

Stricken language would be deleted from present law. Underlined language would be added to present law.

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997

A Bill

HOUSE BILL 1726

4
5 By: Representative Newman

For An Act To Be Entitled

9 "AN ACT TO AMEND ARKANSAS CODE § 23-76-118 TO PROVIDE
10 PROTECTION FOR HEALTH MAINTENANCE ORGANIZATION ("HMO")
11 ENROLLEES IN THE EVENT OF HMO INSOLVENCY; AND FOR OTHER
12 PURPOSES."

Subtitle

15 "TO PROVIDE PROTECTION FOR HMO ENROLLEES
16 IN THE EVENT OF HMO INSOLVENCY."

18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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20 SECTION 1. Arkansas Code 23-76-118 is amended by inserting an additional
21 section at the end thereof to read as follows:

22 "(c)(1) Deposit requirements - All health maintenance organizations
23 authorized to transact business in this state, shall deposit through the
24 Commissioner securities eligible for deposit under §23-63-903 which at all
25 times shall have a par or market value of not less than three hundred thousand
26 dollars (\$300,000), with the exception of limited benefit health maintenance
27 organizations whose security deposit shall not be less than one hundred
28 thousand dollars (\$100,000). The Commissioner shall also be authorized to
29 require a special surplus deposit for the benefit of enrollees from each
30 health maintenance organization.

31 (2) All deposits made through the Commissioner and held in this
32 state shall be subject to the applicable provisions of §§23-63-903 -
33 23-63-907, 23-63-910 and 23-63-911 which refer to administration of deposits.

34 (3) A health maintenance organization, excluding limited benefit
35 health maintenance organizations, that is in operation on the effective date
36 of this section shall make a deposit equal to one hundred fifty thousand

1 dollars (\$150,000). In the second year, the amount of the additional deposit
 2 for a health maintenance organization that is in operation on the effective
 3 date of the section shall be equal to one hundred fifty thousand dollars
 4 (\$150,000), for a total of three hundred thousand dollars (\$300,000). A
 5 limited benefit health maintenance organization that is in operation on the
 6 effective date of this section shall make a deposit equal to seventy-five
 7 thousand dollars (\$75,000). In the second year, the amount of the additional
 8 deposit for a limited benefit health maintenance organization that is in
 9 operation on the effective date of this section shall be equal to twenty-five
 10 thousand dollars (\$25,000) for a total of one hundred thousand dollars
 11 (\$100,000).

12 (4) The deposit shall be an admitted asset of the health
 13 maintenance organization in the determination of net worth.

14 (5) The deposit shall be used to protect the interests of the
 15 health maintenance organization's enrollees and to assure continuation of
 16 health care services to enrollees of a health maintenance organization that is
 17 in rehabilitation or conservation. The Commissioner may use the deposit for
 18 administrative costs directly attributable to a receivership or liquidation.
 19 If the health maintenance organization is placed in receivership or
 20 liquidation, the deposit shall be an asset subject to the provisions of
 21 §§23-68-101 et seq., the Uniform Liquidation Act.

22 (d)(1) Hold Harmless - Every contract between a health maintenance
 23 organization and a participating provider of health care services shall be in
 24 writing and shall set forth that in the event the health maintenance
 25 organization fails to pay for health care services as set forth in the
 26 contract, the subscriber or enrollee shall not be liable to the provider for
 27 any sums owed by the health maintenance organization.

28 (2) In the event that the participating provider contract has not
 29 been reduced to writing as required by this subsection or that the contract
 30 fails to contain the required prohibition, the participating provider shall
 31 not collect or attempt to collect from the subscriber or enrollee sums owed by
 32 the health maintenance organization.

33 (3) No participating provider, or the provider's agent, trustee or
 34 assignee, may maintain an action at law against a subscriber or enrollee to
 35 collect sums owed by the health maintenance organization.

36 (e)(1) Continuation of Benefits - The Commissioner shall require that

1 each health maintenance organization have a plan for handling insolvency which
 2 allows for continuation of benefits for the duration of the contract period
 3 for which premiums have been paid and continuation of benefits to members who
 4 are confined on the date of insolvency in an inpatient facility until their
 5 discharge or expiration of benefits. In considering such a plan, the
 6 Commissioner may require:

7 (A) Insurance to cover the expenses to be paid where date
 8 of services precedes the premium paid for it.

9 (B) Provisions in provider contracts that obligate the
 10 provider to provide services for the duration of the period after the health
 11 maintenance organization's insolvency for which premium payment has been made
 12 and until the enrollees' discharge from inpatient facilities;

13 (C) Insolvency reserves;

14 (D) Acceptable letters of credit; and

15 (E) Any other arrangements to assure that benefits are
 16 continued as specified above."

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18 SECTION 2. All provisions of this Act of a general and permanent
 19 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas
 20 Code Revision Commission shall incorporate the same in the Code.

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22 SECTION 3. If any provision of this Act or the application thereof to
 23 any person or circumstance is held invalid, such invalidity shall not affect
 24 other provisions or application of the Act which can be given effect without
 25 the invalid provision or application, and to this end the provisions of the
 26 Act are declared to be severable.

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28 SECTION 4. All laws and parts of laws in conflict with this Act are
 29 hereby repealed.

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