

2015 DRAFTING REQUEST

Bill

Received: 6/16/2015 Received By: pkahler
For: Chris Larson (608) 266-7505 Same as LRB: -2689
May Contact: By/Representing: Lacy
Subject: Insurance - miscellaneous Drafter: pkahler
Addl. Drafters:
Extra Copies:

Submit via email: YES
Requester's email: Sen.Larson@legis.wisconsin.gov
Carbon copy (CC) to: tamara.dodge@legis.wisconsin.gov
pam.kahler@legis.wisconsin.gov

Pre Topic:

No specific pre topic given

Topic:

Rate regulation

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	pkahler 6/17/2015	kmochal 6/19/2015	_____			
/P1	pkahler 6/24/2015		_____	lparisi 6/19/2015		
/1		kmochal 6/25/2015	_____	sbasford 6/25/2015	mbarman 9/18/2015	State

FE Sent For:

*at
intro*

<END>

Kahler, Pam

From: Fox, Lacy
Sent: Tuesday, June 16, 2015 11:51 AM
To: Kahler, Pam
Subject: RE: Rate Review Legislation

Thanks, Pam. Here are some clarifications to your questions:

Many of these items seem to be limited to health insurance. Are they all? If not all, which ones are? (Numbers 3, 4, 5, and 7 seem to be) yes all are health insurance solely

For number 5, who do you want to publish the increased rates and how/where? (OCI, hosted on their website clearly for consumers)

For number 7, what is the context of an insurer giving the cause of an increase? Is it in a hearing? If so, that would only occur if the increase was over 10%, correct? Do you want to require that an insurer provide to OCI the reason for every increase? How would the insurer make the negotiated rates publicly available, publish on the Internet, available upon request, something else? (They currently provide rational for increase above 10%, keep that as the threshold for #7. They would make them publicly available on OCI website)

In number 4, what do you mean by "rate review"? Do you mean the prior authorization process, something else? (yes, sorry. Prior authorization for all markets)

Thanks!

From: Kahler, Pam
Sent: Tuesday, June 16, 2015 11:36 AM
To: Fox, Lacy
Subject: RE: Rate Review Legislation

Lacy, here are the questions I have so far:

Many of these items seem to be limited to health insurance. Are they all? If not all, which ones are? (Numbers 3, 4, 5, and 7 seem to be)

For number 5, who do you want to publish the increased rates and how/where?

For number 7, what is the context of an insurer giving the cause of an increase? Is it in a hearing? If so, that would only occur if the increase was over 10%, correct? Do you want to require that an insurer provide to OCI the reason for every increase? How would the insurer make the negotiated rates publicly available, publish on the Internet, available upon request, something else?

In number 4, what do you mean by "rate review"? Do you mean the prior authorization process, something else?

I think that's all for now. Thanks!

Pam

From: Fox, Lacy

Sent: Tuesday, June 16, 2015 10:51 AM
To: Kahler, Pam
Subject: RE: Rate Review Legislation

Thanks!

From: Kahler, Pam
Sent: Tuesday, June 16, 2015 10:51 AM
To: Fox, Lacy
Subject: RE: Rate Review Legislation

Hi, Lacy:

I'll be working on this one. I'm sure I'll have some questions for you.

Pam

From: Fox, Lacy
Sent: Tuesday, June 16, 2015 9:32 AM
To: Dodge, Tamara; Kahler, Pam
Subject: Rate Review Legislation

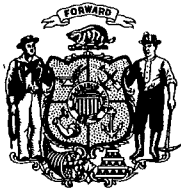
Hi Pam and Tamara,

I am hoping to get some changes made to our state's rate review policies. Would one of you be willing to work with me on this? Below are the provisions my boss would like to see drafted:

- 1 • Require insurers give consumers at least 60 days notice of an increase of rates
- 2 • Require OCI hold a public hearing for each insurer's rate increases of over 10%
- 3 • Grant OCI the power to deny insurance rate increases that it deems excessive or not justified by underlying medical cost (we believe they have some version of this but may need more explicit authority)
- 4 • Make sure rate review applies to all markets - individual, small group and large group (we believe it does, but to make explicit)
- 5 • Publish all rate increases of health insurers publicly, even those under 10%
- 6 • Require what's known as "prior authorization" - aka requiring insurers to submit rates for approval and they can't use the rates without said approval (Minn has this) - as opposed to what we have now known as "file and use" - (submitting the rates and going ahead and using them unless Wisconsin has an objection)
- 7 • Require insurers that say that the cause of increased premiums is the increase in medical costs to make publicly available their negotiated rates with each provider system (Rhode Island does this)

Thanks!

