

2001 DRAFTING REQUEST

Bill

Received: 01/02/2001

Received By: kahlepj

Wanted: Soon

Identical to LRB:

For: Administration-Budget 7-9546

By/Representing: Jablonsky

This file may be shown to any legislator: NO

Drafter: kahlepj

May Contact:

Alt. Drafters:

Subject: Insurance - miscellaneous

Extra Copies:

Pre Topic:

DOA:.....Jablonsky -

Topic:

Eliminate authority of HMOs and other insurance entities to enter into certain management contracts

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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FE Sent For:

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1/?	kahlepj	1 hmk 1/4/01	1/4	1/4 / pg			

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<END>

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
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Date: December 28, 2000
To: Steve Miller, LRB
From: Susan Jablonsky, State Budget Office 7-9546
Subject: Statutory Language

Three pieces:

1. Delete the authority of HMOs and other insurance entities to enter into management contracts in s. 611.67. I'm attaching the request and proposed language changes from OCI.

1740

Jablonsky, Sue

From: Mallow, Eileen
Sent: Friday, December 22, 2000 2:50 PM
To: Jablonsky, Sue
Subject: SECTION 611

At long last, here's our suggested change in the statutory language for management contracts. It ends the ability of the board of a managed care plan to delegate substantial management authority to a contractor. We've put a 2 1/2 year implementation period to allow the plans that currently have these types of arrangements to do any restructuring they may need. Under the proposed change, a contract that calls for payment to the management company based on premium charged by the insurer would no longer be permitted. Contracts that are on different types of payment arrangements, such as per member per month, or cost allocations would still be allowed. Three HMOS and 6 LSHOs will be affected if this language is adopted.



HMO management
contract draft1...

SECTION 611.67 (1) (a), (b) and (d) of the statutes are repealed.

SECTION 611.67 (2) is amended to read:

611.67 (2) ~~Except as provided in sub. (3), a~~ A corporation may not be a party to a contract which has the effect of delegating management authority to a person to the substantial exclusion of the board. An insurer may continue or renew a contract under s. 611.67 (3) and (4), 1997-1998 Wis. Stats., but not after December 31, 2003.

SECTION 611.67 (3) and (4) of the statutes are repealed.

SECTION 618.22 (2) (intro) is amended to read:

618.22 (2) (intro) The commissioner shall disapprove a contract under sub. (1) ~~or s. 611.67~~ if he or she finds that:

Note that this draft repeals authority to enter into management contracts for imbedded HMO plans and for preferred provider plans, as well as for HMO insurers.



hnh

DOA:.....Jablonsky - Eliminate authority of HMO's and other insurance entities to enter into certain management contracts

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

SOON
(1-03)

LPS: please fix request sheet

do not
for cost

1 AN ACT; relating to: the budget.

Analysis by the Legislative Reference Bureau
INSURANCE

Current law prohibits an insurance stock or mutual corporation from being a party to a contract that has the effect of delegating to a person, to the substantial exclusion of the board of the insurance stock or mutual corporation, management control of a major corporate function, such as underwriting or loss adjustment. Current law provides exceptions, however, for health maintenance organizations, limited service health organizations, and preferred provider plans if the person to whom the management authority is delegated exercises the authority according to the terms of a written contract that is filed with, and not disapproved by, the commissioner of insurance. The bill eliminates, effective January 1, 2004, the exceptions to the prohibition against delegating management control to a person to the substantial exclusion of the board.

the corporation or of

person

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 611.67 (1) (intro.) and (c) of the statutes are consolidated,
3 renumbered 611.67 (1), and amended to read:

1 611.67 (1) In this section: ~~(e)~~ "Management, "management authority" means
2 the authority to exercise any management control of the corporation or of its
3 underwriting, loss adjustment, investment, general servicing, or production
4 function or other major corporate function.

History: 1985 a. 29.

5 **SECTION 2.** 611.67 (1) ~~(a)~~ of the statutes is repealed.

6 **SECTION 3.** 611.67 (1) ~~(b)~~ of the statutes is repealed.

7 **SECTION 4.** 611.67 (1) ~~(d)~~ of the statutes is repealed.

8 **SECTION 5.** 611.67 (2) of the statutes is amended to read:

9 611.67 (2) ~~Except as provided in sub. (3),~~ a A corporation may not be a party
10 to a contract ~~which~~ that has the effect of delegating management authority to a
11 person to the substantial exclusion of the board.

History: 1985 a. 29.

12 **SECTION 6.** 611.67 (3) of the statutes is repealed.

13 **SECTION 7.** 611.67 (4) of the statutes is repealed.

14 **SECTION 8.** 618.22 (1) of the statutes is amended to read:

15 618.22 (1) FILING OF CONTRACT. No nondomestic insurer may be a party to any
16 exclusive agency contract or management contract as ~~defined~~ described in ss. 611.66
17 and 611.67² respectively, unless the contract is filed with the commissioner and not
18 disapproved under this section within 30 days after filing, or such reasonable
19 extended period as the commissioner may specify by notice given within the 30 days.

History: 1971 c. 260; 1979 c. 102 s. 236 (5); 1985 a. 29.

20 **SECTION 9.** 618.22 (2) (intro.) of the statutes is amended to read:

21 618.22 (2) DISAPPROVAL. (intro.) The commissioner shall disapprove a contract
22 under specified in sub. (1) ~~or s. 611.67~~ if he or she finds that:

History: 1971 c. 260; 1979 c. 102 s. 236 (5); 1985 a. 29.

23 **SECTION 9427. Effective dates; insurance.**



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