



ARIZONA STATE SENATE
Fifty-First Legislature, First Regular Session

AMENDED

FACT SHEET FOR H.B. 2550

health insurance; policies; rating areas

Purpose

Requires the Department of Insurance (DOI) Director to adopt rules or orders to retain Arizona's authority to regulate health insurance policies in light of the Affordable Care Act, establishes geographic rating areas, and modifies timeframes pertaining to independent reviews.

Background

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act was signed into federal law. The law, often referred to as the Affordable Care Act (Act), contains numerous provisions related to health care, which have varied effective dates over the next few years. As federal guidelines and rules for implementation of the laws are drafted, H.B. 2550 seeks to authorize the DOI Director to adopt rules and regulations to retain Arizona's authority over health insurance policies given the Act.

One of the provisions of the Act, which amends section 2701 of the Public Health Services Act (PSHA) prohibits health insurance entities from discriminating within an individual or small group market with respect to the premium rate charged for health insurance coverage. Such rates may only vary by the factors of age, geography, tobacco use and family size. Based on guidelines from the Centers for Medicare and Medicaid Services (CMS) disseminated on February 25, 2013, states have the ability to establish their own geographical rating areas based on counties, three-digit zip codes, or metropolitan statistical areas (MSAs) and non-MSAs. According to the guidelines, if a state does not have geographical rating areas in place or planned within a specific timeframe, the state's rating areas will default to one rating area in each MSA and one non-MSA for all other portions of the state, if any. According to the guidelines, Arizona's default would be six MSAs and one non-MSA, for a total of seven rating areas. H.B 2550 proposes to establish geographic rating areas for Arizona, using the seven rating areas used by the state's Medicaid program.

Title 20 of Arizona Revised Statutes (A.R.S.) identifies a variety of health care insurance entities (insurers), each of which is governed by its own laws. Examples of health insurers include disability insurance (DI), group disability insurance (GDI) and blanket disability insurance (BDI), health care services organizations (HCSO) and hospital, medical, dental and optometric service organizations (HMDO). The various insurers issue or deliver policies, certificates, evidences of coverage or contracts (policies) for health insurance coverage.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Requires the Director, through rule or administration action, to ensure that Arizona retains its full authority to regulate policies that are issued by health insurers, taking into consideration the Act.
2. Prohibits insurers subject to the Act from transacting insurance, if coverage and benefits are inconsistent with the Act provisions.
3. Establishes seven geographic rating areas as outlined to be used by all insurers issuing individual and small group policies, except as grandfathered by federal law.
4. Extends the timeframe from 30 days to four months after receiving written notice on an adverse decision of a medical review or appeal, in which a member may initiate an external independent review.
5. Stipulates if there is a denial of a covered expense involving medical necessity, the independent review organization must evaluate the case within 72 hours, rather than five days, from the date the organization receives the case from the DOI Director.
6. Exempts the DOI Director for three years from rule making requirements for purposes of adopting rules related to the state retaining its authority to regulate insurers, except that the DOI shall provide notice and opportunity for public comment at least 30 days before adopting or amending a rule.
7. Conditions repeal on the date the Act is declared unconstitutional by the U.S. Supreme Court or repealed by the U.S. Congress.
8. Defines Act, health insurer, and rating areas.
9. Makes technical and conforming changes.
10. Becomes effective on the general effective date.

Amendments Adopted by the HHS Committee

- Removes provision related to health plans complying with federal law are deemed to be complying with consistent state laws and make clarifying changes.

Amendments Adopted by Committee of the Whole

- Makes a clarifying change.

House Action

IR	2/12/13	DP	7-1-0-0
Health	2/20/13	DP	8-0-0-0
3 rd Read	3/6/13		44-14-2-0

Senate Action

HHS	3/20/13	DPA	6-1-0-0
FIN	3/20/13	DP	5-0-3-0
3 rd Read	5/16/13		26-2-2-0

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Prepared by Senate Research
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