SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 2875

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 13, 2024

The Senate Commerce Committee reports favorably and with committee amendments Senate Bill No. 2875.

As amended, this bill makes certain changes to the minimum loss ratio requirements for the individual and small employer health insurance markets. Generally, a minimum loss ratio requires health insurers to spend a certain portion of each premium dollar on claims payment and on quality improvement. The remaining portion of each premium dollar may be spent on administrative expenses.

Under the bill, the 80 percent minimum loss ratio for the previous year is required to be calculated based on a three-year rolling average. In addition, the bill requires the Department of Banking and Insurance to issue regulations for both the individual and small employer markets:

(1) requiring a health insurance carrier's minimum loss ratio to be calculated by aggregating the data for a three-year period which includes the data for the previous calendar year whose minimum loss ratio is being calculated, including three months of runout through the first quarter of the subsequent year and the data for the two years immediately preceding the year for which the minimum loss ratio is being calculated;

(2) requiring that the numerator of a carrier's minimum loss ratio for a minimum loss ratio reporting year to be the carrier's claims paid plus the carrier's expenditures for activities that improve health care quality;

(3) requiring adjustments to be either included in or deducted from incurred claims receipts related to the transitional reinsurance program and net payments or receipts related to the risk adjustment; and

(4) requiring that any new or increased State and federal taxes or assessments be excluded from premiums for purposes of the minimum loss ratio calculation.

COMMITTEE AMENDMENTS:

The committee amended the bill to provide that, to be included as an activity that improves health care quality, the activity is to lead to measurable improvements in patient outcomes or patient safety, prevent hospital readmissions, promote wellness, or enhance health information technology in a way that improves quality, transparency, or outcomes.