Lacy K. Fox, MSW
Policy Analyst/Outreach Director
Office of Senator Chris Larson
Room 5S, State Capitol
Phone: 608.266.7505
Email: Lacy.Fox@legis.wi.gov



State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-2629/3

PJK...

PI ✓
KLM ✓
TWL ✓

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

by Friday (6-19)
or Monday (6-22)

GEN. CAT. ✓

1 **AN ACT** .,; **relating to:** rate regulation for health insurance.

Analysis by the Legislative Reference Bureau

This is a preliminary draft. An analysis will be provided in a subsequent version of this draft.

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

2 **SECTION 1.** 625.02 (1) of the statutes is renumbered 625.02 (1m).

3 **SECTION 2.** 625.02 (1j) of the statutes is created to read:

4 625.02 (1j) "Health insurance" has the meaning given in s. 632.745 (12).

5 **SECTION 3.** 625.03 (1m) (intro.) of the statutes is amended to read:

6 625.03 (1m) (intro.) This Except as specifically provided otherwise in this
7 chapter, this chapter applies to all kinds and lines of direct insurance written on risks
8 or operations in this state by any insurer authorized to do business in this state,
9 except:

1 **SECTION 4.** 625.13 (1) of the statutes is amended to read:

2 625.13 (1) **FILING PROCEDURE.** Except as provided in sub. (2) and s. 625.25 (2)
3 (a), every authorized insurer and every rate service organization licensed under s.
4 625.31 which has been designated by any insurer for the filing of rates under s.
5 625.15 (2) shall file with the commissioner all rates and supplementary rate
6 information and all changes and amendments thereof made by it for use in this state
7 within 30 days after they become effective.

8 **History:** 1979 c. 93, 177; 1983 a. 36.

8 **SECTION 5.** 625.15 (2) of the statutes is amended to read:

9 625.15 (2) **RATE FILING.** An insurer may discharge its obligation under s. 625.13
10 (1) or 625.25 (2) (a) by giving notice to the commissioner that it uses rates and
11 supplementary rate information prepared by a designated rate service organization,
12 with such information about modifications thereof as is necessary fully to inform the
13 commissioner. The insurer's rates or proposed rates and supplementary rate
14 information shall be those filed from time to time by the rate service organization,
15 including any amendments or proposed amendments thereto as filed, subject,
16 however, to the modifications filed by the insurer.

17 **History:** 1979 c. 177 s. 85; 1991 a. 279.

17 **SECTION 6.** 625.21 (1) of the statutes is amended to read:

18 625.21 (1) **RULE INSTITUTING DELAYED EFFECT.** If the commissioner finds that
19 competition is not an effective regulator of the rates charged or that a substantial
20 number of companies are competing irresponsibly through the rates charged, or that
21 there are widespread violations of this chapter, in any kind or line of insurance or
22 subdivision thereof or in any rating class or rating territory, he or she may
23 promulgate a rule requiring that in the kind or line of insurance or subdivision
24 thereof or rating class or rating territory comprehended by the finding any

1 subsequent changes in the rates or supplementary rate information be filed with the
2 commissioner at least 15 days before they become effective. The commissioner may
3 extend the waiting period for not to exceed 15 additional days by written notice to
4 the filer before the first 15-day period expires. This subsection does not apply to
5 health insurance, which is subject to s. 625.25 (2) (a).

6 **History:** 1979 c. 102; 1991 a. 316.

SECTION 7. 625.22 (1) of the statutes is amended to read:

7 625.22 (1) ORDER IN EVENT OF VIOLATION. If the commissioner finds after a
8 hearing that a rate or proposed rate is not in compliance with s. 625.11, the
9 commissioner shall order that its use be discontinued, or that it may not be used, for
10 any policy issued or renewed after a date specified in the order.

11 **History:** 1979 c. 102 s. 236 (6), (21); 1979 c. 110.

SECTION 8. 625.22 (3) of the statutes is amended to read:

12 625.22 (3) APPROVAL OF SUBSTITUTED RATE. ~~Within~~ Except for rates for health
13 insurance, which is subject to s. 625.25 (2) (a), within one year after the effective date
14 of an order under sub. (1), no rate promulgated to replace a disapproved one may be
15 used until it has been filed with the commissioner and not disapproved within 30
16 days thereafter.

17 **History:** 1979 c. 102 s. 236 (6), (21); 1979 c. 110.

