

OKLAHOMA HOUSE OF REPRESENTATIVES
COMMITTEE REPORT

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JOINT COMMITTEE ON APPROPRIATIONS AND BUDGET

HB2406

By: Osborn (Leslie) et al of the House

David et al of the Senate

Title: Revenue and taxation; Oklahoma Revenue and Taxation
Modification Act of 2017; effective date.

Coauthored By:

Recommendation: **DO PASS AS AMENDED BY CS**

Amendments:

1. Committee Substitute Attached



Chr.
Representative Leslie Osborn

YEAS: 20

Bennett (J), Caldwell, Casey, Cockroft, Echols, Henke, Martin, Murphey, O'Donnell, Ortega, Osborn (L), Ownbey, Pfeiffer, Roberts (D), Russ, Sanders, Sears, Stone, Virgin, Wallace

NAYS: 1

Calvey

CONSTITUTIONAL PRIVILEGE: 0

**OKLAHOMA STATE SENATE
JOINT
COMMITTEE REPORT**

May 23, 2017

JOINT COMMITTEE ON APPROPRIATIONS AND BUDGET

HB 2406

By: Osborn (Leslie) of the House and David and Fields of the Senate

Title: Revenue and taxation; Oklahoma Revenue and Taxation Modification Act of 2017; effective date.

Recommendation: **DO PASS AS AMENDED**

Aye: Bice, Dugger, Floyd, Griffin, Holt, Jech, Kidd, Leewright, Marlatt, Matthews, McCortney, Newhouse, Paxton, Pederson, Pemberton, Pittman, Pugh, Quinn, Rader, Scott, Sharp, Shaw, Simpson, Smalley, Sparks, Standridge, Stanislawski, Thompson, Yen, Fields, David

Nay: Allen, Bass, Bergstrom, Boggs, Brecheen, Brown, Dahm, Daniels, Dossett, Newberry, Silk, Sykes

Pass:

Senator Kim David, Chair

Committee Substitute, motion by Senator DAVID - Adopted (Request No: 8044)

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

COMMITTEE SUBSTITUTE
FOR

HOUSE BILL NO. 2406

By: Osborn (Leslie) and Wallace
of the House

and

David and Fields of the
Senate

COMMITTEE SUBSTITUTE

An Act relating to insurance; creating the Oklahoma Individual Health Insurance Market Stabilization Act; providing payments to health insurance plans; providing market stabilization activities; providing legislative intent; defining terms; providing Individual Health Insurance Market Stabilization Program eligibility requirements; establishing the Oklahoma Individual Health Insurance Market Stabilization Program; providing Board of Directors membership; providing Board member reimbursement; requiring adoption of plan of operation, bylaws and rules; requiring administrative rules be promulgated and revoked under certain circumstances; authorizing hiring of Executive Director; providing administrative and operational support to the Program; requiring annual audit; providing certain duties of the Board; requiring sunset of the Program under certain conditions; granting certain powers to the Program; providing assessment of insurers and reinsurers; requiring participation be determined annually; prohibiting certain tax credit under certain circumstances; allowing the Board to abate or defer assessment under certain circumstances; providing certain actions shall not violate certain laws; authorizing the Secretary of Health and Human Services to apply for certain waiver; providing for codification; and declaring an emergency.

1 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

2 SECTION 1. NEW LAW A new section of law to be codified
3 in the Oklahoma Statutes as Section 6530.1 of Title 36, unless there
4 is created a duplication in numbering, reads as follows:

5 This act shall be known and may be cited as the "Oklahoma
6 Individual Health Insurance Market Stabilization Act". It is the
7 intent of the Legislature to provide payments to health insurance
8 plans with respect to claims for eligible individuals for the
9 purpose of lowering premiums for health insurance coverage offered
10 in the individual market. Market stabilization activities shall
11 include establishment of a high-risk pool, reinsurance, hybrid
12 programs or any combination thereof. It is the further intent of
13 the Legislature to bestow upon the Oklahoma Insurance Commissioner
14 the authority to appoint a Board of Directors which shall create,
15 implement, oversee and monitor the high-risk pool, reinsurance or
16 hybrid programs under provisions of this act. The Board of
17 Directors and the Oklahoma Secretary of Health and Human Services
18 are authorized to apply for, accept and receive federal funds to
19 implement and sustain market stabilization programs. Preliminary
20 planning and analysis shall continue under the direction of the
21 Oklahoma Insurance Commissioner. The onset of market stabilization
22 implementation shall be contingent upon Oklahoma's approval for and
23 receipt of federal funds to implement and sustain market
24 stabilization programs.

