CHAPTER 150—H.F.No. 858

An act relating to health; regulating health plans; providing for certain disclosures; amending Minnesota Statutes 1996, sections 62J.04, subdivisions 1, 1a, and 3; 62J.041; and 62J.301, subdivision 3; repealing Minnesota Statutes 1996, section 62J.042.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1996, section 62J.04, subdivision 1, is amended to read:

Subdivision 1. ~~**LIMITS ON THE RATE OF GROWTH**~~ **COST CONTAINMENT GOALS.** (a) The commissioner of health shall set annual ~~limits on the rate of growth of~~ cost containment goals for public and private spending on health care services for Minnesota residents, as provided in paragraph (b). The ~~limits on growth~~ cost containment goals must be set at levels the commissioner determines to be realistic and achievable but that will reduce the rate of growth in health care spending by at least ten percent per year for the next five years. The commissioner shall set ~~limits on growth~~ cost containment goals based on available data on spending and growth trends, including data from group purchasers, national data on public and private sector health care spending and cost trends, and trend information from other states.

(b) The commissioner shall set the following annual ~~limits on the rate of growth of~~ cost containment goals for public and private spending on health care services for Minnesota residents:

(1) for calendar year 1994, the ~~rate of growth~~ cost containment goal must not exceed the change in the regional consumer price index for urban consumers for calendar year 1993 plus 6.5 percentage points;

(2) for calendar year 1995, the ~~rate of growth~~ cost containment goal must not exceed the change in the regional consumer price index for urban consumers for calendar year 1994 plus 5.3 percentage points;

(3) for calendar year 1996, the ~~rate of growth~~ cost containment goal must not exceed the change in the regional consumer price index for urban consumers for calendar year 1995 plus 4.3 percentage points;

(4) for calendar year 1997, the ~~rate of growth~~ cost containment goal must not exceed the change in the regional consumer price index for urban consumers for calendar year 1996 plus 3.4 percentage points; and

(5) for calendar year 1998, the ~~rate of growth~~ cost containment goal must not exceed the change in the regional consumer price index for urban consumers for calendar year 1997 plus 2.6 percentage points.

The commissioner shall adjust the ~~growth limit~~ cost containment goal set for calendar year 1995 to recover savings in health care spending required for the period July 1, 1993, to December 31, 1993.

(c) The commissioner shall publish:

(1) the projected ~~limits~~ cost containment goal in the State Register by April 15 of the year immediately preceding the year in which the ~~limit~~ cost containment goal will be ef-

fective except for the year 1993, in which the ~~limit~~ cost containment goal shall be published by July 1, 1993;

(2) the quarterly change in the regional consumer price index for urban consumers; and

(3) the health care financing administration forecast for total growth in the national health care expenditures. In setting ~~an annual limit~~ the cost containment goals, the commissioner is exempt from the rulemaking requirements of chapter 14. The commissioner's decision on ~~an annual limit~~ the cost containment goals is not appealable.

Sec. 2. Minnesota Statutes 1996, section 62J.04, subdivision 1a, is amended to read:

Subd. 1a. **~~ADJUSTED GROWTH LIMITS AND ENFORCEMENT~~ COST CONTAINMENT GOALS.** ~~(a)~~ The commissioner shall publish the final adjusted ~~growth limit~~ cost containment goal in the State Register by January 31 of the year that the ~~expenditure limit~~ cost containment goal is to be in effect. The adjusted ~~limit~~ cost containment goal must reflect the actual regional consumer price index for urban consumers for the previous calendar year, and may deviate from the previously published projected ~~growth limits~~ cost containment goal to reflect differences between the actual regional consumer price index for urban consumers and the projected Consumer Price Index for urban consumers. The commissioner shall report to the legislature by February 15 of each year on the implementation of the ~~growth limits~~ cost containment goal. This annual report shall describe the differences between the projected increase in health care expenditures, the actual expenditures based on data collected, and the impact and validity of ~~growth limits~~ cost containment goals within the overall health care reform strategy.

