

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

In the Matter of the Proposed
Adoption of Rule Change Relating
to Group Health Insurance Coverage
Replacement

STATEMENT OF NEED
AND REASONABLENESS

Statement of Authority

Minnesota Statutes Section 60A.082, (commonly known as group insurance coverage replacement) prohibits denial of benefits to a person insured within a group solely because of a change in the insurer providing coverage. This same section requires the Commissioner of Commerce to promulgate rules to carry out the section. Minnesota Rules Chapter 2755 were so promulgated.

The Commissioner finds the proposed rule change to be necessary and appropriate in the public interest and consistent with the purposes fairly intended by the policies and provisions of Minnesota Statutes Chapters 45, 60A, 62C, 62D, and 72A.

History

The Department has received reports from consumers and insurance agents regarding insurers construing Chapter 2755.0400 of the rules more narrowly than the statute. The proposed rule change clarifying the inclusion of non-hospital benefits was developed through discussions with interested parties and responds to the concerns raised to the extent compatible with the legislative intent of Minnesota Statute Section 60A.082.

Facts Establishing Need and Reasonableness

Rule Part 2755.0400

The proposed rule change is intended to provide a method of assuring clear understanding of the requirements of Minnesota Statute Section 60A.082 regarding inpatient expenses. Facts brought to the Department indicate the prior carrier's liability " . . . for covered inpatient hospital expenses . . . incurred by a covered individual who is confined in a hospital on the date of replacement." (emphasis added) is being construed to limit liability to hospital-based inpatient services only. No such limitation to hospital services is stated or implied in the Minnesota Statute Section 60A.082.

Numerous inpatient services are provided outside of hospitals and are covered by group health insurance contracts subject to Minnesota Statute Section 60A.082 and Rule 2755.0400. Mental health clinics, substance abuse treatment centers, and other non-hospital inpatient facilities are important providers and their services should not be left in doubt by the change of insurance carrier.

The proposed rule change addresses these needs by deleting specific reference to hospitals in describing minimum responsibility for inpatient expenses in the wording of Minnesota Rules Chapter 2755.0400. This proposed change preserves the coverage for hospital inpatient services while clearly providing continued coverage for non-hospital inpatient services. Since non-hospital inpatient facilities operate under a broad variety of names, an attempt to list all types might lead to inappropriate limitation of coverages in unspecified facilities.

Small Business Considerations

Minnesota Statutes Section 14.115 requires that the impact on small businesses be considered in the development of proposed rules. Specifically, the statute, at subdivision 2, requires the agency to consider less stringent compliance standards and reporting requirements for small businesses. The statute also requires that the rule incorporate methods designed to reduce the impact on small businesses if those methods are feasible and consistent with the statutory objectives associated with the rules.

In drafting the proposed rule change, the Department considered whether the provisions of the rule might be modified to accommodate the interests of small businesses. Consideration was given to possible ways in which the requirements might be relaxed for small businesses or amended to reduce any burden on small businesses. The Department concludes the proposed rule change will ease the compliance with Minnesota Statutes Section 60A.082 by clearly including payment to non-hospital inpatient facilities (typically smaller businesses than hospitals). The Commissioner concludes that compliance would not unduly burden small business.

Each of the methods described at Minnesota Statutes Section 14.115, subdivision 2(a) - 3 was considered in proposing the rule. The provisions contained in the proposed rule are believed to be necessary to achieve the legislative purposes.