability for support of the reinsurance program based on the amount of the accident and health insurance policy the market member provides.

11 **[62W.11] Funding of program.** Creates a reinsurance association account in the special revenue fund of the state treasury. Provides a tiered funding mechanism for the program.

12 **Health maintenance organizations, nonprofit health service plan corporations, and community integrated services networks.** Requires taxes on gross premiums of certain entities to be deposited in the reinsurance association fund.

13 **Appropriation.** Appropriates money from the health care access fund to the commissioner of commerce to transfer to the reinsurance association fund account in the special revenue fund for the purposes described in section 10 of the bill.

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14 **Effective date.** Sections 1 to 13 are effective the day following final enactment and apply to individual health plans providing coverage on or after January 1, 2018.