

HOUSE BILL NO. 823

INTRODUCED BY SQUIRES, THOMAS, GAGE

BY REQUEST OF THE STATE AUDITOR

IN THE HOUSE

FEBRUARY 18, 1987 INTRODUCED AND REFERRED TO COMMITTEE
 ON BUSINESS & LABOR.

FEBRUARY 20, 1987 COMMITTEE RECOMMEND BILL
 DO PASS. REPORT ADOPTED.

FEBRUARY 21, 1987 PRINTING REPORT.

FEBRUARY 23, 1987 SECOND READING, DO PASS.

FEBRUARY 24, 1987 ENGROSSING REPORT.

 THIRD READING, PASSED.
 AYES, 97; NOES, 2.

 TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 2, 1987 INTRODUCED AND REFERRED TO COMMITTEE
 ON BUSINESS & INDUSTRY.

MARCH 17, 1987 COMMITTEE RECOMMEND BILL BE
 CONCURRED IN AS AMENDED. REPORT
 ADOPTED.

MARCH 20, 1987 SECOND READING, CONCURRED IN.

MARCH 23, 1987 THIRD READING, CONCURRED IN.
 AYES, 48; NOES, 0.

 RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

MARCH 26, 1987 RECEIVED FROM SENATE.

 SECOND READING, AMENDMENTS
 CONCURRED IN.

MARCH 27, 1987

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

1 House BILL NO. 823
 2 INTRODUCED BY Thomas Duff
 3 BY REQUEST OF THE STATE AUDITOR

4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
 6 LAWS RELATING TO GROUP DISABILITY INSURANCE; AND AMENDING
 7 SECTIONS 33-22-504, 33-22-508, 33-22-509, 33-22-701,
 8 33-22-703, AND 33-22-704, MCA."

9
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 33-22-504, MCA, is amended to read:
 12 "33-22-504. Newborn infant coverage. (1) No group
 13 disability policy or certificate of insurance which, in
 14 addition to covering persons in the insured group, also
 15 covers members of such person's family may be issued or
 16 amended in this state if it contains any disclaimer, waiver,
 17 or other limitation of coverage relative to the accident and
 18 sickness coverage or insurability of newborn infants of
 19 persons in--the--insured--group covered under the policy from
 20 and after the moment of birth.

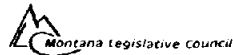
21 (2) If the policy or certificate issued thereunder, in
 22 addition to covering persons in the insured group, also
 23 covers members of such person's family, it shall contain an
 24 additional provision granting immediate accident and
 25 sickness coverage, from and after the moment of birth, to

1 each newborn infant of any person in--the--insured--group
 2 covered under the policy.

3 (3) The coverage for newborn infants shall be the same
 4 as provided by the policy for other covered persons;
 5 provided, however, that for newborn infants there shall be
 6 no waiting or elimination periods. A deductible or reduction
 7 in benefits applicable to the coverage for newborn infants
 8 is not permissible unless it conforms and is consistent with
 9 the deductible or reduction in benefits applicable to all
 10 other covered persons."

11 Section 2. Section 33-22-508, MCA, is amended to read:

12 "33-22-508. Conversion on termination of eligibility.
 13 (1) A group disability insurance policy issued or renewed
 14 after October 1, 1981, shall contain a provision that if the
 15 insurance or any portion of it on a person, his dependents,
 16 or family members covered under the policy ceases because of
 17 termination of his employment or of his membership in the
 18 class or classes eligible for coverage under the policy, or
 19 as a result of his employer discontinuing his business, or
 20 as a result of his employer discontinuing the group
 21 disability insurance policy and not providing for any other
 22 group disability insurance or plan, such person shall,
 23 provided he had been insured for a period of 3 months, be
 24 entitled to have issued to him by the insurer, without
 25 evidence of insurability, an individual policy of hospital



1 or medical service insurance on himself, his dependents, or
 2 family members, provided application for the individual
 3 policy shall be made and the first premium tendered to the
 4 insurer within 31 days after the termination of group
 5 coverage.