1 SECTION 2. NEW LAW A new section of law to be codified

2 in the Oklahoma Statutes as Section 6530.2 of Title 36, unless there
3 is created a duplication in numbering, reads as follows:

4 As used in the Oklahoma Individual Health Insurance Market
5 Stabilization Act:

6 1. "Agent" means any person who is licensed to sell health
7 insurance in this state;

8 2. "Board" means the Board of Directors of the Oklahoma
9 Individual Health Insurance Market Stabilization Program;

10 3. "Health insurance" means any individual or group hospital or
11 medical-expense-incurred policy or health care benefits plan or
12 contract providing insurance against loss through illness or injury
13 of the insured. The term does not include any policy governing
14 short-term accidents only, a fixed indemnity policy, a limited
15 benefit policy, a specified accident policy, a specified disease
16 policy, a Medicare supplement policy, a long-term care policy,
17 medical payment or personal injury coverage in a motor vehicle
18 policy, coverage issued as a supplement to liability insurance, a
19 disability policy or workers' compensation;

20 4. "High-risk pool" means specially designated health insurance
21 plans organized by federal or state entities, or a combination of
22 federal and state entities, to serve high-risk, high-cost or both
23 high-risk and high-cost individuals who meet enrollment criteria and
24 do not have access to group insurance. They are organized as

1 independent entities governed by their own boards and administrators
2 and supported by the state's department of insurance;

3 5. "Insurer" means any individual, corporation, association,
4 partnership, fraternal benefit society or any other entity engaged
5 in the health insurance business, except insurance agents and
6 brokers. This term shall also include not-for-profit hospital
7 service and medical indemnity plans, health maintenance
8 organizations, preferred provider organizations, prepaid health
9 plans, the State and Education Employees Group Health Insurance
10 Plan, stop-loss insurance plans and any reinsurer reinsuring health
11 insurance in this state, which shall be designated as engaged in the
12 business of insurance for the purposes of the Oklahoma Individual
13 Health Insurance Market Stabilization Act;

14 6. "Market" means the individual health insurance market in
15 Oklahoma, wherein income-eligible individuals may receive federal
16 financial assistance for the purchase of qualified health plans as
17 provided by Section 36B of Title 26 of the United States Code and
18 Section 1301 of the federal Patient Protection and Affordable Care
19 Act;

20 7. "Market stabilization activities" means a high-risk pool,
21 reinsurance, hybrid programs or any combination thereof authorized
22 by this act;

23 8. "Plan" means any of the comprehensive health insurance
24 benefit plans as approved by the Board of Directors of the Oklahoma

1 Individual Health Insurance Market Stabilization Program or
2 qualified for participation in the market or by rule;

3 9. "Program" means the Oklahoma Individual Health Insurance
4 Market Stabilization Program;

5 10. "Reinsurer" means any insurer from whom any insurer
6 providing health insurance to Oklahomans procures insurance for
7 itself with respect to all or part of the health insurance risk of
8 the person; and

9 11. "Reinsurance" means the contract made between an entity
10 providing insurance coverage and a third party to protect the
11 insurer from losses. The contract provides for the third party to
12 pay for the loss sustained by the insurer when the insurer makes a
13 payment on the original contract. Reinsurance lets insurers cover a
14 portion of their financial risks by recovering some or all of the
15 claimed amounts they pay.

16 SECTION 3. NEW LAW A new section of law to be codified
17 in the Oklahoma Statutes as Section 6530.3 of Title 36, unless there
18 is created a duplication in numbering, reads as follows:

19 Except as otherwise provided in this section, any person who is
20 qualified for and enrolled in coverage through the market and is a
21 permanent resident of the State of Oklahoma shall be eligible for
22 coverage under the Oklahoma Individual Health Insurance Market
23 Stabilization Program except that:
24

1 1. No person who is currently receiving or is entitled to
2 receive health care benefits under any other federal or state
3 program providing financial assistance or preventive and
4 rehabilitative social services is eligible for coverage under the
5 Program; and

6 2. No inmate incarcerated in any state penal institution or
7 confined to any narcotic detention, treatment and rehabilitation
8 facility shall be eligible for coverage under the Program.

9 SECTION 4. NEW LAW A new section of law to be codified
10 in the Oklahoma Statutes as Section 6530.4 of Title 36, unless there
11 is created a duplication in numbering, reads as follows:

12 A. There is hereby created a nonprofit legal entity to be known
13 as the "Oklahoma Individual Health Insurance Market Stabilization
14 Program".

15 B. 1. The Program shall operate under the management of a
16 nine-member Board of Directors appointed by the Insurance
17 Commissioner. The Board shall consist of:

18 a. two representatives of domestic insurance companies
19 licensed to do business in this state,

20 b. one member from the general public who is a member of
21 the class of individuals to which the program would
22 apply,

23 c. one representative of a health maintenance
24 organization,

- d. one member from a health-related profession,
- e. one member from the general public who is not associated with the medical profession, a hospital or an insurer,
- f. one representative of reinsurers, and
- g. two representatives from the providers of individual plans licensed to do business in this state.