~~(b) The commissioner, in consultation with the Minnesota health care commission, shall research and include in the annual report required in paragraph (a) for 1996, recommendations regarding the implementation of growth limits for health plan companies and providers. The commissioner shall:~~

~~(1) consider both spending and revenue approaches and report on the implementation of the interim limits as defined in sections 62J.041 and 62J.042;~~

~~(2) make recommendations regarding the enforcement mechanism and consider mechanisms to adjust future growth limits as well as mechanisms to establish financial penalties for noncompliance;~~

~~(3) address the feasibility of systemwide limits imposed on all integrated service networks; and~~

~~(4) make recommendations on the most effective way to implement growth limits on the fee-for-service system in the absence of a regulated all-payer system.~~

~~(c) The commissioner shall enforce limits on growth in spending for health plan companies and revenues for providers. If the commissioner determines that artificial inflation or padding of costs or prices has occurred in anticipation of the implementation of growth limits, the commissioner may adjust the base year spending totals or growth limits or take other action to reverse the effect of the artificial inflation or padding.~~

~~(d) The commissioner shall impose and enforce overall limits on growth in spending for health plan companies, with adjustments for changes in enrollment, benefits, severity,~~

~~and risks. If a health plan company exceeds the growth limits, the commissioner may impose financial penalties up to the amount exceeding the applicable growth limit.~~

Sec. 3. Minnesota Statutes 1996, section 62J.04, subdivision 3, is amended to read:

Subd. 3. **COST CONTAINMENT DUTIES.** After obtaining the advice and recommendations of the Minnesota health care commission, the commissioner shall:

(1) establish statewide and regional ~~limits on growth in~~ cost containment goals for total health care spending under this section, and collect data as described in sections 62J.37 to 62J.41 to monitor statewide ~~compliance with the spending limits, and take action to achieve compliance to the extent authorized by the legislature~~ achievement of the cost containment goals;

(2) divide the state into no fewer than four regions, with one of those regions being the Minneapolis/St. Paul metropolitan statistical area but excluding Chisago, Isanti, Wright, and Sherburne counties, for purposes of fostering the development of regional health planning and coordination of health care delivery among regional health care systems and working to achieve ~~spending limits~~ the cost containment goals;

(3) provide technical assistance to regional coordinating boards;

(4) monitor the quality of health care throughout the state and take action as necessary to ensure an appropriate level of quality;

(5) issue recommendations regarding uniform billing forms, uniform electronic billing procedures and data interchanges, patient identification cards, and other uniform claims and administrative procedures for health care providers and private and public sector payers. In developing the recommendations, the commissioner shall review the work of the work group on electronic data interchange (WEDI) and the American National Standards Institute (ANSI) at the national level, and the work being done at the state and local level. The commissioner may adopt rules requiring the use of the Uniform Bill 82/92 form, the National Council of Prescription Drug Providers (NCPDP) 3.2 electronic version, the Health Care Financing Administration 1500 form, or other standardized forms or procedures;

(6) undertake health planning responsibilities as provided in section 62J.15;

(7) authorize, fund, or promote research and experimentation on new technologies and health care procedures;

(8) within the limits of appropriations for these purposes, administer or contract for statewide consumer education and wellness programs that will improve the health of Minnesotans and increase individual responsibility relating to personal health and the delivery of health care services, undertake prevention programs including initiatives to improve birth outcomes, expand childhood immunization efforts, and provide start-up grants for worksite wellness programs; ~~and~~

(9) undertake other activities to monitor and oversee the delivery of health care services in Minnesota with the goal of improving affordability, quality, and accessibility of health care for all Minnesotans; and

(10) make the cost containment goal data available to the public in a consumer-oriented manner.

New language is indicated by underline, deletions by ~~strikeout.~~

Sec. 4. Minnesota Statutes 1996, section 62J.041, is amended to read:

62J.041 **INTERIM HEALTH PLAN COMPANY ~~EXPENDITURE LIMITS~~ COST CONTAINMENT GOALS.**

Subdivision 1. **DEFINITIONS.** (a) For purposes of this section, the following definitions apply.

