



Senate

General Assembly

File No. 63

February Session, 2014

Substitute Senate Bill No. 199

Senate, March 19, 2014

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING LONG-TERM CARE INSURANCE PREMIUM RATE INCREASES.

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

1 Section 1. Subsections (a) and (b) of section 38a-501 of the 2014
2 supplement to the general statutes are repealed and the following is
3 substituted in lieu thereof (*Effective October 1, 2014*):

4 (a) (1) As used in this section, "long-term care policy" means any
5 individual health insurance policy delivered or issued for delivery to
6 any resident of this state on or after July 1, 1986, that is designed to
7 provide, within the terms and conditions of the policy, benefits on an
8 expense-incurred, indemnity or prepaid basis for necessary care or
9 treatment of an injury, illness or loss of functional capacity provided
10 by a certified or licensed health care provider in a setting other than an
11 acute care hospital, for at least one year after an elimination period (A)
12 not to exceed one hundred days of confinement, or (B) of over one
13 hundred days but not to exceed two years of confinement, provided
14 such period is covered by an irrevocable trust in an amount estimated

15 to be sufficient to furnish coverage to the grantor of the trust for the
16 duration of the elimination period. Such trust shall create an
17 unconditional duty to pay the full amount held in trust exclusively to
18 cover the costs of confinement during the elimination period, subject
19 only to taxes and any trustee's charges allowed by law. Payment shall
20 be made directly to the provider. The duty of the trustee may be
21 enforced by the state, the grantor or any person acting on behalf of the
22 grantor. A long-term care policy shall provide benefits for confinement
23 in a nursing home or confinement in the insured's own home or both.
24 Any additional benefits provided shall be related to long-term
25 treatment of an injury, illness or loss of functional capacity. "Long-term
26 care policy" shall not include any such policy that is offered primarily
27 to provide basic Medicare supplement coverage, basic medical-surgical
28 expense coverage, hospital confinement indemnity coverage, major
29 medical expense coverage, disability income protection coverage,
30 accident only coverage, specified accident coverage or limited benefit
31 health coverage.

32 (2) (A) No insurance company, fraternal benefit society, hospital
33 service corporation, medical service corporation or health care center
34 delivering, issuing for delivery, renewing, continuing or amending any
35 long-term care policy in this state may refuse to accept or make
36 reimbursement pursuant to a claim for benefits submitted by or
37 prepared with the assistance of a managed residential community, as
38 defined in section 19a-693, in accordance with subdivision (7) of
39 subsection (a) of section 19a-694 solely because such claim for benefits
40 was submitted by or prepared with the assistance of a managed
41 residential community.

42 (B) Each insurance company, fraternal benefit society, hospital
43 service corporation, medical service corporation or health care center
44 delivering, issuing for delivery, renewing, continuing or amending any
45 long-term care policy in this state shall, upon receipt of a written
46 authorization executed by the insured, (i) disclose information to a
47 managed residential community for the purpose of determining such
48 insured's eligibility for an insurance benefit or payment, and (ii)

49 provide a copy of the initial acceptance or declination of a claim for
50 benefits to the managed residential community at the same time such
51 acceptance or declination is made to the insured.

52 (b) (1) No insurance company, fraternal benefit society, hospital
53 service corporation, medical service corporation or health care center
54 may deliver or issue for delivery any long-term care policy that has a
55 loss ratio of less than sixty per cent for any individual long-term care
56 policy. An issuer shall not use or change premium rates for a long-
57 term care policy unless the rates have been filed with and approved by
58 the Insurance Commissioner. Any rate filings or rate revisions shall
59 demonstrate that anticipated claims in relation to premiums when
60 combined with actual experience to date can be expected to comply
61 with the loss ratio requirement of this section. A rate filing shall
62 include the factors and methodology used to estimate irrevocable trust
63 values if the policy includes an option for the elimination period
64 specified in subdivision (1) of subsection (a) of this section.

