

HOUSE BILL NO. 385

INTRODUCED BY PISTORIA, R. MANNING

IN THE HOUSE

January 20, 1981	Introduced and referred to Committee on Human Services.
January 21, 1981	Rereferred to Committee on Business and Industry.
January 22, 1981	Fiscal note requested.
January 27, 1981	Fiscal note returned.
February 18, 1981	Committee recommend bill do pass as amended. Report adopted.
February 19, 1981	Bill printed and placed on members' desks.
February 20, 1981	Motion pass consideration until 43rd legislative day.
February 23, 1981	Statement of intent attached. Second reading, do pass.
February 25, 1981	On motion rules suspended and bill placed on third reading this day. Third reading, passed. Ayes, 97; Noes, 1. Transmitted to Senate.

IN THE SENATE

March 3, 1981	Introduced and referred to Committee on Taxation.
March 5, 1981	Rereferred to Committee on Business and Industry.
March 21, 1981	Committee recommend bill be concurred in as amended. Report adopted.

March 24, 1981 Motion pass consideration.
March 25, 1981 Second reading, concurred in.
March 27, 1981 Third reading, concurred in
as amended. Ayes, 49; Noes, 0.

IN THE HOUSE

March 28, 1981 Returned from Senate with
amendments.
April 8, 1981 Second reading, amendments
concurred in.
April 9, 1981 Third reading, amendments
concurred in. Ayes, 94;
Noes, 0. Sent to enrolling.
Reported correctly enrolled.

HOUSE BILL NO. 385

INTRODUCED BY

Rosario Richard Manning

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE LAW RELATING TO HEALTH SERVICE CORPORATIONS; TO TAX FEES AND DUES PAID TO A HEALTH SERVICE CORPORATION IN THE SAME MANNER AS OTHER INSURANCE PREMIUMS ARE TAXED; TO REQUIRE APPROVAL OF MEMBERSHIP CONTRACT FORMS BEFORE USE; AND TO REQUIRE EXAMINATION OF A HEALTH SERVICE CORPORATION AT LEAST ONCE EVERY 3 YEARS; AMENDING SECTIONS 33-30-105, 33-30-204, AND 33-30-301, MCA; AND REPEALING SECTION 33-30-203, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Tax on fees or dues paid to health service corporations. (1) There is a tax imposed on the fees or dues paid to a health service corporation.

(2) At the time prescribed for filing the report required by 33-30-202, each health service corporation shall pay to the commissioner a tax equal to 2 3/4% of the amount of all dues or fees collected from its members during the previous fiscal year.

(3) Money received from the collection of the tax imposed by this section shall be deposited to the credit of the general fund.

Section 2. Section 33-30-204, MCA, is amended to read:

"33-30-204. Fees. (1) Every health service corporation subject to the provisions of this chapter shall pay the following fees to the commissioner for enforcement of the provisions of this chapter:

- (a) enrollment representative's license:
 - (i) application for original license including examination and issuance of license.....\$10
 - (ii) annual renewal.....\$ 5
- (b) filing any other statement or report.....\$ 1
- (c) for a certified copy of any document or other paper filed in the office of the commissioner, per page \$.50
- (d) for the certificate and for affixing the seal thereto.....\$ 1
- (e) filing of a membership contract.....\$10
- (f) filing of a membership contract package.....\$25
- ~~(g) --filing-annual-report-a-fee-of-20-cents--for--each-individual--or--family--unit--the-corporation-covered-at-the-close-of-the-year-to-which-the-annual-report-is-applicable, except-that-the-minimum-fee-payable-upon-filing-of-an-annual-report-is-\$100.~~

(2) The commissioner shall promptly deposit with the state treasurer to the credit of the general fund all fees and license fees received by him under this section."

Section 3. Section 33-30-301, MCA, is amended to read: "33-30-301. Forms -- filing, approval, hearing on

-2- INTRODUCED BILL
HB 385

1 disapproval, appeal. (1) A copy of all forms of the
 2 membership contract or any type of endorsement or rider
 3 shall be filed with the commissioner ~~within at least~~ 30 days
 4 ~~after before~~ that form is first used. When a form does not
 5 comply with the requirements of this chapter, the
 6 commissioner shall notify the corporation in writing of that
 7 failure and include the reasons for his opinion. Unless the
 8 corporation requests a hearing within 10 days, notice by the
 9 commissioner disallows use of this form by the corporation.
 10 If the corporation challenges the commissioner's
 11 disallowance of a form it shall request a hearing on that
 12 issue. The commissioner shall schedule a hearing as soon as
 13 practicable but not less than 15 days from the date of the
 14 request. If the commissioner finds, after the hearing, that
 15 the form is not in compliance with this chapter, he may
 16 disapprove the form and issue a final order to that effect.
 17 Notice of disapproval, including the grounds for
 18 disapproval, shall be presented to the corporation not less
 19 than 30 days after the hearing. The final order is
 20 effective 30 days after the hearing.