SECTION 9. 625.23 of the statutes is amended to read:

18 **625.23 Special restrictions on individual insurers.** The commissioner
19 may by order require that a particular insurer file any or all of its rates and
20 supplementary rate information 15 days prior to their effective date, if and to the
21 extent that he or she finds, after a hearing, that the protection of the interests of its
22 insureds and the public in this state requires closer supervision of its rates because
23 of the insurer's financial condition or rating practices. The commissioner may extend
24 the waiting period for any filing for not to exceed 15 additional days by written notice

1 to the insurer before the first 15-day period expires. A filing not disapproved before
2 the expiration of the waiting period shall be deemed to meet the requirements of this
3 chapter, subject to the possibility of subsequent disapproval under s. 625.22. This
4 section does not apply to an insurer with respect to rates for health insurance, which
5 is subject to s. 625.25 (2) (a).

6 History: 1979 c. 102.

6 **SECTION 10.** 625.25 of the statutes is created to read:

7 **625.25 Rates for health insurance.** (1) DEFINITIONS. In this section:

8 (a) “Group health benefit plan” has the meaning given in s. 632.745 (9).

9 (b) “Health benefit plan” has the meaning given in s. 632.745 (11).

10 (c) “Insurer” has the meaning given in s. 632.745 (15).

11 (d) “Large group market” has the meaning given in s. 632.745 (17).

12 (e) “Small group market” has the meaning given in s. 632.745 (26).

13 (2) FILING OF RATES; HEARING. (a) Every insurer, and every rate service
14 organization licensed under s. 625.31 that has been designated by any insurer for the
15 filing of rates under s. 625.15 (2), shall file with the commissioner all proposed rates
16 and supplementary rate information, and all proposed changes and amendments to
17 rates and supplementary rate information, for use in this state for any health benefit
18 plan offered by the insurer before the proposed rates or changes to rates become
19 effective. An insurer may not use a proposed rate or change to a rate until it has been
20 filed with and approved by the commissioner. Unless the commissioner holds a
21 hearing on the proposed rate or change to a rate, a proposed rate or change to a rate
22 is approved if the commissioner does not disapprove the proposed rate or change
23 within 30 days after filing, or within a 30-day extension of that period ordered by the
24 commissioner prior to the expiration of the first 30 days. The requirement under this

1 paragraph applies with respect to rates and changes to rates for all health benefit
2 plans, including individual health benefit plans, group health benefit plans offered
3 in the small group market, and group health benefit plans offered in the large group
4 market, that have not gone into effect by the effective date of this paragraph [LRB
5 inserts date].

***NOTE: Do you want to change the 30-day time above to a different amount of time?

6 (b) If any proposed change to a rate filed under par. (a) increases the existing
7 rate by more than 10 percent of that rate, the commissioner shall hold a public hearing
8 before approving or disapproving the proposed change to the rate.

9 (c) The commissioner may disapprove a proposed rate or change to a rate filed
10 under par. (a) that the commissioner determines does not comply with the standards
11 under s. 625.11 because it is excessive or not justified based on underlying medical
12 costs.

Insert 5-12

13 (3) PUBLICATION OF INCREASES, NEGOTIATED RATES. (a) The commissioner shall
14 publish on the office's Internet site, in a format that is readily understandable by
15 members of the public, all rate changes filed under sub. (2) (a) that increase an
16 existing rate by any amount and that are approved.

17 (b) If the commissioner approves a rate increase after holding a hearing under
18 sub. (2) (b) and the insurer justified the rate increase based on increased medical
19 costs, the commissioner shall publish on the office's Internet site, in a format that is
20 readily understandable by members of the public, the payment rates the insurer has
21 negotiated with each of the insurer's provider networks.

***NOTE: I'm unclear about what is meant by payment rates the insurer has negotiated. Do you mean the discounted payment for services that the insurer has agreed to pay and the provider has agreed to accept?

**2015-2016 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-2629/^{P1}ins
PJK...

INSERT 5-12

***NOTE: I didn't include disapproving a rate because it is excessive because excessiveness is an explicit basis for disapproving a rate under current law. See s. 625.11 (1).

(END OF INSERT 5-12)



State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-2629/P1
PJK:klm&wlj

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

by Friday

1 AN ACT *to renumber* 625.02 (1); *to amend* 625.03 (1m) (intro.), 625.13 (1),
2 625.15 (2), 625.21 (1), 625.22 (1), 625.22 (3) and 625.23; and *to create* 625.02
3 (1j) and 625.25 of the statutes; **relating to:** rate regulation for health
4 insurance.

Analysis by the Legislative Reference Bureau

Insert A ✓
This is a preliminary draft. An analysis will be provided in a subsequent version
of this draft.

