

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3489

- 03/23/2016 Authored by Loon
The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform
- 04/07/2016 Adoption of Report: Placed on the General Register
Read Second Time
- 05/13/2016 Calendar for the Day, Amended
Read Third Time as Amended
Passed by the House as Amended and transmitted to the Senate to include Floor Amendments

1.1 A bill for an act
1.2 relating to commerce; modifying minimum solvency requirements for health
1.3 insurers and fraternal to conform to the accreditation standards of the National
1.4 Association of Insurance Commissioners; amending Minnesota Statutes 2014,
1.5 sections 60A.235, subdivision 3; 60A.236; 60A.52, subdivision 1; 64B.42,
1.6 subdivision 1.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2014, section 60A.235, subdivision 3, is amended to read:

1.9 Subd. 3. **Health plan policies issued as stop loss coverage.** (a) An insurance
1.10 company or health carrier issuing or renewing an insurance policy or other evidence of
1.11 coverage, that provides coverage to an employer for health care expenses incurred under
1.12 an employer-sponsored plan provided to the employer's employees, retired employees,
1.13 or their dependents, shall issue the policy or evidence of coverage as a health plan if the
1.14 policy or evidence of coverage:

1.15 (1) has a specific attachment point for claims incurred per individual that is lower
1.16 than \$20,000; or

1.17 ~~(2) has an aggregate attachment point, for groups of 50 or fewer, that is lower than~~
1.18 ~~the greater of:~~

1.19 ~~(i) \$4,000 times the number of group members;~~

1.20 ~~(ii) 120 percent of expected claims; or~~

1.21 ~~(iii) \$20,000; or~~

1.22 ~~(3) (2) has an aggregate attachment point for groups of 51 or more that is lower than~~
1.23 110 percent of expected claims.

1.24 ~~(b) An insurer shall determine the number of persons in a group, for the purposes~~
1.25 ~~of this section, on a consistent basis, at least annually. Where the insurance policy or~~

2.1 evidence of coverage applies to a contract period of more than one year, the dollar amounts
 2.2 amount set forth in paragraph (a), clauses clause (1) and (2), must be multiplied by the
 2.3 length of the contract period expressed in years.

2.4 ~~(e) The commissioner may adjust the constant dollar amounts provided in paragraph~~
 2.5 ~~(a), clauses (1), (2), and (3), on January 1 of any year, based upon changes in the medical~~
 2.6 ~~component of the Consumer Price Index (CPI). Adjustments must be in increments of~~
 2.7 ~~\$100 and must not be made unless at least that amount of adjustment is required. The~~
 2.8 ~~commissioner shall publish any change in these dollar amounts at least six months before~~
 2.9 ~~their effective date.~~

2.10 ~~(d)~~ (c) A policy or evidence of coverage issued by an insurance company or health
 2.11 carrier that provides direct coverage of health care expenses of an individual, including a
 2.12 policy or evidence of coverage administered on a group basis, is a health plan regardless
 2.13 of whether the policy or evidence of coverage is denominated as stop loss coverage.

2.14 **EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to
 2.15 coverage offered, sold, issued, or renewed on or after that date.

2.16 Sec. 2. Minnesota Statutes 2014, section 60A.236, is amended to read:

2.17 **60A.236 STOP LOSS REGULATION; SMALL EMPLOYER COVERAGE.**

2.18 A contract providing stop loss coverage, issued or renewed to a small employer, as
 2.19 defined in section 62L.02, subdivision 26, or to a plan sponsored by a small employer,
 2.20 must include a claim settlement period no less favorable to the small employer or plan than
 2.21 coverage of all the following: (1) claims incurred during the contract period regardless
 2.22 of when the claims are; and (2) paid by the plan during the contract period or within one
 2.23 month after expiration of the contract period.

2.24 Sec. 3. Minnesota Statutes 2014, section 60A.52, subdivision 1, is amended to read:

2.25 Subdivision 1. **Definition.** "Company action level event" means the following events:

2.26 (1) the filing of an RBC report by a health organization that indicates that: (i) the
 2.27 health organization's total adjusted capital is greater than or equal to its regulatory action
 2.28 level RBC but less than its company action level RBC; or (ii) the health organization has
 2.29 total adjusted capital which is greater than or equal to its company action level RBC
 2.30 but less than the product of its authorized control level RBC and 3.0 and triggers the
 2.31 trend test determined in accordance with the trend test calculation included in the health
 2.32 RBC instructions;

3.1 (2) notification by the commissioner to the health organization of an adjusted RBC
3.2 report that indicates an event in clause (1), provided the health organization does not
3.3 challenge the adjusted RBC report under section 60A.56; or

3.4 (3) if, pursuant to section 60A.56, a health organization challenges an adjusted
3.5 RBC report that indicates the event in clause (1), the notification by the commissioner
3.6 to the health organization that the commissioner has, after a hearing, rejected the health
3.7 organization's challenge.

3.8 Sec. 4. Minnesota Statutes 2014, section 64B.42, subdivision 1, is amended to read:

3.9 Subdivision 1. **Definition.** "Fraternal action level event" means, with respect to a
3.10 society, any of the following events:

3.11 (1) the filing of a risk-based capital report by the society that indicates that:

3.12 (i) the society's total adjusted capital is greater than or equal to its fraternal authorized
3.13 control level risk-based capital but less than its fraternal action level risk-based capital; or

3.14 (ii) the society's total adjusted capital is greater than or equal to its fraternal action
3.15 level risk-based capital but less than the product of its fraternal authorized control level
3.16 risk-based capital and ~~2.5~~ 3.0 and has a negative trend;

3.17 (2) the notification by the commissioner to a society of an adjusted risk-based capital
3.18 report that indicates an event in clause (1), provided the society does not challenge the
3.19 adjusted risk-based capital report under section 64B.44;

3.20 (3) if, pursuant to section 64B.44, the society challenges an adjusted risk-based
3.21 capital report that indicates an event in clause (1), the notification by the commissioner to
3.22 the society that the commissioner has, after a hearing, rejected the society's challenge; or

3.23 (4) the failure of the society to file a risk-based capital report by March 1, unless the
3.24 society has provided an explanation for the failure that is satisfactory to the commissioner
3.25 and has cured the failure within ten days after March 1.