21 (2) A corporation whose forms have been ordered
 22 discontinued by the commissioner may appeal, within 15 days
 23 after an order, to a district court of the state. The
 24 court, upon filing of the proper petition, shall cause the
 25 forms and orders of the commissioner to be brought before

1 it, and upon hearing of the case, the court shall either
 2 affirm or reverse and vacate the order of the commissioner.

3 (3) The court may suspend or stay a final order of the
 4 commissioner under this section pending trial of the issues
 5 or the appeal."

6 Section 4. Section 33-30-105, MCA, is amended to read:
 7 "33-30-105. Examination of a health service
 8 corporation. (1) ~~If~~ At least once in every 3 years or at any
 9 time the commissioner believes a health service corporation
 10 is unable or potentially unable to fulfill its contractual
 11 obligations to its members, the commissioner may conduct an
 12 examination of that corporation.

13 (2) Each health service corporation examined, its
 14 officers, employees, and agents, shall produce and make
 15 available to the commissioner or his examiners the accounts,
 16 records, documents, files, information, assets, and matters
 17 in its possession or control relating to the subject of the
 18 examination.

19 (3) The commissioner or his examiner shall make a
 20 verified report of the examination.

21 (4) The report shall comprise only facts appearing
 22 from the books, papers, records, or documents of the
 23 corporation examined or ascertained from the testimony,
 24 under oath, of individuals concerning its affairs and
 25 conclusions and recommendations as warranted by those facts.

1 (5) The commissioner shall furnish a copy of the
2 proposed report to the corporation examined not less than 20
3 days prior to its filing in his office. If the corporation
4 requests a hearing, in writing, within the 20-day period,
5 the commissioner shall grant one with respect to the report
6 and shall not file the report until after the hearing and
7 after modifications, if any, the commissioner deems proper."

8 Section 5. Repealer. Section 33-30-203, MCA, is
9 repealed.

10 Section 6. Codification instruction. Section 1 is
11 intended to be codified as an integral part of Title 33,
12 chapter 30, and the provisions of Title 33 apply to section
13 1.

-End-

H 8385

STATE OF MONTANA

REQUEST NO. 190-81

FISCAL NOTE

Form BD-15

In compliance with a written request received January 22, 19 81, there is hereby submitted a Fiscal Note for House Bill 385 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

Description of Proposed Legislation

House Bill 385 makes three basic changes in present law:

1. Repeals the annual unit fee and replaces it by a tax of 2.75% of the amount of all dues or fees collected by non-profit health service organizations.
2. Provides for filing of forms at least 30 days prior to use.
3. Provides for examination of health service organizations at least once every 3 years.

Assumptions

1. Annual unit fees collected from health service organizations are:

Calendar Year 1977	\$21,924
Calendar Year 1978	23,946
Calendar Year 1979	24,227
2. There will be 5.2% annual increase in unit fees collected under current law:

Calendar Year 1980	\$25,487
Calendar Year 1981	26,812
Calendar Year 1982	28,206
Calendar Year 1983	29,673
3. The premiums written by health service organizations are:

Calendar Year 1977	\$49,046,544
Calendar Year 1978	57,240,842
Calendar Year 1979	61,980,165
4. These premiums will increase 15.5% per year:

Calendar Year 1980	\$71,587,091
Calendar Year 1981	82,683,089
Calendar Year 1982	95,498,968
Calendar Year 1983	110,301,309
5. Examination costs are based on three health service organizations now doing business in the state: \$90,000 examiners' costs and \$15,000 actuary costs in FY 1982.

Fiscal Impact

	<u>FY 1982</u>	<u>FY 1983</u>
Collections under proposed bill	\$2,450,003	\$2,829,754
Collections under current law	(30,150)	(34,824)
Examination Expense	(105,000)	0
Net increase to General Fund	<u>\$2,314,853</u>	<u>\$2,794,930</u>

