

State Corporation Commission 2008 Fiscal Impact Statement

1. Bill Number: HB397

House of Origin	<u>X</u>	Introduced	<u> </u>	Substitute	<u> </u>	Engrossed
Second House	<u> </u>	In Committee	<u> </u>	Substitute	<u> </u>	Enrolled

2. Patron: Hamilton

3. Committee: Commerce and Labor

4. Title: Health maintenance organizations; deductibles.

5. Summary/Purpose: Deletes language in the Health Maintenance Organization (HMO) chapter relating to limits for total deductibles per calendar or contract year. Language is also deleted that allows HMOs to continue the deductible under the federal program if the program for health savings accounts is terminated.

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: The current language of § 38.2-4303 of the Code of Virginia provides that deductibles cannot exceed the maximum annual deductible permissible for health plans made available pursuant to 26 U.S.C. § 220 or any successor. House Bill 397 proposes to strike that language, which would give HMOs the flexibility to offer products with deductible amounts in excess of the amounts currently permitted by the statute. However, as the Bureau of Insurance staff advised the patron, the State Corporation Commission would still be required to determine “reasonableness” as it relates to deductible amounts. The factors for determining whether or not a deductible is reasonable are identified in subdivision A 8:

- a. Whether the deductibles will adversely affect accessibility to health care services among the health care plan's enrollees in the Commonwealth;
- b. Whether the health care plan has demonstrated its ability to monitor and implement the deductible plans; and
- c. Whether the health care plan's level of capitalization and financial condition are adequate to support the deductible plans.

Under House Bill 397, HMOs would be able to request approval of products with deductibles in excess of those currently permitted under the established limits for high deductible health plans used with health or medical savings accounts. It would then be the Bureau's responsibility to review the filing in accordance with the factors outlined above. Procedurally, such a determination would be decided at a hearing before the Commission on a case-by-case basis, or an amendment of the Commission's Rules Governing Health Maintenance Organizations to establish an upper limit. Bureau staff brought the issue to the attention of the patron so that the patron could consider whether to amend House Bill 397 to specify an upper limit in the statute or to remove some or all of the factors currently listed in § 38.2-4303 A 8 a.

The legislation is currently assigned to Subcommittee #2 of the House Committee on Commerce and Labor.

Date: 01/18/08 / V. Tompkins

cc: Secretary of Commerce and Trade
Secretary of Health and Human Resources