2. The original Board shall be appointed for the following terms:

- a. three members for a term of one (1) year,
- b. three members for a term of two (2) years, and
- c. three members for a term of three (3) years.

3. All terms after the initial term shall be for three (3) years.

4. The Board shall elect one of its members as chairperson.

5. Members of the Board may be reimbursed from monies of the Program for actual and necessary expenses incurred by them in the performance of their official duties as members of the Board but shall not otherwise be compensated for their services.

6. The Board shall adopt a plan of operation and submit its articles, bylaws and operating rules to the Insurance Commissioner for approval. If the Board fails to submit a suitable plan of operation, articles, bylaws and operating rules within one hundred eighty (180) days, then the Insurance Commissioner shall promulgate

1 rules governing the operation of the Program. If the Board
2 subsequently adopts and submits any plan of operation, articles,
3 bylaws or operating rules that are approved by the Commissioner,
4 then the Commissioner shall revoke prior adopted administrative
5 rules that the Commissioner determines to be inconsistent with the
6 approved plan of operation, articles, bylaws or operating rules.

7 7. The Board shall have the authority to hire an Executive
8 Director of the Program.

9 8. The Oklahoma Insurance Department shall provide
10 administrative and operational support to the Program and to the
11 Board. The Board shall reimburse the Insurance Commissioner for any
12 direct and actual administrative costs associated with administering
13 the provisions of this act from monies collected by the Board.

14 C. The Board shall cause an audit to be made of, including, but not
15 limited to, the funds, accounts and fiscal affairs of the Program which
16 shall be prepared by an independent certified public accountant or a
17 licensed public accountant. One copy of the annual audit shall be filed
18 with the State Auditor and Inspector, and one copy shall be presented to
19 the Board not more than one hundred twenty (120) days following the close
20 of each fiscal year. In the event that a copy of the audit as required by
21 this section is not filed with the State Auditor and Inspector within the
22 time herein provided, the State Auditor and Inspector is authorized to
23 either commence an audit or employ a certified public accountant or
24 licensed public accountant to make the audit herein required at the cost
and expense of the Program.

SECTION 5. NEW LAW

A new section of law to be codified in the Oklahoma Statutes as Section 6530.5 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The Board of Directors of the Oklahoma Individual Health Insurance Market Stabilization Program shall:

1. Develop, implement and administer the Program.

Implementation of the Program shall be contingent upon Oklahoma's approval for and receipt of federal funds to implement and sustain the Program;

2. Levy and collect all assessments from all health insurers and reinsurers;

3. Make payments to provide for the market stabilization activities authorized by this act and for administrative expenses incurred or estimated to be incurred during the period for which assessment is made;

4. Establish administrative and accounting processes and procedures for the operation of the Program and create operating rules to effectuate the provisions of this act including but not limited to:

a. determine eligibility of individuals to receive coverage under the Program,

b. establish standards for qualification based upon health status, health conditions, prior or current

1 insurance coverage status, health costs as a result of
2 utilization of consuming health care,

3 c. determine amount of the assessment and the amount or
4 percentage of the premiums paid to health insurance
5 plans for health insurance coverage by eligible
6 individuals, that shall be collected and deposited to
7 the credit of, and available for use by, the Program,

8 d. establish the dollar amount of claims for eligible
9 individuals after which the Program will provide
10 payments to health insurance plans and the proportion
11 of such claims above such dollar amount that the
12 Program will pay,

13 e. establish the rate at which the Program will reimburse
14 a health insurance plan for claims incurred for an
15 enrolled individual's claims, above the attachment
16 point and below the reinsurance cap,

17 f. determine the threshold amount for claims costs
18 incurred by a health insurance plan for an enrolled
19 individual's claims, after which the claims costs for
20 benefits are no longer eligible for reinsurance
21 payments, and

22 g. determine the diagnosed health condition of an
23 eligible individual for which the Program will provide
24

1 payments to health insurance plans for claims incurred
2 after such diagnosis is made; and

3 5. Apply for, accept and receive federal funding for the
4 operation of the Program, including the following:

5 a. approval of a waiver provided by Section 1332 of the
6 Patient Protection and Affordable Care Act, "1332
7 State Innovation Waiver", authorizing federal funding
8 to support market stabilization program payments,

9 b. Oklahoma's participation in any federal grant program
10 or programs, or

11 c. any combination of the above approaches.

12 B. In the event Oklahoma is unable to secure federal approval
13 of a 1332 State Innovation Waiver or secure funding from federal
14 grant programs within two (2) years from the effective date of this
15 act, the Oklahoma Individual Health Insurance Market Stabilization
16 Program shall sunset, and any remaining monies shall be returned to
17 insurers on a pro rata basis based on the amount each insurer has
18 paid in assessments since the creation of the Program.