65 (2) (A) Any insurance company, fraternal benefit society, health
66 service corporation, medical service corporation or health care center
67 that files a rate filing for an increase in premium rates for a long-term
68 care policy that is for twenty per cent or more shall spread the increase
69 over a period of not less than three years. Such company, society,
70 corporation or center shall use a periodic rate increase that is
71 actuarially equivalent to a single rate increase and a current interest
72 rate for the period chosen.

73 (B) Prior to implementing a premium rate increase, each such
74 company, society, corporation or center shall:

75 (i) Notify its policyholders of such premium rate increase and make
76 available to such policyholders the additional choice of reducing the
77 policy benefits to reduce the premium rate. Such notice shall include a
78 description of such policy benefit reductions. The premium rates for
79 any benefit reductions shall be based on the new premium rate
80 schedule;

81 (ii) Provide policyholders not less than thirty calendar days to elect
82 the periodic rate increase or a reduction in policy benefits; and

83 (iii) Include a statement in such notice that if a policyholder fails to
84 make an election by the end of the notice period and has not cancelled
85 the policy, the policyholder will be deemed to have elected the
86 periodic rate increase.

87 Sec. 2. Subsections (a) and (b) of section 38a-528 of the 2014
88 supplement to the general statutes are repealed and the following is
89 substituted in lieu thereof (*Effective October 1, 2014*):

90 (a) (1) As used in this section, "long-term care policy" means any
91 group health insurance policy or certificate delivered or issued for
92 delivery to any resident of this state on or after July 1, 1986, [which]
93 that is designed to provide, within the terms and conditions of the
94 policy or certificate, benefits on an expense-incurred, indemnity or
95 prepaid basis for necessary care or treatment of an injury, illness or
96 loss of functional capacity provided by a certified or licensed health
97 care provider in a setting other than an acute care hospital, for at least
98 one year after a reasonable elimination period. A long-term care policy
99 shall provide benefits for confinement in a nursing home or
100 confinement in the insured's own home or both. Any additional
101 benefits provided shall be related to long-term treatment of an injury,
102 illness or loss of functional capacity. "Long-term care policy" shall not
103 include any such policy or certificate [which] that is offered primarily
104 to provide basic Medicare supplement coverage, basic medical-surgical
105 expense coverage, hospital confinement indemnity coverage, major
106 medical expense coverage, disability income protection coverage,
107 accident only coverage, specified accident coverage or limited benefit
108 health coverage.

109 (2) (A) No insurance company, fraternal benefit society, hospital
110 service corporation, medical service corporation or health care center
111 delivering, issuing for delivery, renewing, continuing or amending any
112 long-term care policy in this state may refuse to accept or make
113 reimbursement pursuant to a claim for benefits submitted by or

114 prepared with the assistance of a managed residential community, as
115 defined in section 19a-693, in accordance with subdivision (7) of
116 subsection (a) of section 19a-694 solely because such claim for benefits
117 was submitted by or prepared with the assistance of a managed
118 residential community.

119 (B) Each insurance company, fraternal benefit society, hospital
120 service corporation, medical service corporation or health care center
121 delivering, issuing for delivery, renewing, continuing or amending any
122 long-term care policy in this state shall, upon receipt of a written
123 authorization executed by the insured, (i) disclose information to a
124 managed residential community for the purpose of determining such
125 insured's eligibility for an insurance benefit or payment, and (ii)
126 provide a copy of the initial acceptance or declination of a claim for
127 benefits to the managed residential community at the same time such
128 acceptance or declination is made to the insured.

