

Compliance Trends in Supplemental Products

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IMPORTANT NOTICE

The information presented is intended to provide general information and discussion only. Nothing presented should be relied upon without independent research, application to specific facts, and/or consultation with legal counsel.



Overview of Session

- ▶ Perspectives on supplemental health
 - ▶ Accident Only (Indemnity)
 - ▶ Cancer/Critical Illness/Specified Disease
 - ▶ Hospital Indemnity Plans
- ▶ Varied Definitions
- ▶ Challenges and compliance experiences
- ▶ Navigating the Filing



Compliance Trends for Supplemental Health

- What are Supplemental Products?
- Typically:
 - Hospital Indemnity
 - Fixed payment plans covering hospital, surgery, doctor visits, etc.
 - Accident only- indemnity or expense incurred
 - Critical Illness/Cancer /Specified Disease
 - Disability Income
 - Dental/Vision
- Definitions vary by state
- Federal Definition



Compliance Issues for Supplemental Health

- Although considered supplemental we will not be addressing
 - Dental and Vision
- Typically the following are not considered excepted from ACA :
 - “Limited Medical” expense incurred plans with low or restricted benefits
 - Student Medical Plans- except Student Accident Only



Compliance Trends for Supplemental Health

FEDERAL EXCEPTED BENEFITS UNDER ACA

If Offered Separately:

- ▶ Limited scope dental or vision benefits
- ▶ Long term care, nursing home care, community-based care, or any combination
- ▶ Coverage for accident, or disability income insurance

If Offered as Independent, Non-coordinated Benefits:

- ▶ Coverage for specified disease or illness
- ▶ Hospital indemnity or other fixed indemnity insurance

Other excepted benefits

- ▶ Coverage as a supplement to liability insurance
- ▶ Workers' compensation
- ▶ Automobile medical payment insurance
- ▶ Credit-only insurance
- ▶ Coverage for on-site medical clinics
- ▶ Other similar coverage, specified in regulations, under which benefits for medical care are secondary or incidental to other insurance benefits

If Offered as Separate Insurance Policy

- ▶ Medicare supplement, and similar supplemental coverage provided to coverage under a group health plan



Compliance Trends for Supplemental Health

- States are looking at these products carefully particularly
 - Cancer
 - Critical illness
 - Fixed Indemnity
- Subjective Review: Language approved one day found objectionable the next



Supplemental Health Definitions vary

▶ **States Define supplemental health by product**

- ▶ **Connecticut** –Bulletin HC-70 " limited coverage " means an insurance policy providing coverage of the type specified in subdivisions (1) basic hospital expense, (2) basic med-surg, (4) major medical, (11) and (12) hospital or medical of section 38a-469 of the general statutes that contains an annual maximum benefit of less than \$100,000 or a per service or per condition benefit limit of less than\$20,000.
- ▶ **Florida** Rule 690-154.106(8), F.A.C. defines “limited benefit insurance” as a form of policy which provides coverage for each person insured under the policy for a specifically named disease, specifically named accident, or specifically named limited market fulfilling an experimental of reasonable need.
- ▶ **New Jersey 11-4-53.2** “critical illness” means coverage that pays a level lump sum benefit upon diagnosis of a specified disease without payment of further benefits.
- ▶ **New Jersey 11-4-53.2** “specified disease ” means coverage that pays a fixed sum benefit on an indemnity non-expense incurred basis for a specifically named disease



Compliance Trends for Supplemental Health

Typical Benefits we have Seen for Cancer and CI:

- Guaranteed Renewable
- 12/12 pre- ex or 6/6 pre-ex
- Lump Sum for specified diseases:
 - Coronary Artery Bypass Surgery
 - Heart Attack
 - Stroke
 - Non-Invasive Cancer
 - Early Stage Cancer
 - Carcinoma in Situ
- Benefit Reduction for any CI diagnosed within first 90 days
- Coverage ends when a benefit is paid out or the maximum lump sum has been paid out



Compliance Trends for Supplemental Health

- **Other CI benefits paid out like an indemnity policy:**
 - Initial Diagnosis Benefit or First Occurrence
 - Experimental
 - Radiation Therapy, Chemo Benefit
 - Prophylactic Surgery Benefit- (due to a positive genetic test result)
 - Blood and Plasma
 - Surgery/ Anesthesia
 - Stem Cell and bone marrow transplantation benefit
 - Cancer Screening Benefit



Compliance Trends for Supplemental

Typical Benefits for Accident Only Typical Benefits for HI

- Accident Medical
- Burn Benefit
- Childcare Education
- Coma
- Emergency Medical Evac & Repatriation
- Fracture -Dislocations
- Paralysis
- Perm & Partial Disability
- Rehabilitation

- Accident Benefit
- Emergency Outpatient Care
- Cancer Benefit
- Inpatient Surgical
- Outpatient Surgery
- Mental Illness
- Pregnancy
- Rehab
- SNF



Compliance Trends for Supplemental Health

- **Common state issues raised**

- Variability- bracketing and providing details for all options
- Including sickness expense into an accident only product- may be subject to Essential Health Benefits and other mandates.
- Wellness riders attached to Accident, Critical illness, Cancer even life benefits not approved in many states
- For some states using a % percentage of any indemnity dollar amount or a % of any fixed dollar amount in paying claims it is considered a “health benefit plan” and subject to all state / federal mandates



Compliance Trends for Supplemental Health

- States require some variation of the following disclosure on the face page of indemnity products:

“THIS POLICY/CERTIFICATE IS NOT MAJOR MEDICAL INSURANCE AND IS NOT A SUBSTITUTE FOR MAJOR MEDICAL INSURANCE. IT DOES NOT QUALIFY AS ESSENTIAL HEALTH BENEFITS OR MINIMUM ESSENTIAL HEALTH COVERAGE AS DEFINED UNDER THE FEDERAL LAW.”