6 (2) The individual policy, at the option of the
 7 insured, shall be on any of the forms then customarily
 8 issued by the insurer to individual policyholders with the
 9 exception of those policies whose eligibility is determined
 10 by affiliation other than by employment with a common
 11 entity.

12 (3) The premium on the individual policy shall be at
 13 the insurer's then customary rate applicable to the coverage
 14 of the individual policy."

15 Section 3. Section 33-22-509, MCA, is amended to read:

16 "33-22-509. Preexisting conditions. The converted
 17 policy may not exclude, as a preexisting condition, any
 18 conditions covered by the group contract, including
 19 pregnancy of the insured or the insured's spouse or
 20 dependents covered by the group contract at the time of
 21 conversion."

22 Section 4. Section 33-22-701, MCA, is amended to read:

23 "33-22-701. Scope of part -- purpose. The provisions
 24 of this part apply to all group policies of accident and
 25 health insurance and group subscriber contracts for the care

1 and treatment of mental illness, alcoholism, and drug
 2 addiction offered in to Montana residents by insurers, and
 3 health service corporations, ~~for the care and treatment of~~
 4 mental illness, alcoholism, and drug addiction and all
 5 employees' health and welfare funds that provide accident
 6 and health insurance benefits to residents of this state. It
 7 is the purpose of this part to preserve the rights of the
 8 consumer to have such coverage according to his medical and
 9 economic needs."

10 Section 5. Section 33-22-703, MCA, is amended to read:

11 "33-22-703. Coverage for mental illness, alcoholism,
 12 and drug addiction. Insurers, and health service
 13 corporations, transacting or any employees' health and
 14 welfare fund that provides accident and health insurance
 15 benefits to residents of this state under group health
 16 insurance or group health plans in this state shall provide,
 17 under hospital and medical expenses incurred insurance group
 18 policies and under hospital and medical service plan group
 19 contracts, the level of benefits specified in this section
 20 for the necessary care and treatment of mental illness,
 21 alcoholism, and drug addiction, subject to the right of the
 22 applicant to select any alternative level of benefits above
 23 the minimum level of benefits described in subsections
 24 (1)(b), (2)(a), (2)(b), and (2)(d) as may be offered by the
 25 insurer or service plan corporation:

1 (1) under basic inpatient expense policies or
2 contracts, inpatient hospital benefits consisting of
3 durational limits, dollar limits, deductibles, and
4 coinsurance factors that are not less favorable than for
5 physical illness generally, except that:

6 (a) benefits may be limited to not less than 30
7 calendar days per year as defined in the policy or contract;

8 (b) the aggregate maximum benefit for alcoholism and
9 drug addiction of inpatient expenses under basic inpatient
10 policies and contracts plus inpatient expenses under major
11 medical policies and contracts may be limited to no less
12 than:

13 (i) \$4,000 in any 24-month period; and

14 (ii) \$8,000 in lifetime benefits;

15 (2) under major medical policies or contracts,
16 inpatient benefits and outpatient benefits consisting of
17 durational limits, dollar limits, deductibles, and
18 coinsurance factors that are not less favorable than for
19 physical illness generally, except that:

20 (a) inpatient benefits may be limited to no less than
21 30 calendar days per year as defined in the policy or
22 contract. If inpatient benefits are provided beyond 30
23 calendar days per year, the durational limits, dollar
24 limits, deductibles, and coinsurance factors applicable
25 thereto need not be the same as applicable to physical

1 illness generally.

