



State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-2629/1
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2015 SENATE BILL 277

September 30, 2015 - Introduced by Senators C. LARSON, CARPENTER, HANSEN, L. TAYLOR, VINEHOUT, HARRIS DODD, ERPENBACH and RINGHAND, cosponsored by Representatives KOLSTE, JORGENSEN, SINICKI, BROSTOFF, KESSLER, GOYKE, GENRICH, POPE, SPREITZER, OHNSTAD, SUBECK and BERCEAU. Referred to Committee on Insurance, Housing, and Trade.

1 **AN ACT** *to renumber* 625.02 (1); *to amend* 625.03 (1m) (intro.), 625.13 (1),
2 625.15 (2), 625.21 (1), 625.22 (1), 625.22 (3) and 625.23; and *to create* 625.02
3 (1j) and 625.25 of the statutes; **relating to:** rate regulation for health
4 insurance.

Analysis by the Legislative Reference Bureau

This bill changes the filing requirements for health insurance premium rates and adds some publication and notice requirements related to increases in those rates.

Under current law, insurers must file with the Office of the Commissioner of Insurance (OCI) premium rates, and changes to premium rates, for all types of insurance within 30 days after the rates or rate changes become effective. Current law prohibits premium rates from being excessive, inadequate, or unfairly discriminatory and provides guidelines for determining whether rates comply with those standards. The commissioner of insurance may order that a rate be discontinued for any policy issued or renewed after a date specified in the order if, after a hearing, the commissioner determines that the rate does not comply with those standards.

Under the bill, an insurer that writes health insurance must file with OCI premium rates, and changes to premium rates, for health insurance before those rates or changes to rates become effective and may not use a new or changed rate for health insurance without approval of the rate by the commissioner. Unless the commissioner holds a hearing on a rate or change to a rate, the rate or changed rate

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is approved if the commissioner does not disapprove the rate or changed rate within 30 days after it was filed with OCI. The bill specifically authorizes the commissioner to disapprove any proposed rate or rate change that is not justified based on underlying medical costs.

The bill requires the commissioner to publish on OCI's Internet site all health insurance rate increases that the commissioner approves and requires an insurer of a health benefit plan for which a rate increase has been approved to provide at least 60 days' notice of the rate increase to each insured under the health benefit plan. Under the bill, the commissioner must hold a public hearing before approving or disapproving any health insurance rate change that increases an existing rate by more than 10 percent. In addition, if the commissioner approves a health insurance rate increase of more than 10 percent after holding a hearing and the insurer justified the rate increase based on increased medical costs, the commissioner must publish on OCI's Internet site the discounted payment rates negotiated by the insurer with the insurer's provider networks.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 625.02 (1) of the statutes is renumbered 625.02 (1m).

2 **SECTION 2.** 625.02 (1j) of the statutes is created to read:

3 625.02 (1j) "Health insurance" has the meaning given in s. 632.745 (12).

4 **SECTION 3.** 625.03 (1m) (intro.) of the statutes is amended to read:

5 625.03 (1m) (intro.) This Except as specifically provided otherwise in this
6 chapter, this chapter applies to all kinds and lines of direct insurance written on risks
7 or operations in this state by any insurer authorized to do business in this state,
8 except:

9 **SECTION 4.** 625.13 (1) of the statutes is amended to read:

10 625.13 (1) FILING PROCEDURE. Except as provided in sub. (2) and s. 625.25 (2)
11 (a), every authorized insurer and every rate service organization licensed under s.
12 625.31 which has been designated by any insurer for the filing of rates under s.
13 625.15 (2) shall file with the commissioner all rates and supplementary rate

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1 information and all changes and amendments thereof made by it for use in this state
2 within 30 days after they become effective.

3 **SECTION 5.** 625.15 (2) of the statutes is amended to read:

4 625.15 (2) RATE FILING. An insurer may discharge its obligation under s. 625.13
5 (1) or 625.25 (2) (a) by giving notice to the commissioner that it uses rates and
6 supplementary rate information prepared by a designated rate service organization,
7 with such information about modifications thereof as is necessary fully to inform the
8 commissioner. The insurer's rates or proposed rates and supplementary rate
9 information shall be those filed from time to time by the rate service organization,
10 including any amendments or proposed amendments thereto as filed, subject,
11 however, to the modifications filed by the insurer.