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

5 SECTION 1. 625.02 (1) of the statutes is renumbered 625.02 (1m).
6 SECTION 2. 625.02 (1j) of the statutes is created to read:
7 625.02 (1j) "Health insurance" has the meaning given in s. 632.745 (12).
8 SECTION 3. 625.03 (1m) (intro.) of the statutes is amended to read:
9 625.03 (1m) (intro.) This Except as specifically provided otherwise in this
10 chapter, this chapter applies to all kinds and lines of direct insurance written on risks

1 or operations in this state by any insurer authorized to do business in this state,
2 except:

3 **SECTION 4.** 625.13 (1) of the statutes is amended to read:

4 625.13 (1) FILING PROCEDURE. Except as provided in sub. (2) and s. 625.25 (2)
5 (a), every authorized insurer and every rate service organization licensed under s.
6 625.31 which has been designated by any insurer for the filing of rates under s.
7 625.15 (2) shall file with the commissioner all rates and supplementary rate
8 information and all changes and amendments thereof made by it for use in this state
9 within 30 days after they become effective.

10 **SECTION 5.** 625.15 (2) of the statutes is amended to read:

11 625.15 (2) RATE FILING. An insurer may discharge its obligation under s. 625.13
12 (1) or 625.25 (2) (a) by giving notice to the commissioner that it uses rates and
13 supplementary rate information prepared by a designated rate service organization,
14 with such information about modifications thereof as is necessary fully to inform the
15 commissioner. The insurer's rates or proposed rates and supplementary rate
16 information shall be those filed from time to time by the rate service organization,
17 including any amendments or proposed amendments thereto as filed, subject,
18 however, to the modifications filed by the insurer.

19 **SECTION 6.** 625.21 (1) of the statutes is amended to read:

20 625.21 (1) RULE INSTITUTING DELAYED EFFECT. If the commissioner finds that
21 competition is not an effective regulator of the rates charged or that a substantial
22 number of companies are competing irresponsibly through the rates charged, or that
23 there are widespread violations of this chapter, in any kind or line of insurance or
24 subdivision thereof or in any rating class or rating territory, he or she may
25 promulgate a rule requiring that in the kind or line of insurance or subdivision

1 thereof or rating class or rating territory comprehended by the finding any
2 subsequent changes in the rates or supplementary rate information be filed with the
3 commissioner at least 15 days before they become effective. The commissioner may
4 extend the waiting period for not to exceed 15 additional days by written notice to
5 the filer before the first 15-day period expires. This subsection does not apply to
6 health insurance, which is subject to s. 625.25 (2) (a).

7 **SECTION 7.** 625.22 (1) of the statutes is amended to read:

8 **625.22 (1) ORDER IN EVENT OF VIOLATION.** If the commissioner finds after a
9 hearing that a rate or proposed rate is not in compliance with s. 625.11, the
10 commissioner shall order that its use be discontinued, or that it may not be used, for
11 any policy issued or renewed after a date specified in the order.

12 **SECTION 8.** 625.22 (3) of the statutes is amended to read:

13 **625.22 (3) APPROVAL OF SUBSTITUTED RATE.** ~~Within~~ Except for rates for health
14 insurance, which is subject to s. 625.25 (2) (a), within one year after the effective date
15 of an order under sub. (1), no rate promulgated to replace a disapproved one may be
16 used until it has been filed with the commissioner and not disapproved within 30
17 days thereafter.

18 **SECTION 9.** 625.23 of the statutes is amended to read:

19 **625.23 Special restrictions on individual insurers.** The commissioner
20 may by order require that a particular insurer file any or all of its rates and
21 supplementary rate information 15 days prior to their effective date, if and to the
22 extent that he or she finds, after a hearing, that the protection of the interests of its
23 insureds and the public in this state requires closer supervision of its rates because
24 of the insurer's financial condition or rating practices. The commissioner may extend
25 the waiting period for any filing for not to exceed 15 additional days by written notice

1 to the insurer before the first 15-day period expires. A filing not disapproved before
2 the expiration of the waiting period shall be deemed to meet the requirements of this
3 chapter, subject to the possibility of subsequent disapproval under s. 625.22. This
4 section does not apply to an insurer with respect to rates for health insurance, which
5 is subject to s. 625.25 (2) (a).

6 **SECTION 10.** 625.25 of the statutes is created to read:

7 **625.25 Rates for health insurance.** (1) DEFINITIONS. In this section:

8 (a) “Group health benefit plan” has the meaning given in s. 632.745 (9).

9 (b) “Health benefit plan” has the meaning given in s. 632.745 (11).

10 (c) “Insurer” has the meaning given in s. 632.745 (15).

11 (d) “Large group market” has the meaning given in s. 632.745 (17).

12 (e) “Small group market” has the meaning given in s. 632.745 (26).