2 (b) for outpatient benefits, the coinsurance factor
3 may not exceed 50% or the coinsurance factor applicable for
4 physical illness generally, whichever is greater, and the
5 maximum benefit for mental illness, alcoholism, and drug
6 addiction in the aggregate during any applicable benefit
7 period may be limited to not less than \$1,000;

8 (c) maximum lifetime benefits shall, for mental
9 illness in the aggregate, be no less than those applicable
10 to physical illness generally;

11 (d) the aggregate maximum benefit for alcoholism and
12 drug addiction of inpatient expenses under basic inpatient
13 policies and contracts plus inpatient expenses under major
14 medical policies and contracts may be limited to no less
15 than:

16 (i) \$4,000 in any 24-month period; and

17 (ii) \$8,000 in lifetime benefits."

18 Section 6. Section 33-22-704, MCA, is amended to read:

19 "33-22-704. Applicability. ~~{1}-Except-as--provided--in~~
20 ~~subsections--(2)--and--(3),-this-part-applies-to-policies-or~~
21 ~~contracts-delivered-or-issued-for--delivery--in--this--state~~
22 ~~more--than-120-days-after-July-1,-1979. This part applies to~~
23 policies, contracts, or any employees' health and welfare
24 fund that provides accident and health insurance benefits,
25 established, delivered, issued for delivery, or renewed

1 after September 30, 1987, but does not apply to blanket,
2 short term travel, accident only, limited or specified
3 disease, individual conversion policies or contracts, or to
4 policies or contracts designed for issuance to persons
5 eligible for coverage under Title XVIII of the Social
6 Security Act, known as medicare, or any other similar
7 coverage under state or federal governmental plans.

8 ~~{2}--With--respect--to--mental--illness,--this--part--applies~~
9 ~~to--policies--or--contracts--delivered--or--issued--for--delivery--in~~
10 ~~this--state--after--January--29,--1982.~~

11 ~~{3}--This--part--applies--to--policies--or--contracts~~
12 ~~delivered--or--issued--for--delivery--in--this--state--after~~
13 ~~December--31,--1983,--but--does--not--apply--to--blanket,--short--term~~
14 ~~travel,--accident--only,--limited--or--specified--disease,--or~~
15 ~~policies--or--contracts--designed--for--issuance--to--persons~~
16 ~~eligible--for--coverage--under--Title--XVIII--of--the--Social~~
17 ~~Security--Act,--known--as--medicare,--or--any--other--similar~~
18 ~~coverage--under--state--or--federal--governmental--plans."~~

19 NEW SECTION. Section 7. Extension of authority. Any
20 existing authority of the commissioner of insurance to make
21 rules on the subject of the provisions of this act is
22 extended to the provisions of this act.

-End-

APPROVED BY COMM. ON BUSINESS AND LABOR

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2 INTRODUCED BY James Thomas
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17 or other limitation of coverage relative to the accident and
18 sickness coverage or insurability of newborn infants of
19 persons in--the--insured--group covered under the policy from
20 and after the moment of birth.

21 (2) If the policy or certificate issued thereunder, in
22 addition to covering persons in the insured group, also
23 covers members of such person's family, it shall contain an
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25 sickness coverage, from and after the moment of birth, to

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16 or family members covered under the policy ceases because of
17 termination of his employment or of his membership in the
18 class or classes eligible for coverage under the policy, or
19 as a result of his employer discontinuing his business, or
20 as a result of his employer discontinuing the group
21 disability insurance policy and not providing for any other
22 group disability insurance or plan, such person shall,
23 provided he had been insured for a period of 3 months, be
24 entitled to have issued to him by the insurer, without
25 evidence of insurability, an individual policy of hospital



1 or medical service insurance on himself, his dependents, or
 2 family members, provided application for the individual
 3 policy shall be made and the first premium tendered to the
 4 insurer within 31 days after the termination of group
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23 "33-22-701. Scope of part -- purpose. The provisions
 24 of this part apply to all group policies of accident and
 25 health insurance and group subscriber contracts for the care

