

Regular Session, 2014

HOUSE BILL NO. 1057

BY REPRESENTATIVE THIERRY

INSURANCE/HEALTH: Provides relative to risk-based capital for health organizations

1 AN ACT

2 To amend and reenact the heading of Subpart D of Part III of Chapter 2 of Title 22 of the
3 Louisiana Revised Statutes of 1950, R.S. 22:631(introductory paragraph), (4), and
4 (6)(c) and (d) and 634(A)(1), relative to risk-based capital for health organizations;
5 to define "health organization"; to amend certain formulas to determine risk-based
6 capital; to define a "company-action level event"; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. The heading of Subpart D of Part III of Chapter 2 of Title 22 of the
9 Louisiana Revised Statutes of 1950 and R.S. 22:631(introductory paragraph), (4), and (6)(c)
10 and (d) and 634(A)(1) are hereby amended and reenacted to read as follows:

11 SUBPART D. RISK-BASED CAPITAL FOR HEALTH

12 ~~MAINTENANCE~~ ORGANIZATIONS

13 §631. Definitions

14 As used in this Subpart, these terms ~~shall~~ have the following meanings:

15 * * *

16 (4) "Health organization" means a health maintenance organization licensed
17 under Subpart I of Part I of this Chapter, a limited health service organization which
18 bears risk, dental or vision plan which bears risk, hospital, medical and dental
19 indemnity or service corporation which bears risk, provider sponsored organization
20 which bears risk, or other risk bearing managed care organization licensed under this

Title. "Health organization" shall not include an organization that is licensed as either a life, health and accident, or property and casualty insurer under this Title and that is otherwise subject to either the life or property and casualty risk-based capital requirements.

* * *

(6) "Risk-based capital level" means a health organization's company-action level risk-based capital, regulatory-action level risk-based capital, authorized-control level risk-based capital, or mandatory-control level risk-based capital where:

* * *

(c) "Authorized-control level risk-based capital" means the product of one and one quarter and the number determined under the risk-based capital formula in accordance with the risk-based capital instructions.

(d) "Mandatory-control level risk-based capital" means the product of ~~ninety-five~~ seventy hundredths and the number determined under the risk-based capital formula in accordance with the risk-based capital instructions.

* * *

§634. Company-action level event

A. A "company-action level event" means any of the following:

(1) The filing of a risk-based capital report by a health organization that indicates that the health organization's total adjusted capital is greater than or equal to its regulatory action level risk-based capital but less than its company-action level risk-based capital. If a health organization has total adjusted capital which is greater than or equal to its company-action level risk-based capital but less than the product of its authorized-control level risk-based capital and three, and triggers the trend test determined in accordance with the trend test calculation included in the health risk-based capital instructions.

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DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Thierry

HB No. 1057

Abstract: Defines health organizations, changes the formula for determining risk-based capital for health organizations, and clarifies what constitutes a company-action level event.

Present law provides for regulation of health maintenance organizations.

Proposed law deletes "maintenance" from the title of the Subpart and provides an expanded definition of health organizations subject to regulation.

Present law provides that "authorized-control level risk-based capital" means the product of 1.25 and the number determined under the risk-based capital formula in accordance with the risk-based capital instructions.

Proposed law changes present law to provide that "authorized-control level risk-based capital" means the number determined under the risk-based capital formula in accordance with the risk-based capital instructions.

Present law provides that "mandatory-control level risk-based capital" is the product of ninety-five hundredths (.95) and the number determined under the risk-based capital formula in accordance with the risk-based capital instructions.

Proposed law changes present law to require the use of seventy hundredths (.70) in the formula to determine mandatory-control risk-based capital.

Present law provides that one instance of "company-action level event" means the filing of a risk-based capital report by a health organization that indicates that the health organization's total adjusted capital is greater than or equal to its regulatory action level risk-based capital but less than its company-action level risk-based capital.

Proposed law clarifies that a "company-action level event" means if a health organization has total adjusted capital which is greater than or equal to its company-action level risk-based capital but less than the product of its authorized-control level risk-based capital and three, and triggers the trend test determined in accordance with the trend test calculation included in the health risk-based capital instructions.

Proposed law clarifies that the risk-based capital requirements are for health organizations that bear risk.

(Amends the heading of Subpart D of Part III of Chapter 2 of Title 22 of the La. Revised Statutes of 1950 and R.S. 22:631(intro. para.), (4), and (6)(c) and (d) and 634(A)(1))

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Insurance to the original bill.

1. Clarified that the risk-based capital requirements are for health organizations that bear risk.