

Memorandum

Date: June, 9 1996

To: Rep. Jerry Dockham

From: Tom Covington, Director
Fiscal Research Division /s/TomC

Tony Goldman, Fiscal Analyst
Fiscal Research Division

CC: Sen. R.C. Soles

Rep. John Cocklereece
Linwood Jones, Staff Attorney
Research Division

Re: Evaluation of PCS H1194-CSRN-001 in regards to Certification of
legislation required by Federal law (G.S. 120-36.8)

In compliance with G.S. 120-36.8, Certification of legislation required by federal law, the Fiscal Research Division, in consultation with the Research Division is providing this memorandum to identify federal law requiring the enactment of the provisions in PCS H1994-CSRN-001.

H1994-CSRN-001 proposes to amend the Medicare Supplement Insurance Laws to comply with the Federal Social Security Amendments of 1994 as recommended by the Legislative Research Commission's Committee on Insurance and Insurance-related Issues. More specifically it amends G.S. Chapter 58 article 54 by adding the following section:

"The Commissioner may adopt rules necessary to conform Medicare supplement policies and certificates to the requirements of federal law and regulations, including:

1. Requiring refunds or credits if the policies or certificate do not meet loss ratios.
2. Establishes a uniform methodology for calculating and reporting loss ratios.
3. Assuring public access to policies, premiums, and loss ratio information of issuers of Medicare supplement insurance.
4. Establishing standards for Medicare Select policies and certifications."

Federal law requiring each of the four sections above is as follows:

1. Requiring refunds or credits if the policies or certificates do not meet loss ratios.

Loss ratios are determined by estimating benefit pay-outs to premiums charged. If loss ratios are lower than estimated, then refunds or credits are required.

This provision is required by the federal Social Security Act at 42 USCS 1395ss(r)(1)(B) and (r)(2).

2. Establishing a uniform methodology for calculating and reporting loss ratios.

This provision is required by the federal Social Security Act at 42 USCS 1395ss(r)(1).

3. Assuring public access to policies, premiums, and loss ratio information of issuers of Medicare supplement insurance.

This provision is required by the federal Social Security Act at 42 USCS 1395ss(b)(1)(C)(ii).

4. Establishing standards for Medicare Select policies and certificates.

Medicare Select is a managed care program for Medicare patients.

Initially, these standards applied only to 15 states, but Public Law 104-18 now allows any state to participate. The N.C. Dept. of Insurance, pursuant to its general rule-making authority (G.S. 58-2-40) and more specific rule making authority on Medicare supplemental insurance (58-54-10, -15 and -25), has already adopted rules governing Medicare Select policies. A participating state must meet the standard described in the federal law for accreditation by the Health Care Financing Agency. Therefore, although the State's participation in Medicare Select is optional, its adherence to federal law is mandatory once it elects participate.

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