

# HOUSE RESEARCH

## Bill Summary

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### Overview

This bill authorizes using filed health insurance premium rates immediately through use of a loss ratio and rating bands compliance guarantee in the individual health insurance market, authorizes sale of individual health insurance policies to employees of a small employer who collects and pays the premiums on a payroll deduction basis, expands the existing tax credit for long-term care insurance to include products convertible to long-term care insurance, and repeals the special assessments made by the Minnesota Comprehensive Health Association on insurers who terminate individual health coverage without a valid reason.

#### Section

- 1 Individual policy forms file and use; minimum loss ratio guarantee.** Authorizes insurers in the individual health insurance market to file a loss ratio guarantee with the premium rates they file with the commissioner. A loss ratio guarantee is the insurer's guarantee to the commissioner and to policyholders that the premium rates charged for the policy will always permit the insurer to satisfy the required loss ratio. The loss ratio that may be used with the loss ratio guarantee is 65 percent, calculated as stated in section 1. Premium rates filed with a loss ratio guarantee may be used immediately by the insurer, without waiting for approval of the rates by the commissioner. Provides detailed requirements for the loss ratio guarantee, including the requirement that it guarantee refunds to policyholders of premiums charged that cause the loss ratio to be exceeded. States how the loss ratio is to be calculated for purposes of the following section of this bill. The loss ratio is the fraction of

**Section**

premiums paid for an insurance policy that will on average be paid out in claims, with certain adjustments.

- 2 **Loss ratio standards.** Conforming change to allow use of the loss ratio guarantee.
- 3 **Premium rate restrictions.** Permits use of rating bands guarantee in the individual health insurance market, promising that the filed premium rates will comply with the rating bands that limit premium variations.
- 4 **Medical bill disclosure without charge.** Prohibits health plan companies and health care providers from charging a fee to a patient for providing the total amount due for the patient's outstanding medical bills. Refusing to provide the information or charging a fee for it voids the outstanding charges.
- 5 **Minimum participation and contribution.** Provides that an arrangement described in the following section is not a type of arrangement that is illegal.
- 6 **Exceptions.** Provides an exception to the law that individual policies may not sold to employees of a small employer as part of an arrangement between the insurer and the small employer. (The general principle involved is that the coverage should be sold as a group policy in the small employer market.) The exception permits sale of individual policies to the employees if the employer's only involvement is to deduct the premiums from the employees' pay, with their permission, and then pay the premiums with a single check from the employer to the insurer. The insurer would be allowed to bill the employer for the premiums of all the employees who choose to participate, but the employer would not be liable for payment except out of the pay withheld from the employees. The individual policies must be marketed directly to all employees, the employer must not contribute to the premiums, and the employees must receive directly from the insurer at least ten days' notice of termination of an individual policy for nonpayment of premiums. Marketing to all employees does not mean that the insurer must offer or issue an individual policy to any specific employee.
- 7 **Definitions.** Expands the definition of long-term care insurance for purposes of the long-term care insurance tax credit. The expansion adds life insurance policies that have an accelerated benefit option for use in paying long-term care expenses.
- 8 **Repealer.** Repeals the special assessments made by the Minnesota Comprehensive Health Association against its insurer members that terminate individual health insurance without a valid reason. These assessments are used to compensate MCHA for its losses in providing coverage to former policyholders of those insurers.