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ASSEMBLY COMMITTEE SUBSTITUTE FOR
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STATE OF NEW JERSEY
218th LEGISLATURE

ADOPTED JUNE 6, 2019

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SYNOPSIS

Applies 85 percent loss ratio requirement to certain large group health benefits carriers.

CURRENT VERSION OF TEXT

As reported by the Assembly Appropriations Committee on June 13, 2019, with amendments.



(Sponsorship Updated As Of: 1/14/2020)

1 AN ACT concerning large group health benefits plans and
2 supplementing various parts of the statutory law.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. a. Beginning with the calendar year starting on January 1,
8 2020, and in each calendar year thereafter, a hospital service
9 corporation providing health benefits plan to a large employer shall
10 return, in the form of aggregate benefits for all large group health
11 benefits plans offered by the hospital service corporation, at least 85
12 percent of the aggregate premiums collected for all of those plans
13 ¹【during that calendar year】¹.

14 b. A hospital service corporation shall annually report to the
15 Commissioner of Banking and Insurance, no later than August 1 of
16 each year, the loss ratio calculated for all of the health benefits
17 plans for the previous calendar year. In each case in which the loss
18 ratio fails to substantially comply with the 85 percent loss ratio
19 requirement, the hospital service corporation shall issue a dividend
20 or credit against future premiums for all contract holders in an
21 amount sufficient to assure that the aggregate benefits paid in the
22 previous calendar year plus the amount of the dividends and credits
23 shall equal 85 percent of the premiums collected ¹【in the previous
24 calendar year】¹. The hospital service corporation shall distribute
25 all dividends and credits by December 31 of the year following the
26 calendar year in which the loss ratio requirements were not
27 satisfied. The hospital service corporation's annual report shall
28 include the hospital service corporation's calculation of the
29 dividends and credits applicable to all health benefits plans, as well
30 as an explanation of the hospital service corporation's plan to issue
31 dividends or credits.

32 c. The commissioner shall specify by regulation:

33 (1) any informational filings required to be submitted by a
34 hospital service corporation to the commissioner in order to
35 determine whether the hospital service corporation is in compliance
36 with the loss ratio requirements;

37 (2) the instructions and format for calculating and reporting loss
38 ratios and issuing dividends or credits;

39 (3) procedures for the distribution of a dividend or credit in the
40 event of cancellation or termination by a contract holder; and

41 (4) the instructions and format for submitting annual reports.

42 d. As used in this section, "large employer" means an employer
43 with more than 50 employees, who is not a small employer as
44 defined in section 1 of P.L.1992, c.162 (C.17B:27A-17).

EXPLANATION – Matter enclosed in bold-faced brackets **【thus】** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly AAP committee amendments adopted June 13, 2019.

1 2. a. Beginning with the calendar year starting on January 1,
2 2020, and in each calendar year thereafter, a medical service
3 corporation providing health benefits plans to a large employer
4 shall return, in the form of aggregate benefits for all large group
5 health benefits plans offered by the medical service corporation, at
6 least 85 percent of the aggregate premiums collected for all of those
7 plans ¹【during that calendar year】¹.

8 b. A medical service corporation shall annually report to the
9 Commissioner of Banking and Insurance, no later than August 1 of
10 each year, the loss ratio calculated for all of the health benefits
11 plans for the previous calendar year. In each case in which the loss
12 ratio fails to substantially comply with the 85 percent loss ratio
13 requirement, the medical service corporation shall issue a dividend
14 or credit against future premiums for all contract holders in an
15 amount sufficient to assure that the aggregate benefits paid in the
16 previous calendar year plus the amount of the dividends and credits
17 shall equal 85 percent of the premiums collected ¹【in the previous
18 calendar year】¹. The medical service corporation shall distribute all
19 dividends and credits by December 31 of the year following the
20 calendar year in which the loss ratio requirements were not
21 satisfied. The medical service corporation's annual report shall
22 include the medical service corporation's calculation of the
23 dividends and credits applicable to all health benefits plans, as well
24 as an explanation of the medical service corporation's plan to issue
25 dividends or credits.

26 c. The commissioner shall specify by regulation:

27 (1) any informational filings required to be submitted by a
28 medical service corporation to the commissioner in order to
29 determine whether the medical service corporation is in compliance
30 with the loss ratio requirements;

31 (2) the instructions and format for calculating and reporting loss
32 ratios and issuing dividends or credits;

33 (3) procedures for the distribution of a dividend or credit in the
34 event of cancellation or termination by a contract holder; and

35 (4) the instructions and format for submitting annual reports.

36 d. As used in this section, "large employer" means an employer
37 with more than 50 employees, who is not a small employer as
38 defined in section 1 of P.L.1992, c.162 (C.17B:27A-17).

39

40 3. a. Beginning with the calendar year starting on January 1,
41 2020, and in each calendar year thereafter, a health service
42 corporation providing health benefits plans to a large employer
43 shall return, in the form of aggregate benefits for all large group
44 health benefits plans offered by the health service corporation, at
45 least 85 percent of the aggregate premiums collected for all of those
46 plans ¹【during that calendar year】¹.