1 and treatment of mental illness, alcoholism, and drug
 2 addiction offered in to Montana residents by insurers, and
 3 health service corporations, for the care and treatment of
 4 mental illness, alcoholism, and drug addiction and all
 5 employees' health and welfare funds that provide accident
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 8 consumer to have such coverage according to his medical and
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 15 benefits to residents of this state under group health
 16 insurance or group health plans in this state shall provide,
 17 under hospital and medical expenses incurred insurance group
 18 policies and under hospital and medical service plan group
 19 contracts, the level of benefits specified in this section
 20 for the necessary care and treatment of mental illness,
 21 alcoholism, and drug addiction, subject to the right of the
 22 applicant to select any alternative level of benefits above
 23 the minimum level of benefits described in subsections
 24 (1)(b), (2)(a), (2)(b), and (2)(d) as may be offered by the
 25 insurer or service plan corporation:

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 3 durational limits, dollar limits, deductibles, and
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6 (a) benefits may be limited to not less than 30
 7 calendar days per year as defined in the policy or contract;

8 (b) the aggregate maximum benefit for alcoholism and
 9 drug addiction of inpatient expenses under basic inpatient
 10 policies and contracts plus inpatient expenses under major
 11 medical policies and contracts may be limited to no less
 12 than:

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18 Section 6. Section 33-22-704, MCA, is amended to read:

19 "33-22-704. Applicability. ~~{1}~~-Except-as--provided--in
 20 subsections--{2}--and--{3}, this part applies to policies or
 21 contracts delivered or issued for delivery in this state
 22 more than 120 days after July 1, 1979; This part applies to
 23 policies, contracts, or any employees' health and welfare
 24 fund that provides accident and health insurance benefits,
 25 established, delivered, issued for delivery, or renewed

1 after September 30, 1987, but does not apply to blanket,
2 short term travel, accident only, limited or specified
3 disease, individual conversion policies or contracts, or to
4 policies or contracts designed for issuance to persons
5 eligible for coverage under Title XVIII of the Social
6 Security Act, known as medicare, or any other similar
7 coverage under state or federal governmental plans.

8 ~~(2) With respect to mental illness, this part applies~~
9 ~~to policies or contracts delivered or issued for delivery in~~
10 ~~this state after January 29, 1982.~~

11 ~~(3) This part applies to policies or contracts~~
12 ~~delivered or issued for delivery in this state after~~
13 ~~December 31, 1983, but does not apply to blanket, short-term~~
14 ~~travel, accident only, limited or specified disease, or~~
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19 NEW SECTION. Section 7. Extension of authority. Any
20 existing authority of the commissioner of insurance to make
21 rules on the subject of the provisions of this act is
22 extended to the provisions of this act.

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 17 or other limitation of coverage relative to the accident and
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 19 persons ~~in--the--insured--group covered under the policy~~ from
 20 and after the moment of birth.

21 (2) If the policy or certificate issued thereunder, in
 22 addition to covering persons in the insured group, also
 23 covers members of such person's family, it shall contain an
 24 additional provision granting immediate accident and
 25 sickness coverage, from and after the moment of birth, to

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 21 disability insurance policy and not providing for any other
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 3 policy shall be made and the first premium tendered to the
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 14 medical policies and contracts may be limited to no less
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18 Section 6. Section 33-22-704, MCA, is amended to read:

19 "33-22-704. Applicability. (1)-Except-as--provided--in
 20 subsections--(2)--and--(3)--this-part-applies-to-policies-or
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 22 more--than--120-days-after-July-1-1979. This part applies to
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25 sickness coverage, from and after the moment of birth, to

1 each newborn infant of any person in--the--insured--group
2 covered under the policy.

3 (3) The coverage for newborn infants shall be the same
4 as provided by the policy for other covered persons;
5 provided, however, that for newborn infants there shall be
6 no waiting or elimination periods. A deductible or reduction
7 in benefits applicable to the coverage for newborn infants
8 is not permissible unless it conforms and is consistent with
9 the deductible or reduction in benefits applicable to all
10 other covered persons."