Lyle Manley, Jr.
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 1-27-81

Approved by Committee
on Business and Industry

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 6 ~~DUES PAID TO A HEALTH SERVICE CORPORATION IN THE SAME MANNER~~
 7 ~~AS OTHER INSURANCE PREMIUMS ARE TAXED TO INCREASE THE ANNUAL~~
 8 ~~REPORT FEE TO 50 CENTS FOR EACH MEMBER; TO REQUIRE APPROVAL~~
 9 OF MEMBERSHIP CONTRACT FORMS BEFORE USE; AND TO REQUIRE
 10 EXAMINATION OF A HEALTH SERVICE CORPORATION AT LEAST ONCE
 11 EVERY 3 4 YEARS; AND AMENDING SECTIONS 33-30-105, 33-30-204,
 12 AND 33-30-301, MCA; ~~AND REPEALING SECTION 33-30-203, MCA.~~"
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 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 15 NEW SECTION--Section 14--Tax on fees or dues paid to
 16 health service corporations--(1) There is a tax imposed on
 17 the fees or dues paid to a health service corporation
 18 (2) At the time prescribed for filing the report
 19 required by 33-30-202, each health service corporation shall
 20 pay to the commissioner a tax equal to 2-3/4% of the amount
 21 of all dues or fees collected from its members during the
 22 previous fiscal year.
 23 (3) Money received from the collection of the tax
 24 imposed by this section shall be deposited to the credit of
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1 Section 1. Section 33-30-204, MCA, is amended to read:
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 3 subject to the provisions of this chapter shall pay the
 4 following fees to the commissioner for enforcement of the
 5 provisions of this chapter:
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 7 (i) application for original license including
 8 examination and issuance of license.....\$10
 9 (ii) annual renewal.....\$ 5
 10 (b) filing any other statement or report.....\$ 1
 11 (c) for a certified copy of any document or other
 12 paper filed in the office of the commissioner, per page \$.50
 13 (d) for the certificate and for affixing the seal
 14 thereto.....\$ 1
 15 (e) filing of a membership contract.....\$10
 16 (f) filing of a membership contract package.....\$25
 17 (g) filing annual report, a fee of 20 cents for each
 18 individual or family unit the corporation covered at the
 19 close of the year to which the annual report is applicable
 20 except that the minimum fee payable upon filing of an annual
 21 report is \$100.
 22 (G) FILING ANNUAL REPORT, A FEE OF 50 CENTS FOR EACH
 23 INDIVIDUAL OR FAMILY UNIT THE CORPORATION COVERED AT THE
 24 CLOSE OF THE YEAR TO WHICH THE ANNUAL REPORT IS APPLICABLE,
 25 EXCEPT THAT THE MINIMUM FEE PAYABLE UPON FILING OF AN ANNUAL

1 REPORT IS \$100.

2 (2) The commissioner shall promptly deposit with the
3 state treasurer to the credit of the general fund all fees
4 and license fees received by him under this section."

5 Section 2. Section 33-30-301, MCA, is amended to read:

6 "33-30-301. Forms -- filing, approval, hearing on
7 disapproval, appeal. (1) A copy of all forms of the
8 membership contract or any type of endorsement or rider
9 shall be filed with the commissioner ~~within~~ at least 30 days
10 ~~after~~ before that form is first used. When a form does not
11 comply with the requirements of this chapter, the
12 commissioner shall notify the corporation in writing of that
13 failure and include the reasons for his opinion. Unless the
14 corporation requests a hearing within 10 days, notice by the
15 commissioner disallows use of this form by the corporation.
16 If the corporation challenges the commissioner's
17 disallowance of a form it shall request a hearing on that
18 issue. The commissioner shall schedule a hearing as soon as
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20 request. If the commissioner finds, after the hearing, that
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24 disapproval, shall be presented to the corporation not less
25 than 30 days after the hearing. The final order is

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5 court, upon filing of the proper petition, shall cause the
6 forms and orders of the commissioner to be brought before
7 it, and upon hearing of the case, the court shall either
8 affirm or reverse and vacate the order of the commissioner.

9 (3) The court may suspend or stay a final order of the
10 commissioner under this section pending trial of the issues
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12 Section 3. Section 33-30-105, MCA, is amended to read:

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14 corporation. (1) ~~If at least once in every 3 years or at any~~
15 time IF the commissioner believes a health service
16 corporation is unable or potentially unable to fulfill its
17 contractual obligations to its members, the commissioner may
18 conduct an examination of that corporation.

19 (2) IN ADDITION TO THE EXAMINATION AUTHORIZED IN
20 SUBSECTION (1), AT LEAST ONCE EVERY 4 YEARS, THE
21 COMMISSIONER SHALL CONDUCT AN EXAMINATION OF EACH HEALTH
22 SERVICE CORPORATION TO DETERMINE IF THE CORPORATION IS
23 FULFILLING ITS CONTRACTUAL OBLIGATIONS BY PROMPT
24 SATISFACTION OF CLAIMS AT THE HIGHEST MONETARY LEVEL
25 CONSISTENT WITH REASONABLE DUES OR FEES, AND THAT THE

1 CORPORATION'S MANAGEMENT EXERCISES APPROPRIATE FISCAL
 2 CONTROLS, OPERATIONS, AND PERSONAL POLICIES TO ASSURE THAT
 3 EFFICIENT AND ECONOMIC ADMINISTRATION RESTRAINS OVERHEAD
 4 COSTS FOR THE BENEFIT OF ITS MEMBERS.