47 b. A health service corporation shall annually report to the
48 Commissioner of Banking and Insurance no later than August 1 of

1 each year, the loss ratio calculated for all of the health benefits
2 plans for the previous calendar year. In each case in which the loss
3 ratio fails to substantially comply with the 85 percent loss ratio
4 requirement, the health service corporation shall issue a dividend or
5 credit against future premiums for all contract holders in an amount
6 sufficient to assure that the aggregate benefits paid in the previous
7 calendar year plus the amount of the dividends and credits shall
8 equal 85 percent of the premiums collected ¹in the previous
9 calendar year¹. The health service corporation shall distribute all
10 dividends and credits by December 31 of the year following the
11 calendar year in which the loss ratio requirements were not
12 satisfied. The health service corporation's annual report shall
13 include the health service corporation's calculation of the dividends
14 and credits applicable to all health benefits plans, as well as an
15 explanation of the health service corporation's plan to issue
16 dividends or credits.

17 c. The commissioner shall specify by regulation:

18 (1) any informational filings required to be submitted by a
19 health service corporation to the commissioner in order to
20 determine whether the health service corporation is in compliance
21 with the loss ratio requirements;

22 (2) the instructions and format for calculating and reporting loss
23 ratios and issuing dividends or credits;

24 (3) procedures for the distribution of a dividend or credit in the
25 event of cancellation or termination by a contract holder; and

26 (4) the instructions and format for submitting annual reports.

27 d. As used in this section, "large employer" means an employer
28 with more than 50 employees, who is not a small employer as
29 defined in section 1 of P.L.1992, c.162 (C.17B:27A-17).

30
31 4. a. Beginning with the calendar year starting on January 1,
32 2020, and in each calendar year thereafter, an insurer providing a
33 health benefits plan shall return, in the form of aggregate benefits
34 for all large group health insurance policy forms offered by the
35 insurer pursuant to N.J.S.17B:27-26 et seq., at least 85 percent of
36 the aggregate premiums collected for all of the policy forms
37 ¹during that calendar year¹.

38 b. An insurer shall annually report to the Commissioner of
39 Banking and Insurance, no later than August 1 of each year, the loss
40 ratio calculated for all of the policy forms for the previous calendar
41 year. In each case in which the loss ratio fails to substantially
42 comply with the 85 percent loss ratio requirement, the insurer shall
43 issue a dividend or credit against future premiums for all
44 policyholders in an amount sufficient to assure that the aggregate
45 benefits paid in the previous calendar year plus the amount of the
46 dividends and credits shall equal 85 percent of the premiums
47 collected ¹in the previous calendar year¹. The insurer shall
48 distribute all dividends and credits by December 31 of the year

1 following the calendar year in which the loss ratio requirements
2 were not satisfied. The insurer's annual report shall include the
3 insurer's calculation of the dividends and credits applicable to all
4 policy forms, as well as an explanation of the insurer's plan to issue
5 dividends or credits.

6 c. The commissioner shall specify by regulation:

7 (1) any informational filings required to be submitted by
8 insurers to the commissioner in order to determine whether insurers
9 are in compliance with their loss ratio requirements;

10 (2) the instructions and format for calculating and reporting loss
11 ratios and issuing dividends or credits;

12 (3) procedures for the distribution of a dividend or credit in the
13 event of cancellation or termination by a policyholder; and

14 (4) the instructions and format for submitting annual reports.
15

16 5. a. Beginning with the calendar year starting on January 1,
17 2020, and in each calendar year thereafter, a health maintenance
18 organization providing health benefits plans to a large employer
19 shall return, in the form of aggregate benefits for all large group
20 health benefits plans offered by the health maintenance
21 organization, at least 85 percent of the aggregate premiums
22 collected for all of those plans ¹【during that calendar year】¹.

23 b. A health maintenance organization shall annually report to
24 the Commissioner of Banking and Insurance, no later than August 1
25 of each year, the loss ratio calculated for all health benefits plans
26 for the previous calendar year. In each case in which the loss ratio
27 fails to substantially comply with the 85 percent loss ratio
28 requirement, the health maintenance organization shall issue a
29 dividend or credit against future premiums for all contract holders
30 in an amount sufficient to assure that the aggregate benefits paid in
31 the previous calendar year plus the amount of the dividends and
32 credits shall equal 85 percent of the premiums collected ¹【in the
33 previous calendar year】¹. The health maintenance organization
34 shall distribute all dividends and credits by December 31 of the year
35 following the calendar year in which the loss ratio requirements
36 were not satisfied. The health maintenance organization's annual
37 report shall include the health maintenance organization's
38 calculation of the dividends and credits applicable to all health
39 benefits plans, as well as an explanation of the health maintenance
40 organization's plan to issue dividends or credits.

41 c. The commissioner shall specify by regulation:

42 (1) any informational filings required to be submitted by a
43 health maintenance organization to the commissioner in order to
44 determine whether the health maintenance organization is in
45 compliance with the loss ratio requirements;

46 (2) the instructions and format for calculating and reporting loss
47 ratios and issuing dividends or credits;

1 (3) procedures for the distribution of a dividend or credit in the
2 event of cancellation or termination by a contract holder; and

3 (4) the instructions and format for submitting annual reports.

4 d. As used in this section, “large employer” means an employer
5 with more than 50 employees, who is not a small employer as
6 defined in section 1 of P.L.1992, c.162 (C.17B:27A-17).

7

8 6. This act shall take effect immediately.