(b) "Health plan company" has the definition provided in section 62Q.01.

(c) "Total expenditures" means incurred claims or expenditures on health care services, administrative expenses, charitable contributions, and all other payments made by health plan companies out of premium revenues.

(d) "Net expenditures" means total expenditures minus exempted taxes and assessments and payments or allocations made to establish or maintain reserves.

(e) "Exempted taxes and assessments" means direct payments for taxes to government agencies, contributions to the Minnesota comprehensive health association, the medical assistance provider's surcharge under section 256.9657, the MinnesotaCare provider tax under section 295.52, assessments by the health coverage reinsurance association, assessments by the Minnesota life and health insurance guaranty association, assessments by the Minnesota risk adjustment association, and any new assessments imposed by federal or state law.

(f) "Consumer cost–sharing or subscriber liability" means enrollee coinsurance, copayment, deductible payments, and amounts in excess of benefit plan maximums.

Subd. 2. **ESTABLISHMENT.** The commissioner of health shall establish ~~limits on~~ cost containment goals for the increase in net expenditures by each health ~~carrier~~ plan company for calendar years 1994, 1995, 1996, and 1997. The ~~limits~~ cost containment goals must be the same as the annual ~~rate of growth in~~ cost containment goals for health care spending established under section 62J.04, subdivision 1, paragraph (b). Health plan companies that are affiliates may elect to meet one combined ~~expenditure limit~~ cost containment goal.

Subd. 3. **DETERMINATION OF EXPENDITURES.** Health plan companies shall submit to the commissioner of health, by April 1, 1994, for calendar year 1993; April 1, 1995, for calendar year 1994; April 1, 1996, for calendar year 1995; April 1, 1997, for calendar year 1996; and April 1, 1998, for calendar year 1997 all information the commissioner determines to be necessary to implement ~~and enforce~~ this section. The information must be submitted in the form specified by the commissioner. The information must include, but is not limited to, expenditures per member per month or cost per employee per month, and detailed information on revenues and reserves. The commissioner, to the extent possible, shall coordinate the submittal of the information required under this section with the submittal of the financial data required under chapter 62J, to minimize the administrative burden on health plan companies. The commissioner may adjust final expenditure figures for demographic changes, risk selection, changes in basic benefits, and legislative initiatives that materially change health care costs, as long as these adjustments are consistent with the methodology submitted by the health plan company to the commissioner, and approved by the commissioner as actuarially justified. The methodology to be used for adjustments and the election to meet one ~~expenditure limit~~ cost containment goal for affiliated health plan companies must be submitted to the

commissioner by September 1, 1994. Community integrated service networks may submit the information with their application for licensure. The commissioner shall also accept changes to methodologies already submitted. The adjustment methodology submitted and approved by the commissioner must apply to the data submitted for calendar years 1994 and 1995. The commissioner may allow changes to accepted adjustment methodologies for data submitted for calendar years 1996 and 1997. Changes to the adjustment methodology must be received by September 1, 1996, and must be approved by the commissioner.

Subd. 4. **MONITORING OF RESERVES.** (a) The commissioners of health and commerce shall monitor health plan company reserves and net worth as established under chapters 60A, 62C, 62D, 62H, and 64B, with respect to the health plan companies that each commissioner respectively regulates to ~~ensure that~~ assess the degree to which savings resulting from the establishment of ~~expenditure limits~~ cost containment goals are passed on to consumers in the form of lower premium rates.

(b) Health plan companies shall fully reflect in the premium rates the savings generated by the ~~expenditure limits~~ cost containment goals. No premium rate, currently reviewed by the departments of health or commerce, may be approved for those health plan companies unless the health plan company establishes to the satisfaction of the commissioner of commerce or the commissioner of health, as appropriate, that the proposed new rate would comply with this paragraph.