Compliance Trends for Supplemental

- New England states are tough States- for any product-
 - CT, ME, NH, VT
- Tough Rate States- for any product:
 - CO, DC, FL, NY, WA
- Tough States on Variability: IL, MD, MO, MT, NJ, SD
- States that take a long time to review- first response 120 days or more
 - AK, CA, HI, IL, MS, NH, NJ, NY, ND,



Compliance Trends for Supplemental Health

California

- Famous for their “vague and ambiguous” objection relying on 10291.5(b)(1)
- Applications- the wording “all answers are true and complete” objectionable as applicants can only affirm “to the best of their knowledge and belief”
- Actuarial:
 - asked for the presumed distribution of business and to describe the underwriting (Accident Only product)
 - Provide a durational loss exhibit, earned premiums, & incurred classes, include present value totals and discount”



Compliance Trends for Supplemental Health

California

- Very sensitive to the carcinoma in-situ benefit.
- DOI has stated most cancer, critical illness filings that come in appear to make no effort to comply with their laws

Colorado

- Forms are not generally filed, but Colorado requires confirmation that you are in compliance with all CO law
- All non Employer groups must be filed for approval



Compliance Trends for Supplemental Health

Colorado

- Tough Rate review state:
 - All riders must be listed in the Act Memo
 - Particular about matching the references to form #'s in the Act Memo to the Rate tab in SERFF
 - Implementation Dates must match what was put in SERFF
 - Follow the Regulate Rate Template carefully



Compliance Trends for Supplemental Health

Connecticut

- If you include sickness riders in your accident only plans they must comply with state mandates
- Associations- if filing for associations must include actuarial memo and rates law
- All non-Employer groups must be filed for approval



Compliance Trends for Supplemental Health

Florida

- Also a tough rate review state: all 28 items of the Rule 690-149.006 must be in the actuarial memo
- Accident Only- Requested all activities to be excluded be specified and that “hazardous activity and hazardous occupation” is too broad and left open to interpretation



Compliance Trends for Supplemental Health

New York

- Describe your variability with extreme specificity
- Hospital Indemnity plan- an ICU benefit can not be optional
- Fixed Indemnity- careful how the benefit is structured and worded. Paying on per service basis removes the benefit from excepted states. NY requested a carrier remove their outpatient surgery benefit from the HIP plan.
- Rate Manual must follow NY guidelines exactly



Compliance Trends for Supplemental Health

Illinois

- Cancer- skin cancer in a cancer policy can not be limited and can not be optional must be part of base
- Variability- very sensitive and must address all brackets with specific ranges



Compliance Trends for Supplemental Health

Idaho

- Health Screening on an Accident policy not accepted
- Using ADA criteria to determine payment changes the risk and nature of the product and is not in the best interest of the consumer – [accident product]
- Recreational related activities can not be excluded for used to deny benefits- only professional activities [accident product]



Compliance Trends for Supplemental Health

Washington

- Tough Rate State- but they do allow for single case filings.
 - The rate manual must include all rates, factors, including modalization factors, and the rules and formulas for applying them, including rounding rules.
 - The rate manual should match the variability of the rating components in the form filing, including the allowed increments



Navigating The Filing

In General:

- Pick the right TOI- particularly if there are combination benefits
 - States are particular to the TOI used
 - Many filings bounced for wrong TOI.
- When filing submit as much information as you can. Explain in detail the marketing plan for the group in the transmittal.
- Don't make the state ask for the info if you know they require it.
- For groups: Be prepared to explain the group and if a non-employer group explain in detail and if it has benefits other than insurance.
- Providing prior approval information- redlines for new updates to existing forms- states want to see the difference



Compliance Issues for Supplemental Health

Most common TOI we use in filing these products are:

- H02G or H02I- group/individual Health Accident Only- coverage for death , dismemberment, disability, hospital or medical care as a result of an accident or specified accidents
- H03G or H03I- group/individual AD&D- coverage for a stated benefit in the event of death or dismemberment caused by an accident or specified accident
- H04G.003-blanket accident only
- H07G or H07I- group/individual Specified Disease specifically named disease paid on expense incurred, per diem, or principle sum
- H07G.001 or H07I.001- critical illness
- H07G.002 or H07I.002- cancer only
- H11G or H11I- Short- term disability
- H14G or H14I- Hospital Indemnity- pays a fixed \$ regardless of actual expense for each day confined
- H21- Health Other- “ not specifically described above”.



Navigating The Filing

- Before you Hit the SERFF button
 - Evaluate the product filing-
 - Is this a new product offering?
 - How much lead time is needed for filing before effective date?
 - Obtaining group information
 - Is this a valid group? association? Does it meet state requirements?
 - Do your compliance review before you file- check
 - DOI websites
 - NILS Insource
 - SERFF



Navigating The Filing

- Periodic research of state requirements
 - Single case filings (WA)
 - Separate filings for market types (LA, TX)
 - Checklists/questionnaires (UT, NC)
- Align with internal business partners
 - Make them aware of filing challenges/difficult states
- “Me-Too” filings are not your friend



Filing Timing Expectations

- Allow sufficient time for product review and sign off
- McHugh sets up a Project Plan and Target Dates based on client priorities.
- State Turnaround Times- average review time 30 - 60 days before first response.
- Average time to Approval- excepting internal turnaround time for review and preparing responses- most states will approve within 60- 90 days
- Outliers: CA, FL, IL, NH, NY, VT, WA



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Supplemental Product Summit

Questions





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THANK YOU