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 9 in its possession or control relating to the subject of the
 10 examination.

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25 ~~Section-5--Repealer-----Section---33-38-203--MEA--is~~

1 ~~repeated.~~

2 Section 4. Codification instruction. Section 1 is
 3 intended to be codified as an integral part of Title 33,
 4 chapter 30, and the provisions of Title 33 apply to section
 5 1.

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1 STATEMENT OF INTENT

2 HOUSE BILL 385

3 House Business and Industry Committee

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5 A statement of intent is required for House Bill 385 to
6 explain the purpose of the legislature in approving the
7 increase in the fee for filing of annual report by health
8 service corporations. This bill raises the fee for each
9 individual or family unit covered, from 20 cents to 50
10 cents, to finance the performance audits required on each
11 health service corporation at least once every 4 years and
12 to carry out other duties imposed on the Insurance
13 Department. The Insurance Department estimates it will
14 require one additional FTE plus a necessary appropriation to
15 cover additional related costs such as actuarial fees,
16 travel expenses, office space, benefits and office equipment
17 for the FTE. The intention of the legislature is to collect
18 the increase in the fee only if the additional FTE and
19 appropriation are authorized.

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23 Notice of disapproval, including the grounds for
24 disapproval, shall be presented to the corporation not less
25 than 30 days after the hearing. The final order is

1 effective 30 days after the hearing.

2 (2) A corporation whose forms have been ordered
3 discontinued by the commissioner may appeal, within 15 days
4 after an order, to a district court of the state. The
5 court, upon filing of the proper petition, shall cause the
6 forms and orders of the commissioner to be brought before
7 it, and upon hearing of the case, the court shall either
8 affirm or reverse and vacate the order of the commissioner.

9 (3) The court may suspend or stay a final order of the
10 commissioner under this section pending trial of the issues
11 or the appeal."

12 Section 3. Section 33-30-105, MCA, is amended to read:

13 "33-30-105. Examination of a health service
14 corporation. (1) ~~If at least once in every 3 years or at any~~
15 time IF the commissioner believes a health service
16 corporation is unable or potentially unable to fulfill its
17 contractual obligations to its members, the commissioner may
18 conduct an examination of that corporation.

19 (2) IN ADDITION TO THE EXAMINATION AUTHORIZED IN
20 SUBSECTION (1), AT LEAST ONCE EVERY 4 YEARS, THE
21 COMMISSIONER SHALL CONDUCT AN EXAMINATION OF EACH HEALTH
22 SERVICE CORPORATION TO DETERMINE IF THE CORPORATION IS
23 FULFILLING ITS CONTRACTUAL OBLIGATIONS BY PROMPT
24 SATISFACTION OF CLAIMS AT THE HIGHEST MONETARY LEVEL
25 CONSISTENT WITH REASONABLE DUES OR FEES, AND THAT THE

1 CORPORATION'S MANAGEMENT EXERCISES APPROPRIATE FISCAL
2 CONTROLS, OPERATIONS, AND PERSONAL PERSONNEL POLICIES TO
3 ASSURE THAT EFFICIENT AND ECONOMIC ADMINISTRATION RESTRAINS
4 OVERHEAD COSTS FOR THE BENEFIT OF ITS MEMBERS.

5 (2)(3) Each health service corporation examined, its
6 officers, employees, and agents, shall produce and make
7 available to the commissioner or his examiners the accounts,
8 records, documents, files, information, assets, and matters
9 in its possession or control relating to the subject of the
10 examination.

11 (3)(4) The commissioner or his examiner shall make a
12 verified report of the examination.

13 (4)(5) The report shall comprise only facts appearing
14 from the books, papers, records, or documents of the
15 corporation examined or ascertained from the testimony,
16 under oath, of individuals concerning its affairs and
17 conclusions and recommendations as warranted by those facts.

18 (5)(6) The commissioner shall furnish a copy of the
19 proposed report to the corporation examined not less than 20
20 days prior to its filing in his office. If the corporation
21 requests a hearing, in writing, within the 20-day period,
22 the commissioner shall grant one with respect to the report
23 and shall not file the report until after the hearing and
24 after modifications, if any, the commissioner deems proper."

25 Section-5---Repealer---Section---33-30-203v---MCA---is

1 repeated

2 Section-4---Codification---instructions---Section---1---is
3 intended---to---be---codified---as---an---integral---part---of---Title---33v
4 chapter-30v---and---the---provisions---of---Title---33---apply---to---section
5 is

-End-

March 21, 1981

SENATE STANDING COMMITTEE REPORT
(Business and Industry)

That House Bill No. 385 be amended as follows:

1. Page 5, line 2.
Following: "AND"
Strike: "PERSONAL"
Insert: "personnel"
2. Page 6, lines 2 through 5.
Strike: Section 4 in its entirety