

**Subject** Loss ratios for health carriers and net earnings for HMOs

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## Overview

This bill requires health carriers to meet certain loss ratio requirements in the individual, small employer, and large group market. Failure to meet a loss ratio requirement will result in a rebate paid directly to enrollees. Additionally, reinsurance payments cannot be used by a health carrier to calculate their loss ratio. This bill also prohibits an HMO from using its net earnings for any purpose other than providing comprehensive health care.

## Summary

Section	Description
1	<p><b>Loss ratio standards.</b></p> <p>(a) Requires individual health plans to provide benefits to enrollees that equal at least 80 percent of premiums earned. Provides information on how to calculate this for HMOs.</p> <p>(b) Requires small employer health plans to provide benefits to enrollees that equal at least 80 percent of premiums earned. Provides information on how to calculate this for HMOs.</p> <p>(c) Requires health plans issued to large groups to provide benefits to enrollees that equal at least 85 percent of the premiums earned. Provides information on how to calculate this for HMOs.</p> <p>(d) Requires health carriers to submit evidence of compliance with paragraphs (a) to (c) to the commissioner by June 1 of every year for the previous year.</p> <p>(e) Requires the commissioner to review the reports required under paragraph (d) for reasonable, soundness, and compliance with this section. Requires the commissioner to resolve issues in the report with the health carrier, and if they cannot be resolved, to require the carrier to issue an appropriate rebate.</p> <p>(f) Provides that a health plan that does not comply with the requirements in paragraphs (a) to (c) is unfair and deceptive and subject to penalties.</p> <p>(g) Requires the commissioners of health and commerce to issue a public report on loss ratios every year.</p>

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2	<p><b>Rebate.</b></p> <p>(a) Requires a health carrier to issue a rebate to each enrollee if the carrier does not meet the loss ratio requirements in section 1.</p> <p>(b) Provides that the rebate must be the aggregate amount of premiums earned multiplied by the difference between the health carrier's actual loss ratio and the loss ratio required under section 1.</p> <p>(c) Requires a health carrier to issue the rebate by August 1 of the year following the year the loss ratio was insufficient.</p> <p>(d) Requires the rebate to be in a lump-sum payment or direct deduction to the current plan year's premium, as appropriate.</p>
3	<p><b>Minnesota premium security plan and loss ratio calculations.</b></p> <p>Prohibits a health carrier from including reinsurance payments received under section 62E.23 in its loss ratio calculations under section 1.</p>
4	<p><b>Repealer.</b></p> <p>Repeals Minnesota Statutes, section 62A.021, subdivisions 1 and 3.</p>
5	<p><b>Net Earnings.</b></p> <p>Requires a nonprofit health maintenance organization (HMO) to use their net earnings to provide comprehensive health care. Prohibits an HMO from paying net earnings to a person for any reason other than providing comprehensive health care—except that the HMO may provide certain payments to health care providers. Requires the commissioner of health to revoke an HMO's certificate of authority if it violates this subdivision.</p> <p>Effective date. This section is effective the day following final enactment.</p>



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