Obsolete and Withdrawn By Administrative Letter 2015-09

BUREAU OF INSURANCE

July 15, 1998

Administrative Letter 1998 - 4

TO: All Insurers licensed to write accident and sickness insurance in Virginia, and all Health Maintenance Organizations (HMOs), and Health Services Plans licensed in Virginia

RE: Senate Bill 712 of the 1998 General Assembly Session

Senate Bill 712 was enacted by the 1998 session of the Virginia General Assembly, and was signed into law by Governor Gilmore on May 19, 1998 with an effective date of July 1, 1998. Senate Bill 712 impacts those engaging in managed care in Virginia. The new statutes created by Senate Bill 712 are significant for many reasons; however, one of the more significant aspects of this legislation is that it requires the Virginia Department of Health (VDH) to regulate and certify quality of care provided through a newly defined arrangement known as a "managed care health insurance plan" (MCHIP). The Bureau of Insurance will continue to be responsible for issuing the licenses for the insurers, health services plans and HMOs that operate MCHIPs as well as monitoring the financial solvency and market regulation activities of these licensees.

Senate Bill 712 creates a form of dual regulation of those operating MCHIPs in Virginia. Additionally this legislation imposes two time-significant requirements. Firstly, § 38.2-5801 requires that each licensed HMO and any other health carrier that is operating an MCHIP request its initial certificate of quality assurance on or before December 1, 1998. Secondly, § 32.1-137.3 allows the Board of Health until December 1, 1999, to promulgate regulations governing the quality of care provided to covered persons through an MCHIP. An MCHIP is defined in the statute (§ 38.2-5800) as follows:

> "Managed care health insurance plan" or "MCHIP" means an arrangement for the delivery of health care in which a health carrier undertakes to provide, arrange for, pay for, or reimburse any of the costs of health care services for a covered person on a prepaid or insured basis which (i) contains one or more incentive arrangements, including any credentialing requirements intended to influence the cost or level of health care services between the health carrier and one or more providers with respect to the delivery of health care services; and (ii) requires or creates benefit payment differential incentives for covered persons to use providers that are directly or indirectly managed, owned, under contract with or employed by the health carrier. Any health maintenance organization as defined in § 38.2-4300

or health carrier that offers preferred provider contracts or policies as defined in § 38.2-3407 or preferred provider subscription contracts as defined in § 38.2-4209 shall be deemed to be offering one or more MCHIPs. For the purposes of this definition, the prohibition of balance billing by a provider shall not be deemed a benefit payment differential incentive for covered persons to use providers who are directly or indirectly managed, owned, under contract with or employed by the health carrier. A single managed care health insurance plan may encompass multiple products and multiple types of benefit payment differentials; however, a single managed care health insurance plan shall encompass only one provider network or set of provider networks.

Working cooperatively, VDH and the Bureau of Insurance are beginning the process of establishing their respective responsibilities. In order to determine the appropriate regulatory schemes, we must determine which licensees operate MCHIPs. This requires that we obtain information from those authorized to offer health services plans or to write accident and sickness insurance in Virginia, and to accomplish this we need each entity to whom this Administrative Letter is addressed to complete the enclosed questionnaire and return it to the Bureau of Insurance no later than August 17, 1998. Once the responses to this brief survey have been tabulated, those who operate or are responsible for MCHIPs will be contacted for additional information.

In the interim, prior to December 1, 1998, all HMOs and any other insurers and health services plans operating an MCHIP should request their initial certificates of quality assurance in a one page letter directed to the Department of Health, ATTN: Center for Quality Health Care Services and Consumer Protection, 3600 W. Broad St., Suite 216, Richmond, VA 23230. A copy of the letter should be mailed to the SCC/Bureau of Insurance, ATTN: Chief Financial Auditor, P.O. Box 1157, Richmond, VA 23218. The letter should clearly state the name, address, and NAIC number, if any, of the licensee and the name and telephone number of a contact person.

Your assistance in providing this information to us is appreciated. Should you have any questions regarding the information needed in connection with the questionnaire or in the proper completion of the questionnaire please contact:

Victoria I. Savoy, CPA
Chief Financial Auditor
Bureau of Insurance
Post Office Box 1157
Richmond, VA 23218
(804-371-9869)

Sincerely,

Alfred W. Gross
Commissioner of Insurance

AWG/tlf:fah
Attachment

Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance

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Senate Bill 712 Survey
MANAGED CARE HEALTH INSURANCE PLANS ("MCHIPs")

Name of Organization: _____

Name, Title, Address of Person Completing Questionnaire: _____

Date: _____ _____

_____

Direct Telephone Number: _____ NAIC No.: _____

1. What types of accident and sickness insurance is your company writing in Virginia?

Plans which qualify as an MCHIP*	☐ Yes	☐ No
Disability income	☐ Yes	☐ No
Long-term care insurance	☐ Yes	☐ No
Medicare supplement insurance	☐ Yes	☐ No
Limited or specified disease insurance	☐ Yes	☐ No
Other - Please attach a list.	☐ Yes	☐ No

2. Is your company operating more than one MCHIP in Virginia as of July 1, 1998? ☐ Yes ☐ No

**NOTE: On or before 12/1/98, those responding in the affirmative must request their initial certificate of quality assurance from the Virginia Department of Health (VDH).*

PLEASE RESPOND BY MAIL OR FACSIMILE ON OR BEFORE AUGUST 17, 1998, TO:

Victoria I. Savoy, CPA
Chief Financial Auditor
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Telephone: 804-371-9869 **FAX: 804-371-9511**