

## Executive

## 1           INS - 11           Health Insuring Corporation Provider Networks

R.C.           1751.03, 1751.04, 1751.05, 1751.19, 1751.32,  
                  1751.321, 1751.34, 1751.35, 1751.36,  
                  1751.45, 1751.46, 1751.48, and 1753.09

Transfers the responsibility to review and certify that a health insuring corporation's (HIC's) provider network is sufficient to meet specified requirements to the Superintendent of Insurance from the Director of Health. Removes a requirement that the Superintendent consult with the Director concerning standards relating to those requirements. Removes existing provisions that required HICs to send annual reports, audit reports, and complaints and responses to the Director in addition to the Superintendent and removes the Director's authority to enforce the Health Insuring Corporation Law (R.C. Chapter 1751).

**Fiscal effect: Potential increase, not likely to be significant, in the Department of Insurance's administrative costs associated with the responsibility to review and certify a health insuring corporation's provider network. Any such costs would be paid from the Department of Insurance Operating Fund (SSR Fund 5540). Corresponding decrease in administrative costs for the Department of Health. Potential decrease in overall costs for the state due to streamlining of regulation in this area.**

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## Executive

2           INS - 10       Open Enrollment Health Insurance Program, Conversion of Group Health Insurance Policies to Individual Policies, and Ohio Health Care Plans

R.C.        1751.15, 1751.16, 3923.122, 3923.57,  
              3923.58, 3923.581, 3924.01, 3924.09, and  
              3924.10

Increases the number of people that insurers, carriers, and health insuring corporations (HICs) are required to accept for health insurance coverage under open enrollment, from 0.5% (or 1.0% for HICs) of the company's total number of insured individuals residing in Ohio to 4.5%. Reduces the maximum premium rate that insurers and carriers are permitted to charge people accepted for health insurance coverage under open enrollment. Makes other changes to existing law regarding open enrollment, generally with respect to the effective date of coverage, payment of commissions to insurance agents, and the way preexisting conditions exclusions and limitations are determined.

Reduces the maximum premium rates and contractual periodic prepayments that insurers and HICs may charge federally eligible individuals for individual health insurance contracts or policies that are converted from group contracts and policies, and prohibits insurers and HICs from using health status as a basis for refusing to renew a converted contract. Substitutes the term "base rate" for "midpoint of the standard rate" as that term relates to open enrollment and group-to-individual health insurance contract conversions, and defines "base rate" generally as the lowest premium rate for new or existing business for the same or similar coverage.

Removes the Ohio Health Reinsurance Program's authority to design Ohio Health Care (OHC) plans and gives that authority to the Superintendent of Insurance; allows the Ohio Health Reinsurance Program to make recommendations to the Superintendent regarding the design of OHC plans; allows the Superintendent to consider those recommendations along with the recommendations of the Ohio Health Care Coverage and Quality Council.

**Fiscal effect: Potential increase in the Department of Insurance's administrative costs associated with new authority to design Ohio Health Care (OHC) plans and with other insurance reforms recommended by the Health Care Coverage and Quality Council. Any such costs would be paid out of the Department of Insurance Operating Fund (Fund 5540).**

## Executive

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**3           INS - 12           Continuation of Health Insurance Coverage after Termination of Employment****R.C.           1751.53, 3923.38**

Eliminates the requirement that an individual be eligible for unemployment compensation in order to be eligible for continued coverage under the individual's employer-sponsored health insurance plan after termination of employment, and instead requires only that the individual's employment was not terminated as a result of any gross misconduct on the part of the individual. Lengthens the time that the individual would be eligible for continued coverage from six months to twelve months.

**Fiscal effect: None to state and local governments as this provision does not apply to employees of state and local governments. It applies only to employees of small employers (i.e., those that employ fewer than 20 employees) who are not covered under the federal Consolidated Omnibus Budget Reconciliation Act (COBRA).**

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**4           INS - 15           External Review of Health Care Denials by Insurance Companies****R.C.           1751.831, 1751.84, 3923.66, 3923.67,  
3923.68, 3923.75, 3923.76, and 3923.77**

Requires that a health insuring corporation (HIC) cover a health care service if the Superintendent of Insurance determines that the service is a covered service. (Current law allows an insured person or an "authorized person" to submit a request for a review by the Superintendent whenever an insurer denies coverage of a service, and requires HICs to either cover the service or afford the enrollee an opportunity for an external review; if the Superintendent determines that the service is not a covered service, existing law does not require any further action from the insurer.)

Allows the Superintendent to notify an "authorized person" instead of the insured, if the Superintendent cannot make a determination about coverage because doing so requires the resolution of a medical issue (existing law requires that the Superintendent inform both the insured and the insurer, HIC, or plan). Requires that the health insurer or plan initiate an external review automatically, i.e., without a request from the insured, upon receiving such notification from the Superintendent (current law requires that the health care insurer or plan afford the insured an opportunity for an external review, meaning the insurer or plan must conduct an external review upon the insured's request).

