



One Hundred First Legislature - First Session - 2009  
**Introducer's Statement of Intent**  
**LB 358**

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**Chairperson:** Rich Pahls  
**Committee:** Banking, Commerce and Insurance  
**Date of Hearing:** February 24, 2009

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

This bill was introduced at the request of the Director of Insurance. It would make various changes throughout the Comprehensive Health Insurance Pool (CHIP) Act for the purpose of slowing the growth of the pool's net loss and keeping the net loss from exceeding the subsidy of available premium tax dollars. The purpose of this bill is to keep CHIP from becoming insolvent.

The bill would require the CHIP board of directors to annually review the operation of the pool and report to the Director of Insurance the board's recommendations for cost savings in the operation of the pool. (New section 2 of the bill).

The bill would grant to the CHIP board of directors the authority to establish provider reimbursement for benefits payable under pool coverage for covered services at rates designed to achieve payment equivalent to one hundred twenty-five percent of Medicare reimbursement. This provision is designed to reduce the amount of money diverted from premium tax revenue to fund losses of the Comprehensive Health Insurance Pool. This provision would explicitly prohibit providers who accept reimbursement on that basis from seeking further reimbursement from a covered individual in excess of the copayment, coinsurance, or deductible amount specified in the pool coverage, thereby prohibiting balance billing by providers. This provision would not prohibit a provider from seeking reimbursement from a covered individual for items not covered in the pool coverage. (New section 3 of the bill).

The bill would specify that if an individual who seeks CHIP coverage based upon eligibility other than that required by HIPAA shall be ineligible for CHIP coverage if he or she is eligible for group coverage and would further specify that an individual who seeks CHIP coverage based upon eligibility other than that required by HIPAA must exhaust coverage under COBRA. The bill would repeal the exception to the requirement that individuals must exhaust coverage under COBRA as required for HIPAA-based eligibility if the individual was offered the option of continuation coverage under COBRA at a premium rate higher than that available from the pool. The bill would specify that an individual is ineligible for CHIP coverage if the premium for such coverage is paid for by a person other than: the individual; an individual related by blood, marriage, or adoption; or an entity operating under the federal Ryan White

HIV/AIDS Treatment Modernization Act of 2006. This provision is designed to discourage persons who may pay some or the entire premium for indigent people who otherwise qualify for Medicaid, in order to take advantage of higher reimbursement rates paid by the Comprehensive Health Insurance Pool. (Sections 44-4221 and 44-4222 of the Comprehensive Health Insurance Pool Act) (Sections 4 and 5 of the bill).

The bill would prohibit an insurer, agent, broker, or third-party administrator from referring an individual employee to the pool or arranging for an individual employee to apply for pool coverage for the purpose of separating that individual employee from group health insurance coverage in connection with the individual employee's employment and would specify that a violation would be an unfair trade practice in the business of insurance subject to the Unfair Insurance Trade Practices Act. This provision is designed to prohibit "dumping," by which an insurance producer provides a quote for a healthier group, then sheds a sick employee to CHIP for coverage instead. (New section 6 of the bill).

The bill would revise the calculations used to determine the rate charged to individuals for CHIP coverage. The bill would increase the number of insurers used to calculate the standard risk rate that is used as the basis for calculating the rate charged for CHIP coverage from five to ten. The bill would repeal the below-market rate established for individuals under the age of eighteen. The bill would increase the multiplier used in conjunction with the standard risk rate to calculate the rate charged for CHIP coverage from 135 percent of the standard risk rate to 150 percent of the standard risk rate in 5 percent increments over three years, and would specify that the rate charged shall be either this figure or the previous year's rate increased by a trend factor reflecting medical economic factors, whichever is greater. (Sections 44-4226 and 44-4227 of the Comprehensive Health Insurance Pool Act) (Sections 7 and 8 of the bill).

**Principal Introducer:**

\_\_\_\_\_ **Senator Rich Pahls**