[First Reprint]

ASSEMBLY COMMITTEE SUBSTITUTE FOR

ASSEMBLY, No. 5504

STATE OF NEW JERSEY

218th LEGISLATURE

ADOPTED JUNE 6, 2019

Sponsored by:
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District 20 (Union)
Senator PATRICK J. DIEGNAN, JR.
District 18 (Middlesex)

Co-Sponsored by:
Senators Greenstein and Singleton

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)

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

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

1. a. Beginning with the calendar year starting on January 1, 2020, and in each calendar year thereafter, a hospital service corporation providing health benefits plan to a large employer shall return, in the form of aggregate benefits for all large group health benefits plans offered by the hospital service corporation, at least 85 percent of the aggregate premiums collected for all of those plans [1]**[**during that calendar year**]**[1].

b. A hospital service corporation shall annually report to the Commissioner of Banking and Insurance, no later than August 1 of each year, the loss ratio calculated for all of the health benefits plans for the previous calendar year. In each case in which the loss ratio fails to substantially comply with the 85 percent loss ratio requirement, the hospital service corporation shall issue a dividend or credit against future premiums for all contract holders in an amount sufficient to assure that the aggregate benefits paid in the previous calendar year plus the amount of the dividends and credits shall equal 85 percent of the premiums collected [1]**[**in the previous calendar year**]**[1]. The hospital service corporation shall distribute all dividends and credits by December 31 of the year following the calendar year in which the loss ratio requirements were not satisfied. The hospital service corporation's annual report shall include the hospital service corporation's calculation of the dividends and credits applicable to all health benefits plans, as well as an explanation of the hospital service corporation's plan to issue dividends or credits.

c. The commissioner shall specify by regulation:

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

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

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

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

d. As used in this section, "large employer" means an employer with more than 50 employees, who is not a small employer as 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 <u>thus</u> is new matter.
Matter enclosed in superscript numerals has been adopted as follows:
[1]Assembly AAP committee amendments adopted June 13, 2019.

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

b. A medical service corporation shall annually report to the Commissioner of Banking and Insurance, no later than August 1 of each year, the loss ratio calculated for all of the health benefits plans for the previous calendar year. In each case in which the loss ratio fails to substantially comply with the 85 percent loss ratio requirement, the medical service corporation shall issue a dividend or credit against future premiums for all contract holders in an amount sufficient to assure that the aggregate benefits paid in the previous calendar year plus the amount of the dividends and credits shall equal 85 percent of the premiums collected [1][in the previous calendar year][1]. The medical service corporation shall distribute all dividends and credits by December 31 of the year following the calendar year in which the loss ratio requirements were not satisfied. The medical service corporation's annual report shall include the medical service corporation's calculation of the dividends and credits applicable to all health benefits plans, as well as an explanation of the medical service corporation's plan to issue dividends or credits.

c. The commissioner shall specify by regulation:

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

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

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

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

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

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

b. A health service corporation shall annually report to the Commissioner of Banking and Insurance no later than August 1 of each year, the loss ratio calculated for all of the health benefits plans for the previous calendar year. In each case in which the loss ratio fails to substantially comply with the 85 percent loss ratio requirement, the health service corporation shall issue a dividend or credit against future premiums for all contract holders in an amount sufficient to assure that the aggregate benefits paid in the previous calendar year plus the amount of the dividends and credits shall equal 85 percent of the premiums collected [1]**[**in the previous calendar year**]**[1]. The health service corporation shall distribute all dividends and credits by December 31 of the year following the calendar year in which the loss ratio requirements were not satisfied. The health service corporation's annual report shall include the health service corporation's calculation of the dividends and credits applicable to all health benefits plans, as well as an explanation of the health service corporation's plan to issue dividends or credits.

c. The commissioner shall specify by regulation:

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

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

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

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

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

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

b. An insurer shall annually report to the Commissioner of Banking and Insurance, no later than August 1 of each year, the loss ratio calculated for all of the policy forms for the previous calendar year. In each case in which the loss ratio fails to substantially comply with the 85 percent loss ratio requirement, the insurer shall issue a dividend or credit against future premiums for all policyholders in an amount sufficient to assure that the aggregate benefits paid in the previous calendar year plus the amount of the dividends and credits shall equal 85 percent of the premiums collected [1]**[**in the previous calendar year**]**[1]. The insurer shall distribute all dividends and credits by December 31 of the year following the calendar year in which the loss ratio requirements were not satisfied. The insurer's annual report shall include the insurer's calculation of the dividends and credits applicable to all policy forms, as well as an explanation of the insurer's plan to issue dividends or credits.

c. The commissioner shall specify by regulation:

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

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

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

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

5. a. Beginning with the calendar year starting on January 1, 2020, and in each calendar year thereafter, a health maintenance organization providing health benefits plans to a large employer shall return, in the form of aggregate benefits for all large group health benefits plans offered by the health maintenance organization, at least 85 percent of the aggregate premiums collected for all of those plans [1]**[**during that calendar year**]**[1].

b. A health maintenance organization shall annually report to the Commissioner of Banking and Insurance, no later than August 1 of each year, the loss ratio calculated for all health benefits plans for the previous calendar year. In each case in which the loss ratio fails to substantially comply with the 85 percent loss ratio requirement, the health maintenance organization shall issue a dividend or credit against future premiums for all contract holders in an amount sufficient to assure that the aggregate benefits paid in the previous calendar year plus the amount of the dividends and credits shall equal 85 percent of the premiums collected [1]**[**in the previous calendar year**]**[1]. The health maintenance organization shall distribute all dividends and credits by December 31 of the year following the calendar year in which the loss ratio requirements were not satisfied. The health maintenance organization's annual report shall include the health maintenance organization's calculation of the dividends and credits applicable to all health benefits plans, as well as an explanation of the health maintenance organization's plan to issue dividends or credits.

c. The commissioner shall specify by regulation:

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

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

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

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

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

6. This act shall take effect immediately.