**Fiscal effect: Potential increase, not likely to be significant, in the Department of Insurance's administrative costs associated with the review of health care denials by insurance companies. Any such costs would be paid out of the Department of Insurance Operating Fund (SSR Fund 5540).**

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## Executive

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**5**        **INS - 8**        **Prompt Payment Fines****R.C.        3901.3812**

Incorporates as a separate account in the Department of Insurance Operating Fund (Fund 5540) the existing Claims Processing Education Fund into which the Superintendent of Insurance must deposit 10% of fines collected under certain insurance prompt pay statutes.

**Fiscal effect: None.**

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**6**        **INS - 14**        **Health Insurance Premium Rate Filing****R.C.        3923.021, 3924.06**

Allows the Superintendent of Insurance to review the premium rates of sickness and accident insurance policies made available by insurers in the individual market to individuals through a group according to the current review requirements for all individual policies of sickness and accident insurance.

Clarifies that insurers that offer health benefit plans to small employers must file those plans for premium rate review by the Superintendent pursuant to the current requirements for all policies and certificates of sickness and accident insurance and health insuring corporations.

**Fiscal effect: Potential increase, not likely to be significant, in the Department of Insurance's administrative costs associated with the health insurance premium rate filings. Any such costs would be paid out of the Department of Insurance Operating Fund (SSR Fund 5540).**

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## Executive

## 7           INS - 13           Administrative Expenses Incurred by Sickness and Accident Insurers

## R.C.        3923.022

Includes in the definition of administrative expenses for the purposes of the current cap on sickness and accident insurers' administrative expenses premiums "earned" rather than just "received" (not necessarily equal amounts), the amount of losses recovered from reinsurance coverage, the amount "incurred" for state fees rather than "paid," and the "incurred" costs related to payment of commissions.

Requires insurers to provide specified information concerning the insurer's earnings and administrative expenses related to the insurer's sickness and accident insurance business separately, including the insurer's individual, small group, and large group sickness and accident insurance businesses, as part of the currently required annual statement of the insurer's administrative expenses.

Allows the Superintendent of Insurance to suspend the license of an insurer if the insurer fails to submit the required annual statement.

**Fiscal effect: Potential increase, not likely to be significant, in the Department of Insurance's administrative costs associated with sickness and accident insurers' filing requirements. Any such costs would be paid from the Department of Insurance Operating Fund (SSR Fund 5540).**

## 8           INS - 18           Health Insurance Coverage of Dependent Children

R.C.        3923.24, 1739.05, 1751.14, 3923.241,  
5747.01, Sections 803.10, 803.20

Requires that all health care plans (i.e., sickness and accident insurance policies, health insuring corporation plans, multiple employer welfare arrangements, and public employee benefit plans) that provide coverage for unmarried dependent children extend coverage, under certain conditions, until the dependent child reaches 29 years of age.

Exempts these provisions from the existing law requirement that the Superintendent of Insurance review all new health benefit mandates before a mandate may take effect.

Allows an Ohio income tax deduction for the portion of payments for employer-sponsored health insurance that would normally be excluded from federal adjusted gross income but is not because it relates to a person who is not a "qualifying dependent" for federal income tax purposes. Additionally allows an Ohio income tax deduction for amounts the taxpayer paid for medical care insurance or qualified long-term care insurance for certain relatives that are members of the taxpayer's household.

## Executive

**Fiscal effect: Increase in the cost to the state and to local governments to provide health benefits to employees and their dependents. The increase in cost to the state may be in the millions in FY 2010 and is estimated to be approximately \$9 million in FY 2011 and future fiscal years. The costs would be paid by the State Employee Health Benefit Fund (Fund 8080), of which somewhat less than half would be derived from GRF-supported payroll. The increase in cost to municipalities, townships, and counties is estimated to be approximately \$31.5 million per year statewide, and the costs to school districts are estimated to be approximately \$36.7 million statewide, starting in the first fiscal year that the requirement is fully phased in.**

**The executive proposal estimates that the tax provisions would result in a loss of GRF revenue from the income tax of approximately \$6.0 million in FY 2011. That implies a loss of approximately \$0.4 million to the local government funds.**

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9           INS - 16           Health Care Coverage and Quality Council

R.C.        3923.90, 3923.91

Creates a 26-member Health Care Coverage and Quality Council to advise the Governor, General Assembly, public and private entities, and consumers on strategies to expand affordable health insurance coverage to more individuals and improve the cost and quality of Ohio's health care system. Enumerates the criteria for selecting those Council members. Specifies that members be reimbursed for mileage and other necessary expenses only. Requires the Council to issue a report on or before December 31 of each year. Exempts for the Council from the current sunset requirement.

**Fiscal effect: Increases the Department of Insurance's administrative costs related to the Health Care Coverage and Quality Council. The 26 members of the Council are not to be compensated for their services, but will be reimbursed for mileage and other necessary expenses. The executive proposal includes \$479,575 each fiscal year in a new line item, 820609, State Coverage Initiative Administration, in order to cover administrative costs of the Council. The new line item is funded by the Department of Insurance Operating Fund (SSR Fund 5540).**

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10          INS - 17           The Ohio Fair Plan Underwriting Association

R.C.        3929.43

Removes the cap on homeowners insurance rates and basic property insurance rates established by the Ohio Fair Plan Underwriting Association, which currently cannot exceed the rates filed by the state's major rating organization, and instead requires that those rates be subject directly to the approval of the Superintendent of Insurance.

