

FIRST REGULAR SESSION

HOUSE BILL NO. 547

96TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES McNEIL (Sponsor), LAMPE, HUGHES, OXFORD, KIRKTON,
CARTER, ELLINGER, SCHUPP, STILL, ANDERS, PACE AND NEWMAN (Co-sponsors).

1447L.011

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To amend chapter 376, RSMo, by adding thereto two new sections relating to health insurance premium rate reviews, with an emergency clause.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapter 376, RSMo, is amended by adding thereto two new sections, to be
2 known as sections 376.465 and 376.466, to read as follows:

376.465. 1. As used in this section and section 376.466, the following terms mean:

2 (1) "Department", the department of insurance, financial institutions and
3 professional registration;

4 (2) "Director", the director of the department of insurance, financial institutions
5 and professional registration;

6 (3) "Enrollee", a policyholder, subscriber, covered person, or other individual
7 participating in a health benefit plan;

8 (4) "Health benefit plan", the same meaning as such term is defined in section
9 376.1350;

10 (5) "Health carrier", the same meaning as such term is defined in section 376.1350;

11 (6) "Significant increase", a rate increase exceeding the rate increases contemplated
12 in 42 U.S.C. Section 300gg-94 and outlined in any regulations promulgated under the
13 authority granted therein.

14 2. Beginning July 1, 2011, every health benefit plan form which is submitted for
15 approval under section 354.105, 354.405, or 376.405 shall be accompanied by a rate filing,

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

16 unless the health benefit plan form does not require a change in a rate. Any subsequent
17 addition to or change in rates applicable to such health benefit plan form shall also be filed.

18 **3. Each rate filing shall include:**

19 **(1) An actuarial memorandum describing the basis on which rates were determined**
20 **and shall indicate and describe the calculation of the ratio, hereinafter called anticipated**
21 **loss ratio, of the present value of the expected benefits to the present value of the expected**
22 **premiums over the entire period for which rates are computed to provide coverage.**
23 **Interest shall be used in the calculation of such present values only if it is a significant**
24 **factor in the calculation of such loss ratio; and**

25 **(2) A certification by a qualified actuary that to the best of the actuary's knowledge**
26 **and judgment the rate filing is in compliance with the applicable laws and regulations of**
27 **Missouri and that the benefits are reasonable in relation to premiums.**

28 **4. Filings of rate revisions for a previously approved policy, rider, or endorsement**
29 **form shall include the following:**

30 **(1) A statement of the scope and reason for the revision and an estimate of the**
31 **expected average effect on premiums, including the anticipated loss ratio for the form;**

32 **(2) A statement as to whether the filing applies only to new business, only to in force**
33 **business, or both, and the reasons therefor;**

34 **(3) A history of the experience under existing rates, including at least the data**
35 **indicated in subsection 5 of this section. The history shall also include, if available and**
36 **appropriate, the ratios of actual claims to the claims expected according to the assumptions**
37 **underlying the existing rates. Additional data may include:**

38 **(a) Substitution of actual claim runoffs for claim reserves and liabilities;**

39 **(b) Determination of loss ratios with the increase in policy reserves, other than**
40 **unearned premium reserves, added to benefits rather than subtracted from premiums;**

41 **(c) Accumulations of experience funds;**

42 **(d) Substitution of net level policy reserves for preliminary term policy reserves;**

43 **(e) Adjustment of premiums to an annual mode basis; and**

44 **(f) Other adjustments or schedules suited to the form and to the records of the**
45 **company.**

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47 **All additional data shall be reconciled, as appropriate, to the required data; and**

48 **(4) The date and magnitude of each previous rate change, if any.**

49 **5. Health carriers shall maintain records of earned premiums and incurred benefits**
50 **for each calendar year for each policy form, including data for rider and endorsement**
51 **forms which are used with the policy form, on the same basis, including all reserves as**

52 required for the accident and health policy experience exhibit. Separate data may be
53 maintained for each rider or endorsement form to the extent appropriate. Experience
54 under forms which provide substantially similar coverage may be combined. The data
55 shall be for all years of issue combined, for each calendar year of experience since the year
56 the form was first issued; except that, data for calendar years prior to the most recent five
57 years may be combined.