12 **SECTION 6.** 625.21 (1) of the statutes is amended to read:

13 625.21 (1) RULE INSTITUTING DELAYED EFFECT. If the commissioner finds that
14 competition is not an effective regulator of the rates charged or that a substantial
15 number of companies are competing irresponsibly through the rates charged, or that
16 there are widespread violations of this chapter, in any kind or line of insurance or
17 subdivision thereof or in any rating class or rating territory, he or she may
18 promulgate a rule requiring that in the kind or line of insurance or subdivision
19 thereof or rating class or rating territory comprehended by the finding any
20 subsequent changes in the rates or supplementary rate information be filed with the
21 commissioner at least 15 days before they become effective. The commissioner may
22 extend the waiting period for not to exceed 15 additional days by written notice to
23 the filer before the first 15-day period expires. This subsection does not apply to
24 health insurance, which is subject to s. 625.25 (2) (a).

25 **SECTION 7.** 625.22 (1) of the statutes is amended to read:

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1 625.22 (1) ORDER IN EVENT OF VIOLATION. If the commissioner finds after a
2 hearing that a rate or proposed rate is not in compliance with s. 625.11, the
3 commissioner shall order that its use be discontinued, or that it may not be used, for
4 any policy issued or renewed after a date specified in the order.

5 **SECTION 8.** 625.22 (3) of the statutes is amended to read:

6 625.22 (3) APPROVAL OF SUBSTITUTED RATE. ~~Within~~ Except for rates for health
7 insurance, which is subject to s. 625.25 (2) (a), within one year after the effective date
8 of an order under sub. (1), no rate promulgated to replace a disapproved one may be
9 used until it has been filed with the commissioner and not disapproved within 30
10 days thereafter.

11 **SECTION 9.** 625.23 of the statutes is amended to read:

12 **625.23 Special restrictions on individual insurers.** The commissioner
13 may by order require that a particular insurer file any or all of its rates and
14 supplementary rate information 15 days prior to their effective date, if and to the
15 extent that he or she finds, after a hearing, that the protection of the interests of its
16 insureds and the public in this state requires closer supervision of its rates because
17 of the insurer's financial condition or rating practices. The commissioner may extend
18 the waiting period for any filing for not to exceed 15 additional days by written notice
19 to the insurer before the first 15-day period expires. A filing not disapproved before
20 the expiration of the waiting period shall be deemed to meet the requirements of this
21 chapter, subject to the possibility of subsequent disapproval under s. 625.22. This
22 section does not apply to an insurer with respect to rates for health insurance, which
23 is subject to s. 625.25 (2) (a).

24 **SECTION 10.** 625.25 of the statutes is created to read:

25 **625.25 Rates for health insurance. (1) DEFINITIONS.** In this section:

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1 (a) “Group health benefit plan” has the meaning given in s. 632.745 (9).

2 (b) “Health benefit plan” has the meaning given in s. 632.745 (11).

3 (c) “Insurer” has the meaning given in s. 632.745 (15).

4 (d) “Large group market” has the meaning given in s. 632.745 (17).

5 (e) “Small group market” has the meaning given in s. 632.745 (26).

6 **(2) FILING OF RATES; HEARING.** (a) Every insurer, and every rate service
7 organization licensed under s. 625.31 that has been designated by any insurer for the
8 filing of rates under s. 625.15 (2), shall file with the commissioner all proposed rates
9 and supplementary rate information, and all proposed changes and amendments to
10 rates and supplementary rate information, for use in this state for any health benefit
11 plan offered by the insurer before the proposed rates or changes to rates become
12 effective. An insurer may not use a proposed rate or change to a rate until it has been
13 filed with and approved by the commissioner. Unless the commissioner holds a
14 hearing on the proposed rate or change to a rate, a proposed rate or change to a rate
15 is approved if the commissioner does not disapprove the proposed rate or change
16 within 30 days after filing, or within a 30-day extension of that period ordered by the
17 commissioner prior to the expiration of the first 30 days. The requirement under this
18 paragraph applies with respect to rates and changes to rates for all health benefit
19 plans, including individual health benefit plans, group health benefit plans offered
20 in the small group market, and group health benefit plans offered in the large group
21 market, that have not gone into effect by the effective date of this paragraph [LRB
22 inserts date].

23 (b) If any proposed change to a rate filed under par. (a) increases the existing
24 rate by more than 10 percent of that rate, the commissioner shall hold a public
25 hearing before approving or disapproving the proposed change to the rate.

