



# House of Representatives

General Assembly

**File No. 113**

February Session, 2008

House Bill No. 5514

*House of Representatives, March 20, 2008*

The Committee on Insurance and Real Estate reported through REP. O'CONNOR of the 35th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT ESTABLISHING A LOAN PROGRAM FOR THE PURCHASE OF PROSTHESES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2008*) (a) There is established a  
2 separate, nonlapsing account to provide loans to individuals who  
3 purchase prostheses where such purchase is not adequately covered  
4 by insurance.

5 (b) The account shall provide loans to individuals who purchase or  
6 are seeking to purchase prostheses where such purchase is not  
7 adequately covered by insurance. Each loan shall not be more than  
8 seventy-five thousand dollars and shall be subject to a maximum term  
9 of ten years at a rate equal to the prime rate minus one percentage  
10 point.

11 (c) The commissioner shall adopt regulations, in accordance with  
12 the provisions of chapter 54 of the general statutes, to establish the  
13 application procedures, forms and criteria for the loan program.

14 (d) The sum of one million dollars shall be appropriated to the  
15 Insurance Department, from the General Fund, for the fiscal year  
16 ending June 30, 2009, for the purposes of this section.

|   |                     |             |
|---|---------------------|-------------|
| This act shall take effect as follows and shall amend the following sections: |                     |             |
| Section 1   | <i>July 1, 2008</i> | New section |

**INS**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

**OFA Fiscal Note**

**State Impact:**

| Agency Affected | Fund-Effect    | FY 09 \$    | FY 10 \$      |
|-----------------|----------------|-------------|---------------|
| Insurance Dept. | IF - See Below | \$1 Million | Indeterminate |

Note: IF=Insurance Fund

**Municipal Impact:** None

**Explanation**

This bill appropriates \$1 million to the Department of Insurance (DOI) to implement a prostheses loan program. It creates a separate, non-lapsing account for a prostheses loan program. Under the program, people who need to purchase prostheses and whose insurance does not adequately cover the costs may take out a loan from this account, not to exceed \$75,000 for a maximum term of ten years, at an interest rate of the prime rate minus one point.

The department would require two part-time staff people and one full-time staff person to implement this program for an annualized cost of \$341,020:

| Item                         | Cost      |
|------------------------------|-----------|
| 0.5 Program Manager          | \$46,470  |
| 1.0 Loan Officer/ Accountant | \$62,632  |
| 0.5 Lawyer                   | \$32,860  |
| Equipment (2 Computers)      | \$2,400   |
| Other Expenses               | \$120,000 |
| Fringe Benefits <sup>1</sup> | \$76,659  |
| TOTAL                        | \$341,020 |

Should this bill be interpreted to allow DOI program administration

<sup>1</sup> The fringe benefit costs for non-General Fund state employees are budgeted for directly in the affected agency’s budget. The actual fringe benefit rate for the Insurance Department was 54% as of February 2008.

costs to be supported from the \$1 million appropriation, funds available for loans would be reduced accordingly. However, should it be interpreted to not allow for such costs to be defrayed, the agency would incur unbudgeted expenses for staff and related costs.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of program participants, which is unknown at this time.

**OLR Bill Analysis****HB 5514*****AN ACT ESTABLISHING A LOAN PROGRAM FOR THE PURCHASE OF PROSTHESES.*****SUMMARY:**

This bill creates a separate, nonlapsing account for a prostheses loan program. (However, the bill does not provide details regarding the account or specifically authorize a person to use it.)

Under the bill, the account must give loans to people who need to purchase prostheses but for whom insurance does not adequately cover the costs. The bill specifies that a loan cannot exceed \$75,000 and is subject to a maximum term of 10 years and an interest rate of prime rate minus one percentage point.

The bill appropriates \$1 million from the General Fund to the Insurance Department for FY 09 (but it does not require that the commissioner deposit such funds into the new account).

It requires the commissioner (presumably the insurance commissioner) to adopt regulations to establish loan program application procedures, forms, and criteria. (But the bill does not address other loan program implementation and administration details.)

EFFECTIVE DATE: July 1, 2008

**BACKGROUND*****Mandated Insurance Benefit for Prostheses***

By law, health insurance policies must provide coverage for the cost of any nondental prosthesis, including any maxillo-facial prosthesis

used to replace anatomic structures lost during treatment for head and neck tumors or additional appliances essential for the support of such a prosthesis. Coverage must be subject to the same terms and conditions applicable to all other benefits under the policy. But the policy must provide at least a yearly benefit of \$300 for nondental prosthesis unless the prosthesis is due to the surgical removal of breasts because of tumors, in which case the yearly benefit must be at least \$300 for each breast (CGS §§ 38a-504 and 38a-542).

***Related Bill***

The Insurance and Real Estate Committee reported out sSB 280, which requires health insurance policies to provide coverage for prosthetic devices (i.e., artificial limbs) of at least \$2,500 per limb annually.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 18    Nay 0    (03/06/2008)