11 Section 2. Section 33-22-508, MCA, is amended to read:

12 "33-22-508. Conversion on termination of eligibility.
13 (1) A group disability insurance policy issued or renewed
14 after October 1, 1981, shall contain a provision that if the
15 insurance or any portion of it on a person, his dependents,
16 or family members covered under the policy ceases because of
17 termination of his employment or of his membership in the
18 class or classes eligible for coverage under the policy, or
19 as a result of his employer discontinuing his business, or
20 as a result of his employer discontinuing the group
21 disability insurance policy and not providing for any other
22 group disability insurance or plan, such person shall,
23 provided he had been insured for a period of 3 months, be
24 entitled to have issued to him by the insurer, without
25 evidence of insurability, an individual policy of hospital

1 or medical service insurance on himself, his dependents, or
 2 family members, provided application for the individual
 3 policy shall be made and the first premium tendered to the
 4 insurer within 31 days after the termination of group
 5 coverage.

6 (2) The individual policy, at the option of the
 7 insured, shall be on any of the forms then customarily
 8 issued by the insurer to individual policyholders with the
 9 exception of those policies whose eligibility is determined
 10 by affiliation other than by employment with a common
 11 entity.

12 (3) The premium on the individual policy shall be at
 13 the insurer's then customary rate applicable to the coverage
 14 of the individual policy."

15 Section 3. Section 33-22-509, MCA, is amended to read:

16 "33-22-509. Preexisting conditions. The converted
 17 policy may not exclude, as a preexisting condition, any
 18 conditions covered by the group contract, including
 19 pregnancy of the insured or the insured's spouse or
 20 dependents covered by the group contract at the time of
 21 conversion."

22 Section 4. Section 33-22-701, MCA, is amended to read:

23 "33-22-701. Scope of part -- purpose. The provisions
 24 of this part apply to all group policies of accident and
 25 health insurance and group subscriber contracts for the care

1 and treatment of mental illness, alcoholism, and drug
 2 addiction offered in to Montana residents by insurers, and
 3 health service corporations, for-the-care-and-treatment-of
 4 mental-illness,--alcoholism,--and--drug--addiction and all
 5 employees' health and welfare funds that provide accident
 6 and health insurance benefits to residents of this state. It
 7 is the purpose of this part to preserve the rights of the
 8 consumer to have such coverage according to his medical and
 9 economic needs."

10 Section 5. Section 33-22-703, MCA, is amended to read:

11 "33-22-703. Coverage for mental illness, alcoholism,
 12 and drug addiction. Insurers, and health service
 13 corporations, transacting or any employees' health and
 14 welfare fund that provides accident and health insurance
 15 benefits to residents of this state under group health
 16 insurance or group health plans in-this-state shall provide,
 17 FOR MONTANA RESIDENTS COVERED under hospital and medical
 18 expenses incurred insurance group policies and under
 19 hospital and medical service plan group contracts, the level
 20 of benefits specified in this section for the necessary care
 21 and treatment of mental illness, alcoholism, and drug
 22 addiction, subject to the right of the applicant to select
 23 any alternative level of benefits above the minimum level of
 24 benefits described in subsections (1)(b), (2)(a), (2)(b),
 25 and (2)(d) as may be offered by the insurer or service plan

1 corporation:

2 (1) under basic inpatient expense policies or
 3 contracts, inpatient hospital benefits consisting of
 4 durational limits, dollar limits, deductibles, and
 5 coinsurance factors that are not less favorable than for
 6 physical illness generally, except that:

7 (a) benefits may be limited to not less than 30
 8 calendar days per year as defined in the policy or contract;

9 (b) the aggregate maximum benefit for alcoholism and
 10 drug addiction of inpatient expenses under basic inpatient
 11 policies and contracts plus inpatient expenses under major
 12 medical policies and contracts may be limited to no less
 13 than:

14 (i) \$4,000 in any 24-month period; and

15 (ii) \$8,000 in lifetime benefits;

16 (2) under major medical policies or contracts,
 17 inpatient benefits and outpatient benefits consisting of
 18 durational limits, dollar limits, deductibles, and
 19 coinsurance factors that are not less favorable than for
 20 physical illness generally, except that:

21 (a) inpatient benefits may be limited to no less than
 22 30 calendar days per year as defined in the policy or
 23 contract. If inpatient benefits are provided beyond 30
 24 calendar days per year, the durational limits, dollar
 25 limits, deductibles, and coinsurance factors applicable

1 thereto need not be the same as applicable to physical
 2 illness generally.

3 (b) for outpatient benefits, the coinsurance factor
 4 may not exceed 50% or the coinsurance factor applicable for
 5 physical illness generally, whichever is greater, and the
 6 maximum benefit for mental illness, alcoholism, and drug
 7 addiction in the aggregate during any applicable benefit
 8 period may be limited to not less than \$1,000;

9 (c) maximum lifetime benefits shall, for mental
 10 illness in the aggregate, be no less than those applicable
 11 to physical illness generally;

12 (d) the aggregate maximum benefit for alcoholism and
 13 drug addiction of inpatient expenses under basic inpatient
 14 policies and contracts plus inpatient expenses under major
 15 medical policies and contracts may be limited to no less
 16 than:

17 (i) \$4,000 in any 24-month period; and

18 (ii) \$8,000 in lifetime benefits."

19 Section 6. Section 33-22-704, MCA, is amended to read:

20 "33-22-704. Applicability. ~~{1}~~--Except as provided in
 21 subsections {2} and {3}, this part applies to policies or
 22 contracts delivered or issued for delivery in this state
 23 more than 120 days after July 1, 1979. This part applies to
 24 policies, contracts, or any employees' health and welfare
 25 fund that provides accident and health insurance benefits,

1 established, delivered, issued for delivery, or renewed
2 after September 30, 1987, but does not apply to blanket,
3 short term travel, accident only, limited or specified
4 disease, individual conversion policies or contracts, or to
5 policies or contracts designed for issuance to persons
6 eligible for coverage under Title XVIII of the Social
7 Security Act, known as medicare, or any other similar
8 coverage under state or federal governmental plans.

9 ~~(2) With respect to mental illness, this part applies~~
10 ~~to policies or contracts delivered or issued for delivery in~~
11 ~~this state after January 29, 1982.~~

12 ~~(3) This part applies to policies or contracts~~
13 ~~delivered or issued for delivery in this state after~~
14 ~~December 31, 1983, but does not apply to blanket, short term~~
15 ~~travel, accident only, limited or specified disease, or~~
16 ~~policies or contracts designed for issuance to persons~~
17 ~~eligible for coverage under Title XVIII of the Social~~
18 ~~Security Act, known as medicare, or any other similar~~
19 ~~coverage under state or federal governmental plans."~~

20 NEW SECTION. Section 7. Extension of authority. Any
21 existing authority of the commissioner of insurance to make
22 rules on the subject of the provisions of this act is
23 extended to the provisions of this act.

-End-

STANDING COMMITTEE REPORT

SENATE

MARCH 16, 1987

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 823

THIRD reading copy (BLUE color)

SQUIRES (GAGE)

REVISE LAWS RELATING TO DISABILITY INSURANCE

Respectfully report as follows: That HOUSE BILL No. 823

be amended as follows:

- 1. Page 4, line 16.
Following: "provide,"
Insert: "for Montana residents covered"

AND AS AMENDED,

BE CONCURRED IN

XXXXXX

XXXXXXXXXX

Handwritten notes: 3-16-87, H. 45

Handwritten signature of Allen C. Kolstad

SENATOR ALLEN C. KOLSTAD, Chairman.