Allows the Association to approve payment of a percentage of the annual premium due for a binder issued under the plan; changes the effective date of the binder from 15 days after the date of application to the day after the Association receives the application.

## Executive

**Fiscal effect: Potential increase, not likely to be significant, in the Department of Insurance's administrative costs associated with the homeowners and basic property insurance rates. Any such costs would be paid from the Department of Insurance Operating Fund (SSR Fund 5540).**

11           INS - 9           Employer-sponsored Health Insurance Coverage

## R.C.        4113.11

Requires employers that employ ten or more employees to adopt and maintain a "cafeteria" health insurance plan that allows the employer's employees to pay for health insurance coverage by a salary reduction arrangement under the Internal Revenue Code. Requires the Superintendent of Insurance to adopt rules to implement and enforce the requirement and requires the Health Care Coverage and Quality Council to make specified recommendations to the Superintendent concerning employer and employee implementation of the requirement.

Employers that employ more than 500 employees are required to comply with the requirements by January 1, 2011, or six months after rules related to the requirements are adopted by the Superintendent. Employers that employ 150 to 500 employees must comply by July 1, 2011, or 12 months after rules are adopted. Employers that employ 10 to 149 employees must comply by January 1, 2012, or 18 months after the adoption of the rules.

**Fiscal effect: The provision would require certain private and public employers to offer a "cafeteria" health insurance plan and enable them to withhold part of their employees' pre-tax earnings to pay for the plan. The benefits under the plan are not subject to federal or state taxes. As a result the provision would decrease state income tax revenue collections beginning in FY 2011. The executive proposal reports that there would be no fiscal effect from this provision during the biennium due to the timing involved with the phase-in of the requirement.**

12           INS - 3           Examinations of Domestic Fraternal Benefit Societies

## Section:   307.10

Permits the Director of Budget and Management, at the request of the Superintendent of Insurance, to transfer funds from the Department of Insurance Operating Fund (Fund 5540) to the Superintendent's Examination Fund (Fund 5550). Specifies that the permitted transfer amount is limited to expenses incurred in examining domestic fraternal benefit societies.

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**Executive**

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13        INS - 4        Transfer from Fund 5540 to General Revenue Fund

**Section: 307.10**

Requires the Director of Budget and Management to transfer \$5.0 million from the Department of Insurance Operating Fund (Fund 5540), not later than the thirty-first day of July each fiscal year, to the GRF.

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14        INS - 5        Market Conduct Examination

**Section: 307.10**

Allows the Superintendent of Insurance to assess the cost of conducting a market conduct examination of an insurer against the insurer. Allows the Superintendent to enter into consent agreements to impose administrative assessments or fines for violations of insurance laws or rules. Provides that all costs, assessments, and fines collected be deposited to the Department of Insurance Operating Fund (Fund 5540).

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**Executive****Medicaid**

15            JFS - 15            Medicaid Health Insuring Corporation Franchise Permit Fee

R.C.        *5111.176*

Terminates the assessment of a franchise permit fee on Medicaid health insuring corporations after the third quarter of calendar year 2009.

**Fiscal effect: The executive estimates the state will lose \$520 million in revenue annually.**

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## Executive

Sales and Use Taxes

16            TAX - 23            Sales Taxation of Medicaid-Provided Health Care Services

R.C.            *5739.01, 5739.03, 5739.033, 5739.051*

Subjects to sales and use tax health care services provided or arranged by a Medicaid health insuring corporation for Medicaid enrollees residing in Ohio. Eliminates the tax on those services if federal authorities determine that subjecting those services to taxation constitutes an impermissible "health-care related tax," the imposition of which results in a reduction in federal financial assistance for Medicaid services.

**Fiscal effect: The executive proposal estimates that this provision will increase revenue to the GRF by \$138.0 million in FY 2010 and by \$214.0 million in FY 2011; under the current distribution of the share of sales and use tax revenues to local government funds, the Local Government Fund and the Public Library Fund would gain \$8.6 million in FY 2010 and \$13.4 million in FY 2011. Revenues to local governments under permissive local and transit authorities sales taxes may be up to \$31.5 million in FY 2010 and \$48.9 million in FY 2011.**

Other Taxation Provisions

17            TAX - 22            Domestic and Foreign Insurance Taxes - Medicaid Managed Care

R.C.            *5725.18, 5725.25, 5729.03*

Includes Medicaid premiums received by insurance companies within the tax bases of these taxes. If the insurance company is a domestic insurance company, i.e., if it is headquartered in Ohio, includes the premiums in the domestic insurance tax base. If the company is headquartered in another state, includes the premiums in the foreign insurance tax base.

**Fiscal effect: The executive proposal estimates this provision will increase revenue to the GRF by \$25.1 million in FY 2010 and by \$39.1 million in FY 2011.**