



TO: Jolie H. Matthews
Senior Health and Life Policy Counsel
National Association of Insurance Commissioners

FROM: Virginia Bureau of Insurance

DATE: August 7, 2019

RE: HMO Issues (B) Subgroup
Potential Revisions to the HMO Model Act #430

The following comments support Virginia's October 29, 2018 memo to the HMO Issues (B) Subgroup, in which we stated that revisions to *Health Maintenance Organization Model Act (#430)* need to be made to be consistent with the revisions to the *Life and Health Insurance Guaranty Association Model Act (#520)* that were adopted on December 21, 2017. The revised Guaranty Association Model Act added HMOs as members of the life and health insurance guaranty associations. As a result, certain provisions in Model #430 conflict with Model #520, while other provisions may be obsolete or provide coverage in the event of an insolvency that should be covered by the guaranty association.

We have conducted a review of both Models, which primarily focused on the HMO Model Act sections listed in the Subgroups memo dated October 15, 2018. In an email to you dated August 1, 2019, Don Beatty attached our proposed revisions. Following are our comments in support of these revisions that you may want to include when you submit the revised language to the HMO Issues Subgroup for review and comment:

Section 3 - Definitions:

- Subsection HH – “Uncovered Expenditures” should be deleted. If an HMO is treated as an insurer in the event of an insolvency, then the insolvency protections unique to HMOs are no longer needed.

Section 14 – Continuation of Benefits: Should be amended. This section establishes a mechanism for providing continuation of benefits for enrollees in the event of an insolvency, which is not necessary since the guaranty association would now be responsible for obtaining replacement coverage for an insolvent HMO's enrollees. (See Life and Health Guaranty Association Model Act #520 §8B(2)).

Section 19 – Hold Harmless Provision Requirements for Covered Persons: Drafting Note added stating that health care providers are protected against losses due to an insolvency or impairment of an HMO pursuant to the Life and Health Guaranty Association Model Act #520 §3B(1).

Section 20 – Uncovered Expenditures Deposit: Should be deleted. The uncovered expenditures insolvency deposit authorized by Section 20 is in addition to the deposit required by Section 18. Since HMOs are now members of the life and health insurance guaranty associations, and subject to assessments of failed long-term care insurers, this deposit does not appear to be necessary.

Section 21 – Open Enrollment and Replacement Coverage in the Event of Insolvency: Should be deleted. This section establishes a mechanism for providing replacement coverage for enrollees in the event of an insolvency, which is not necessary since the guaranty association would now be responsible for obtaining replacement coverage for an insolvent HMO's enrollees. (See Life and Health Guaranty Association Model Act #520 §8B(2)).

No changes have been proposed to:

- Section 5B(16) – Establishment of Health Maintenance Organizations
- Section 18 – Deposit Requirements
- Section 31 – Rehabilitation, Liquidation or Conservation of Health Maintenance Organizations