58 **6. In determining the credibility and appropriateness of experience data, due**
59 **consideration shall be given to all relevant factors, including but not limited to:**

60 **(1) Statistical credibility of premiums and benefits, such as low exposure and low**
61 **loss frequency;**

62 **(2) Experienced and projected trends relative to the kind of coverage, such as**
63 **inflation in medical expenses and economic cycles affecting disability income experience;**

64 **(3) The concentration of experience at early policy durations where select morbidity**
65 **and preliminary term reserves are applicable and where loss ratios are expected to be**
66 **substantially lower than at later policy durations; and**

67 **(4) The mix of business by risk classification.**

376.466. 1. Concurrent with the filing of a significant rate increase for approval
2 **by the department, a health carrier shall notify in writing all affected enrollees of the**
3 **proposed significant rate increase. Such notice shall specify the rate increase proposed that**
4 **is applicable to each enrollee and shall include the ranking and quantification of those**
5 **factors that are responsible for the amount of the rate increase proposed. The notice shall**
6 **include information about how the enrollee can contact the department for assistance.**

7 **2. Within ten days of the date the health carrier files for approval of a significant**
8 **rate increase, the director shall set a date for a public hearing on the proposed significant**
9 **rate increase. The hearing shall be held no later than thirty days after the department**
10 **receives the filing from the health carrier. The director shall provide a copy of any**
11 **information filed by the carrier under subsection 2 of section 376.465 to any person making**
12 **a written request for the information. At the hearing, the health carrier may provide**
13 **additional information in support of its proposed significant rate increase and any member**
14 **of the public may provide information in support of or in opposition to the proposed**
15 **significant rate increase.**

16 **3. The director shall solicit public comments on each proposed significant rate**
17 **increase and shall pose without delay all comments received on the department's website**
18 **prior to approval or disapproval of the proposed significant rate increase.**

19 **4. The director shall consider the public testimony and comments received for**
20 **consideration in determining whether to approve or disapprove such significant rate**
21 **increase proposals.**

22 **5. Within twenty days of the hearing described in subsection 2 of this section, the**
23 **director shall review all of the information submitted to determine whether the proposed**
24 **significant rate increase is justified. No rate shall be considered justified that is excessive,**
25 **inadequate, or unfairly discriminatory. If the director determines that the rate is justified,**
26 **the director shall issue an order authorizing the carrier to use the premium rate as**
27 **proposed. If the director determines that the rate is not justified, the director shall issue**
28 **an order prohibiting the use of the premium rate as proposed. The health carrier may**
29 **appeal the order under chapter 536.**

30 **6. The director shall adopt regulations to implement the provisions of section**
31 **376.465 and this section. Any rule or portion of a rule, as that term is defined in section**
32 **536.010, that is created under the authority delegated in this section shall become effective**
33 **only if it complies with and is subject to all of the provisions of chapter 536 and, if**
34 **applicable, section 536.028. This section, section 376.465, and chapter 536 are**
35 **nonseverable and if any of the powers vested with the general assembly pursuant to**
36 **chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are**
37 **subsequently held unconstitutional, then the grant of rulemaking authority and any rule**
38 **proposed or adopted after the effective date of this section shall be invalid and void.**

 Section B. Because immediate action is necessary to ensure the efficient operation of the
2 rate review process and compliance with federal law, section A of this act is deemed necessary
3 for the immediate preservation of the public health, welfare, peace, and safety, and is hereby
4 declared to be an emergency act within the meaning of the constitution, and section A of this act
5 shall be in full force and effect upon its passage and approval.