

****REVISED****
State Corporation Commission
2018 Fiscal Impact Statement

1. Bill Number: HB1201

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

2. Patron: Cline

3. Committee: Commerce and Labor

4. Title: Health benefit plans offered by foreign health insurers.

5. Summary: Authorizes any foreign health insurer to sell individual or group health benefit plans in the Commonwealth if it is approved to sell such plans in the foreign health insurer's domiciliary state. The measure establishes requirements applicable to such sales, including registration, disclosures, compliance with marketing standards, and financial condition. The measure has a delayed effective date of July 1, 2019.

6. Budget amendment necessary: No

7. Fiscal Impact Estimates: No Fiscal Impact on the State Corporation Commission

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: House Bill 1201 is identical to the amendment in the nature of a substitute to 2017 House Bill 2233, also introduced by Delegate Cline. The State Corporation Commission Bureau of Insurance (Bureau) offered the following comments to that bill regarding the sale of health benefit plans by foreign insurers unlicensed in Virginia (Chapter 64 plans):

- The bill includes a disclosure requirement regarding the lack of protection by the Virginia Life, Accident and Sickness Insurance Guaranty Association. State laws relating to Guaranty Association coverage differ. The Bureau cannot state with any certainty whether or to what extent Virginia policyholders would be protected by the Guaranty Association in the foreign health insurer's domiciliary state in the event the foreign health insurer were to become insolvent.

- There are numerous consumer protections afforded under Virginia law that would not extend to purchasers of a product issued under this proposal. These protections are evident in current product form and rate approval requirements as well as in a number of requirements pertaining to market behavior that are too numerous to identify in this fiscal impact statement. A few examples of Virginia consumer protections that would not necessarily extend to Virginia purchasers of policies issued by foreign health insurers include the following:
 - a requirement for interest added to late claim payments;
 - prohibitions against certain prescription drug denials;
 - standards for fair business practices associated with contracts between insurers and providers;
 - ensured access to certain specialty providers;
 - requirements pertaining to freedom of choice among pharmacy providers;
 - a requirement for advance notification to policyholders of premium rate increases.
 - protections afforded to policyholders through Virginia's requirements governing managed care health insurance plans (MCHIPS), including the services of the Virginia Managed Care Ombudsman and the External Review Office and quality standards regarding the delivery of health care services and access to health care providers; and
 - protections afforded to consumers through Virginia's laws and regulations addressing agents, including licensure and sales practices.

Section 38.2-6403 identifies specific disclosure requirements for the application and the certificates and evidences of coverage associated with a health benefit plan issued by a foreign health insurer. It should be noted, however, that because the State Corporation Commission does not have approval authority over these documents, there will be no means to verify "front-end" compliance with these disclosure requirements through a form review and approval process as is done with licensed companies issuing products in Virginia.

While not necessarily suggesting changes to the patron, the Bureau pointed out that House Bill 2233 does not appear to establish the same level of financial controls, i.e. Risk-Based Capital standards (RBC) that otherwise apply to licensed insurers in Virginia. The Bureau would not be authorized to take certain actions against the foreign health insurer if and when its RBC levels were found to be within ranges that would otherwise require regulatory action, such as suspending or revoking the insurer's license. The proposal also does not provide any specifics regarding renewal of registration. It is unclear which financial standards under Title 38.2 would be applicable to foreign health insurers registered under Chapter 64 when conducting a "solvency examination" as provided for in § 38.2-6406.

Date: 01/22/18/V. Tompkins