(c) Health plan companies, except those licensed under chapter 60A to sell accident and sickness insurance under chapter 62A, shall annually before the end of the fourth fiscal quarter provide to the commissioner of health or commerce, as applicable, a projection of the level of reserves the company expects to attain during each quarter of the following fiscal year. These health plan companies shall submit with required quarterly financial statements a calculation of the actual reserve level attained by the company at the end of each quarter including identification of the sources of any significant changes in the reserve level and an updated projection of the level of reserves the health plan company expects to attain by the end of the fiscal year. In cases where the health plan company has been given a certificate to operate a new health maintenance organization under chapter 62D, or been licensed as an integrated service network or community integrated service network under chapter 62N, or formed an affiliation with one of these organizations, the health plan company shall also submit with its quarterly financial statement, total enrollment at the beginning and end of the quarter and enrollment changes within each service area of the new organization. The reserve calculations shall be maintained by the commissioners as trade secret information, except to the extent that such information is also required to be filed by another provision of state law and is not treated as trade secret information under such other provisions.

(d) Health plan companies in paragraph (c) whose reserves are less than the required minimum or more than the required maximum at the end of the fiscal year shall submit a plan of corrective action to the commissioner of health or commerce under subdivision 7.

(e) The commissioner of commerce, in consultation with the commissioner of health, shall report to the legislature no later than January 15, 1995, as to whether the concept of a reserve corridor or other mechanism for purposes of monitoring reserves is adaptable for use with indemnity health insurers that do business in multiple states and that must comply with their domiciliary state's reserves requirements.

Subd. 5. **NOTICE.** The commissioner of health shall publish in the State Register and make available to the public by July 1, 1995, a list of all health plan companies that exceeded their ~~expenditure limit~~ cost containment goal for the 1994 calendar year. The commissioner shall publish in the State Register and make available to the public by July 1, 1996, a list of all health plan companies that exceeded their combined ~~expenditure limit~~ cost containment goal for calendar years 1994 and 1995. The commissioner shall notify each health plan company that the commissioner has determined that the health plan company exceeded its ~~expenditure limit~~ cost containment goal, at least 30 days before publishing the list, and shall provide each health plan company with ten days to provide an explanation for exceeding the ~~expenditure limit~~ cost containment goal. The commissioner shall review the explanation and may change a determination if the commissioner determines the explanation to be valid.

Subd. 6. **ASSISTANCE BY THE COMMISSIONER OF COMMERCE.** The commissioner of commerce shall provide assistance to the commissioner of health in monitoring health plan companies regulated by the commissioner of commerce. ~~The commissioner of commerce, in consultation with the commissioner of health, shall enforce compliance with expenditure limits for those health plan companies.~~

~~Subd. 7. **ENFORCEMENT.** (a) The commissioners of health and commerce shall enforce the reserve limits referenced in subdivision 4, with respect to the health plan companies that each commissioner respectively regulates. Each commissioner shall require health plan companies under the commissioner's jurisdiction to submit plans of corrective action when the reserve requirement is not met. The plan of correction must address the following:~~

~~(1) actuarial assumptions used in forecasting future financial results;~~

~~(2) trend assumptions used in setting future premiums;~~

~~(3) demographic, geographic, and private and public sector mix of the population covered by the health plan company;~~

~~(4) proposed rate increases or decreases;~~

~~(5) growth limits applied under section 62J.04, subdivision 1, paragraph (b); and~~

~~(6) other factors deemed appropriate by the health plan company or commissioner.~~

~~If the health plan company's reserves exceed the required maximum, the plan of correction shall address how the health plan company will come into compliance and set forth a timetable within which compliance would be achieved. The plan of correction may propose premium refunds, credits for prior premiums paid, policyholder dividends, or any combination of these or other methods which will benefit enrollees and/or Minnesota residents and are such that the reserve requirements can reasonably be expected to be met. The commissioner's evaluation of the plan of correction must consider:~~

~~(1) whether implementation of the plan would provide the company with an unfair advantage in the market;~~

~~(2) the extent to which the reserve excess was created by any movement of enrolled persons to another organization formed by the company;~~