129 (b) (1) No insurance company, fraternal benefit society, hospital
130 service corporation, medical service corporation or health care center
131 may deliver or issue for delivery any long-term care policy or
132 certificate [which] that has a loss ratio of less than sixty-five per cent
133 for any group long-term care policy. An issuer shall not use or change
134 premium rates for a long-term care policy or certificate unless the rates
135 have been filed with the Insurance Commissioner. Deviations in rates
136 to reflect policyholder experience shall be permitted, provided each
137 policy form shall meet the loss ratio requirement of this section. Any
138 rate filings or rate revisions shall demonstrate that anticipated claims
139 in relation to premiums when combined with actual experience to date
140 can be expected to comply with the loss ratio requirement of this
141 section. On an annual basis, an insurer shall submit to the Insurance
142 Commissioner an actuarial certification of the insurer's continuing
143 compliance with the loss ratio requirement of this section. Any rate or
144 rate revision may be disapproved if the commissioner determines that
145 the loss ratio requirement will not be met over the lifetime of the policy
146 form using reasonable assumptions.

147 (2) (A) Any insurance company, fraternal benefit society, health
 148 service corporation, medical service corporation or health care center
 149 that files a rate filing for an increase in premium rates for a long-term
 150 care policy that is for twenty per cent or more shall spread the increase
 151 over a period of not less than three years. Such company, society,
 152 corporation or center shall use a periodic rate increase that is
 153 actuarially equivalent to a single rate increase and a current interest
 154 rate for the period chosen.

155 (B) Prior to implementing a premium rate increase, each such
 156 company, society, corporation or center shall:

157 (i) Notify its certificate holders of such premium rate increase and
 158 make available to such certificate holders the additional choice of
 159 reducing the policy benefits to reduce the premium rate. Such notice
 160 shall include a description of such policy benefit reductions. The
 161 premium rates for any benefit reductions shall be based on the new
 162 premium rate schedule;

163 (ii) Provide certificate holders not less than thirty calendar days to
 164 elect the periodic rate increase or a reduction in policy benefits; and

165 (iii) Include a statement in such notice that if a certificate holder fails
 166 to make an election by the end of the notice period and has not
 167 cancelled the certificate, the certificate holder will be deemed to have
 168 elected the periodic rate increase.

This act shall take effect as follows and shall amend the following sections:

Section 1	October 1, 2014	38a-501(a) and (b)
Sec. 2	October 1, 2014	38a-528(a) and (b)

Statement of Legislative Commissioners:

In section 2(b)(2)(B)(iii), "full" was changed to "periodic" for internal consistency and accuracy.

INS *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill requires long-term care insurance carriers to spread any rate increase in excess of 20% over a period of at least three years. The carriers must also provide certain options to consumers. As this concerns private insurance transactions, there is no fiscal impact.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**sSB 199*****AN ACT CONCERNING LONG-TERM CARE INSURANCE PREMIUM RATE INCREASES.*****SUMMARY:**

This bill requires long-term care (LTC) insurance policy issuers (carriers) to spread premium rate increases of 20% or more over at least three years. It also requires LTC carriers to notify individual policyholders and group certificate holders of (1) a premium rate increase and (2) the option of reducing benefits to reduce the premium rate.

EFFECTIVE DATE: October 1, 2014

LONG-TERM CARE PREMIUM INCREASES***Periodic Rate Increase***

The bill requires an LTC carrier, including an insurer, fraternal benefit society, health or medical service corporation, or health care center, that files with the insurance commissioner a rate filing that increases LTC policy premiums by 20% or more to spread the increase over a period of at least three years. The carrier must use a periodic rate increase that is actuarially equivalent to a single rate increase and a current interest rate for the period chosen.

Notification of Premium Increase and Benefit Reduction Option

The bill requires an LTC carrier, before implementing a premium rate increase, to notify its policyholders (for individual policies) and certificate holders (for group policies) of the (1) premium rate increase, and (2) option of reducing policy benefits to reduce the premium rate. The notice must describe the optional policy benefit reductions. Premium rates for benefit reductions must be based on the new premium rate schedule.

The bill requires an LTC carrier to give policyholders and certificate holders at least 30 days to elect either the new, periodic rate increase or reduced policy benefits. The notice must state that, if a policyholder or certificate holder fails to make an election within the given time period and does not cancel the coverage, then he or she is deemed to have elected the periodic rate increase.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 19 Nay 0 (03/06/2014)