13 (2) FILING OF RATES; HEARING. (a) Every insurer, and every rate service
14 organization licensed under s. 625.31 that has been designated by any insurer for the
15 filing of rates under s. 625.15 (2), shall file with the commissioner all proposed rates
16 and supplementary rate information, and all proposed changes and amendments to
17 rates and supplementary rate information, for use in this state for any health benefit
18 plan offered by the insurer before the proposed rates or changes to rates become
19 effective. An insurer may not use a proposed rate or change to a rate until it has been
20 filed with and approved by the commissioner. Unless the commissioner holds a
21 hearing on the proposed rate or change to a rate, a proposed rate or change to a rate
22 is approved if the commissioner does not disapprove the proposed rate or change
23 within 30 days after filing, or within a 30-day extension of that period ordered by the
24 commissioner prior to the expiration of the first 30 days. The requirement under this
25 paragraph applies with respect to rates and changes to rates for all health benefit

1 plans, including individual health benefit plans, group health benefit plans offered
2 in the small group market, and group health benefit plans offered in the large group
3 market, that have not gone into effect by the effective date of this paragraph [LRB
4 inserts date].

****NOTE: Do you want to change the 30-day time above to a different amount of time?

5 (b) If any proposed change to a rate filed under par. (a) increases the existing
6 rate by more than 10 percent of that rate, the commissioner shall hold a public
7 hearing before approving or disapproving the proposed change to the rate.

8 (c) The commissioner may disapprove a proposed rate or change to a rate filed
9 under par. (a) that the commissioner determines is not justified based on underlying
10 medical costs.

****NOTE: I didn't include disapproving a rate because it is excessive because excessiveness is an explicit basis for disapproving a rate under current law. See s. 625.11 (1).

11 (3) PUBLICATION OF INCREASES, NEGOTIATED RATES. (a) The commissioner shall
12 publish on the office's Internet site, in a format that is readily understandable by
13 members of the public, all rate changes filed under sub. (2) (a) that increase an
14 existing rate by any amount and that are approved.

15 (b) If the commissioner approves a rate increase after holding a hearing under
16 sub. (2) (b) and the insurer justified the rate increase based on increased medical
17 costs, the commissioner shall publish on the office's Internet site, in a format that is
18 readily understandable by members of the public, the ^{discounted} payment rates the insurer has
19 negotiated with each of the insurer's provider networks.

****NOTE: I'm unclear about what is meant by payment rates the insurer has negotiated. Do you mean the discounted payment for services that the insurer has agreed to pay and the provider has agreed to accept?

2015-2016 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-2629/lins
PJK...

INSERT A

This bill changes the filing requirements for health insurance premium rates and adds some publication and notice requirements related to increases in those rates.

Under current law, insurers must file with the Office of the Commissioner of Insurance (OCI) premium rates, and changes to premium rates, for all types of insurance within 30 days after the rates or rate changes become effective. Current law prohibits premium rates from being excessive, inadequate, or unfairly discriminatory and provides guidelines for determining whether rates comply with those standards. The Commissioner of Insurance (commissioner) may order that a rate be discontinued for any policy issued or renewed after a date specified in the order if, after a hearing, the commissioner determines that the rate does not comply with those standards.

Under the bill, an insurer that writes health insurance must file with OCI premium rates, and changes to premium rates, for health insurance before those rates or changes to rates become effective and may not use a new or changed rate for health insurance without approval by the commissioner. Unless the commissioner holds a hearing on a rate or change to a rate, the rate or changed rate is approved if the commissioner does not disapprove the rate or changed rate within 30 days after it was filed with OCI. The bill specifically authorizes the commissioner to disapprove any proposed rate or rate change that is not justified based on underlying medical costs.

The bill requires the commissioner to publish on OCI's Internet site all health insurance rate increases that the commissioner approves and requires an insurer of a health benefit plan for which a rate increase has been approved to provide at least 60 days' notice of the rate increase to each insured under the health benefit plan. Under the bill, the commissioner must hold a public hearing before approving or disapproving any health insurance rate change that increases an existing rate by more than 10 percent. In addition, if the commissioner approves a rate increase of more than 10 percent after holding a hearing and the insurer justified the rate increase based on increased medical costs, the commissioner must publish on OCI's Internet site the discounted payment rates negotiated by the insurer with the insurer's provider networks.

(END OF INSERT A)

of the rate

i

health insurance

FE-S

Basford, Sarah

From: Fox, Lacy
Sent: Friday, September 18, 2015 8:27 AM
To: LRB.Legal
Subject: Draft Review: LRB -2629/1 Topic: Rate regulation

Please Jacket LRB -2629/1 for the SENATE.