~~(3) whether any proposed premium refund, credit, and/or dividend represents an equitable allocation to policyholders covered in prior periods as determined using sound actuarial practice; and~~

~~(4) any other factors deemed appropriate by the applicable commissioner.~~

~~(b) The plan of correction is subject to approval by the commissioner of health or commerce, as applicable. If such a plan is not approved by the applicable commissioner, the applicable commissioner shall enter an order stating the steps that the health plan company must take to come into compliance. Within 30 days of the date of such order, the health plan company must file a notice of appeal with the applicable commissioner or comply with the commissioner's order. If an appeal is filed, such appeal is governed by chapter 14.~~

~~(c) Health plan companies that exceed the expenditure limits based on two-year average expenditure data (1994 and 1995, 1996 and 1997) shall be required by the appropriate commissioner to pay back the amount exceeding the expenditure limit through an assessment on the health plan company. A health plan company may appeal the commissioner's order to pay back the amount exceeding the expenditure limit by mailing to the commissioner a written notice of appeal within 30 days from the date the commissioner's order was mailed. The contested case and judicial review provisions of chapter 14 apply to the appeal. The health plan company shall pay the amount specified by the commissioner either to the commissioner or into an escrow account until final resolution of the appeal. Notwithstanding sections 15.472 to 15.475, each party is responsible for its own fees and expenses, including attorneys fees, for the appeal. Any amount required to be paid back under this section shall be deposited in the health care access fund. The appropriate commissioner may approve a different repayment method to take into account the health plan company's financial condition. Health plan companies shall comply with the limits but shall also guarantee that their contractual obligations are met. Health plan companies are prohibited from meeting spending obligations by increasing subscriber liability, including copayments and deductibles and amounts in excess of benefit plan maximums.~~

Sec. 5. Minnesota Statutes 1996, section 62J.301, subdivision 3, is amended to read:

Subd. 3. **GENERAL DUTIES.** The commissioner shall:

(1) collect and maintain data which enable population-based monitoring and trending of the access, utilization, quality, and cost of health care services within Minnesota;

(2) collect and maintain data for the purpose of estimating total Minnesota health care expenditures and trends;

(3) collect and maintain data for the purposes of setting ~~limits~~ cost containment goals under section 62J.04, and measuring ~~growth limit~~ cost containment goal compliance;

(4) conduct applied research using existing and new data and promote applications based on existing research;

(5) develop and implement data collection procedures to ensure a high level of cooperation from health care providers and health plan companies, as defined in section 62Q.01, subdivision 4;

(6) work closely with health plan companies and health care providers to promote improvements in health care efficiency and effectiveness; and

(7) participate as a partner or sponsor of private sector initiatives that promote publicly disseminated applied research on health care delivery, outcomes, costs, quality, and management.

Sec. 6. **REPEALER.**

Minnesota Statutes 1996, section 62J.042, is repealed.

Presented to the governor May 14, 1997

Signed by the governor May 15, 1997, 3:25 p.m.

CHAPTER 151—H.F.No. 423

VETOED

CHAPTER 152—H.F.No. 1936

VETOED

CHAPTER 153—S.F.No. 612

An act relating to local government; permitting the appointment of the Washington county recorder and auditor/treasurer; limiting the effect of a general law on the city of St. Paul.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **RECORDER, AUDITOR/TREASURER MAY BE APPOINTED.**

Notwithstanding Minnesota Statutes, section 382.01, upon adoption of a resolution by the Washington county board of commissioners, the offices of county recorder and county auditor/treasurer in the county are not elective but must be filled by appointment by the county board as provided in the resolution.

Sec. 2. **BOARD CONTROLS, MAY CHANGE, AS LONG AS DUTIES DONE.**

Upon adoption of a resolution by the Washington county board of commissioners and subject to sections 3 and 4, the duties of the elected officials required by statute whose offices are made appointive as authorized by this act must be discharged by the board of commissioners of Washington county acting through a department head or heads ap-