19 SECTION 6. NEW LAW A new section of law to be codified
20 in the Oklahoma Statutes as Section 6530.6 of Title 36, unless there
21 is created a duplication in numbering, reads as follows:

22 The Board may:

23 1. Exercise powers granted to insurers under the laws of this
24 state;

1 2. Sue or be sued;

2 3. In addition to imposing assessments under Sections 5 and 7
3 of this act, levy interim assessments against insurers and
4 reinsurers to ensure the financial ability of the Program to cover
5 the market stabilization activities authorized by this act and any
6 administrative expenses incurred or estimated to be incurred in the
7 operation of the Program prior to the end of a calendar year. Any
8 interim assessment shall be due and payable within thirty (30) days
9 of the receipt of the assessment notice by the insurer. Interim
10 assessments shall be credited against the insurer's and reinsurer's
11 annual assessment; and

12 4. Request the Insurance Commissioner to check the reports,
13 records, books and papers of the Insurance Department to determine
14 the financial condition of an insurer for purposes of Section 8 of
15 this act.

16 SECTION 7. NEW LAW A new section of law to be codified
17 in the Oklahoma Statutes as Section 6530.7 of Title 36, unless there
18 is created a duplication in numbering, reads as follows:

19 A. For the purpose of providing the funds necessary to carry
20 out the provisions of this act, each insurer and each reinsurer
21 shall be assessed by the Board of Directors of the Oklahoma
22 Individual Health Insurance Market Stabilization Program according
23 to such assessment methodology and at such time and for such amount
24 as the Board finds necessary.

1 B. Each insurer's or reinsurer's proportion of participation in
2 the Program shall be determined annually by the Board based on
3 annual statements and other reports deemed necessary by the Board
4 and filed with it by the insurer.

5 C. An insurer or reinsurer which has paid an assessment levied
6 pursuant to this section shall not take a credit on the premium tax
7 return for that insurer or reinsurer but may include the assessment
8 amount in the insurer's or reinsurer's claims cost calculation for
9 the purpose of determining the insurer's or reinsurer's rates for
10 premiums charged for insurance policies to which the act applies.
11 The rates shall not be deemed excessive for the sole reason of
12 including in the calculation an amount reasonably calculated to
13 recoup the assessment amount paid by the insurer or reinsurer.

14 SECTION 8. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 6530.8 of Title 36, unless there
16 is created a duplication in numbering, reads as follows:

17 A. The Board may abate or defer, in whole or in part, the
18 assessment of any insurer or reinsurer if determined by the
19 Commissioner and the Board, payment of the assessment would place
20 the insurer or reinsurer at an action control level as defined in
21 subparagraph a, b, c or d of paragraph 11 of Section 1522 of Title
22 36 of the Oklahoma Statutes or prevent the insurer or reinsurer from
23 fulfilling the contractual obligations of the insurer or reinsurer.

1 B. In the event that an assessment against an insurer or
2 reinsurer is abated or deferred, in whole or in part, the amount by
3 which such assessment is abated or deferred may be assessed against
4 the other insurers or reinsurers in a manner consistent with the
5 basis for assessments set forth in Sections 5 and 7 of this act, and
6 the insurer or reinsurer receiving the abatement or deferment shall
7 remain liable to the Program for the deficiency for four (4) years.

8 SECTION 9. NEW LAW A new section of law to be codified
9 in the Oklahoma Statutes as Section 6530.9 of Title 36, unless there
10 is created a duplication in numbering, reads as follows:

11 It shall constitute an unfair practice for the purposes of
12 Sections 1201 through 1220 of Title 36 of the Oklahoma Statutes for
13 an insurer, insurance agent, insurance broker or third-party
14 administrator to refer an individual employee to the Program or
15 arrange for an individual employee to apply for the Program, for the
16 purpose of separating that employee from group health insurance
17 coverage provided in connection with the employee's employment.

18 SECTION 10. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 6530.10 of Title 36, unless
20 there is created a duplication in numbering, reads as follows:

21 The Oklahoma Secretary of Health and Human Services may apply to
22 the United States Secretary of Health and Human Services for a
23 waiver pursuant to Section 1332 of the Patient Protection and
24 Affordable Care Act (42 U.S.C., Section 18052), "1332 State

1 Innovation Waiver", with respect to health insurance coverage in the
2 state for a plan year beginning on or after January 1, 2018. The
3 Secretary may implement a state plan meeting the waiver requirements
4 in a manner consistent with state and federal law and as approved by
5 the United States Secretary of Health and Human Services.

6 SECTION 11. It being immediately necessary for the preservation
7 of the public peace, health or safety, an emergency is hereby
8 declared to exist, by reason whereof this act shall take effect and
9 be in full force from and after its passage and approval.

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11 56-1-8048 AMM 05/19/17

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