

State Corporation Commission 2007 Fiscal Impact Statement

1. Bill Number SB1303

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron Newman

3. Committee Passed Both Houses

4. Title Health maintenance organizations; conversions.

5. Summary/Purpose: Adds Article 2.1, which provides for the conversion of a domestic health maintenance organization (HMO) to a domestic insurer (converted insurer) licensed to write accident and sickness insurance under Chapter 10 of Title 38.2. This bill amends § 38.2-4319 by adding a reference to the new conversion provision (§ 38.2-1016.1). Section 38.2-1016.1 A provides that a domestic HMO may convert to an insurer licensed to write accident and sickness insurance. Section 38.2-1016.1 B sets forth the requirements for converting to a domestic insurer including the applicability of Article 1 of Chapter 10; filing amendments to its articles of incorporation, etc., as required pursuant to Chapter 9 of Title 13.1; and filing with the Commission such other information as may be required. This section also provides the once the HMO is issued the converted insurer's license, it will be subject to all of the provisions of Title 38.2 that pertain to insurers licensed under Article 5 of Chapter 10. Section 38.2-1016.1 C sets forth the period of time that the converted insurer's HMO business (i.e. plans, contracts, and evidences of coverage) shall remain in force after the conversion, which shall be no greater than 18 months after the date of conversion. During this period the taxes and fees applicable to this HMO business will remain the same as for licensed HMOs. Section 38.2-1016.1 D prohibits the converted insurer from using HMO or any similar descriptive word in its accident and sickness insurance policies, contracts, or literature after the effective date of its conversion. Section 38.2-1016.1 E sets forth rehabilitation, liquidation and conservation provisions to be applicable to the converted insurer during the 18 month conversion period. HMO business would fall under the provisions of Chapter 15 of Title 38.2 and §§ 38.2-4310, 38.2-4317, and 38.2 4317.1. The accident and sickness business would fall under Chapters 15 and 17 of Title 38.2.

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: Senate Bill 1303 provides for the conversion of a domestic HMO to a domestic insurer (converted insurer) licensed to write accident and sickness insurance under Chapter 10 of Title 38.2. This bill was proposed by Piedmont Community Health Care, Inc. to enable Piedmont to convert to a domestic insurer licensed to write accident and sickness insurance business in Virginia. The Bureau of Insurance worked with Piedmont to draft an HMO conversion bill after 2006 Senate Bill 525 was carried over to the 2007 Session. Senate Bill 1303 is the resulting legislation.

Date: 03/07/07 / V. Tompkins

cc: Secretary of Health and Human Resources