

IC 27-13-13

Chapter 13. Protection Against Insolvency; Deposit Requirements

IC 27-13-13-1

Items deposited; minimum value

Sec. 1. Except as provided in this chapter, a health maintenance organization shall deposit with the commissioner or, at the discretion of the commissioner, with any bank or bank and trust company or other trustee acceptable to the commissioner through which a custodial or controlled account is used:

- (1) cash;
- (2) certificates of deposit;
- (3) United States government obligations acceptable to the commissioner;
- (4) any other securities acceptable to the commissioner; or
- (5) a combination of items described in subdivisions (1) through (4);

which at all times must have a value of at least five hundred thousand dollars (\$500,000).

As added by P.L.26-1994, SEC.25.

IC 27-13-13-2

Deposit schedule

Sec. 2. A health maintenance organization that is in operation on July 1, 1994, shall make:

- (1) a deposit with the commissioner equal to two hundred fifty thousand dollars (\$250,000) on July 1, 1994; and
- (2) an additional deposit with the commissioner equal to two hundred fifty thousand dollars (\$250,000) by December 31, 1995.

As added by P.L.26-1994, SEC.25.

IC 27-13-13-3

Deposits considered admitted asset

Sec. 3. Deposits made under this chapter shall be considered an admitted asset of the health maintenance organization in the determination of the net worth of the organization.

As added by P.L.26-1994, SEC.25.

IC 27-13-13-4

Income from deposits; replacing deposits

Sec. 4. (a) All income from deposits made under this chapter is an asset of the organization that made the deposits.

(b) A health maintenance organization that has made a deposit under this chapter may replace the deposit or any part of the deposit with an equal amount and value of:

- (1) cash;
- (2) certificates of deposit;
- (3) United States government obligations acceptable to the

commissioner;

(4) any other securities acceptable to the commissioner; or

(5) any combination of subdivisions (1) through (4).

(c) Any obligations of the United States government must be approved by the commissioner before being deposited or substituted under this chapter.

As added by P.L.26-1994, SEC.25.

IC 27-13-13-5

Use of deposit

Sec. 5. (a) A deposit made by a health maintenance organization under this chapter must be used:

(1) to protect the interest of the enrollees of the health maintenance organization; and

(2) to ensure continuation of health care services to enrollees of the health maintenance organization, if the health maintenance organization is in supervision, rehabilitation, or liquidation.

(b) The commissioner may use the deposit for administrative costs that are attributable to a receivership of the health maintenance organization.

(c) If the health maintenance organization is placed in receivership, the deposit made by the organization must be treated as an asset of the organization subject to IC 27-9.

As added by P.L.26-1994, SEC.25.

IC 27-13-13-6

Reduction or elimination of deposit requirements for foreign corporations

Sec. 6. The commissioner may reduce or eliminate the requirement of a deposit under this chapter for a health maintenance organization that is a foreign corporation as defined in IC 27-1-2-3 if:

(1) the organization makes a deposit that meets the requirements of section 1 of this chapter with the treasurer of state, insurance commissioner, or other official body of the state or jurisdiction in which the organization is domiciled for the protection of all subscribers and enrollees of the health maintenance organization; and

(2) the organization delivers to the commissioner a certificate, duly authenticated by the appropriate state official holding the deposit, that the requirements of this section have been met.

As added by P.L.26-1994, SEC.25.

IC 27-13-13-7

Return of deposit

Sec. 7. If:

(1) a health maintenance organization ceases operation for reasons other than:

(A) insolvency; or

(B) receivership;

(2) the organization is not a debtor in any pending bankruptcy proceeding;

(3) the health maintenance organization submits a request in writing to the commissioner for the return of the deposit made by the organization; and

(4) the health maintenance organization has furnished the commissioner with written proof that all claims liabilities of the health maintenance organization have been paid;

the commissioner shall return all or a part of the deposit to the health maintenance organization not more than thirty (30) days after the commissioner receives written proof from the organization under subdivision (4).

As added by P.L.26-1994, SEC.25.

IC 27-13-13-8

Additional financial requirements

Sec. 8. (a) In addition to meeting all other financial requirements imposed by IC 27-13-12 and this chapter, a health maintenance organization that offers a point of service product shall maintain either of the following:

- (1) A reinsurance agreement, which must be satisfactory to the commissioner, that cedes one hundred percent (100%) of the liability for out-of-plan services.
 - (2) A ratio of the revenues of the health maintenance organization from the point of service product to the net worth of the organization of not more than three (3) to one (1).
- (b) The reinsurance to which subsection (a)(1) refers may be used to:

- (1) directly make payments for out-of-plan services; or
 - (2) reinsure coverage for out-of-plan services.
- (c) To achieve the ratio referred to in subsection (a)(2), a health maintenance organization may use reinsurance to cede part or all of the liability for out-of-plan services.

As added by P.L.26-1994, SEC.25.

IC 27-13-13-9

Deposit of cash or securities for noncovered health care expenditures

Sec. 9. (a) As used in this section, "noncovered health care expenditures" means the costs to a health maintenance organization for health care services:

- (1) that are the obligation of the health maintenance organization;
- (2) for which the enrollee may be liable in the event of the health maintenance organization's insolvency; and
- (3) for which:
 - (A) no alternative arrangements have been made that are acceptable to the commissioner; or
 - (B) statutory deposits and net worth of the health maintenance organization are determined by the

commissioner to be inadequate.

(b) If noncovered health care expenditures exceed ten percent (10%) of total health care expenditures, a health maintenance organization shall deposit cash or securities that are acceptable to the commissioner with:

(1) the commissioner; or

(2) an organization or trustee approved by the commissioner through which a custodial or controlled account is maintained.

(c) The deposit made under subsection (b) must have a fair market value:

(1) calculated on the first day of each month; and

(2) maintained for the remainder of the month;

of not less than one hundred twenty percent (120%) of the health maintenance organization's outstanding liability for noncovered health care expenditures for enrollees in Indiana, including incurred but not reported claims.

(d) The commissioner may require a health maintenance organization to file periodic reports, including reports on liability for noncovered health care expenditures and audit opinions, that the commissioner considers necessary to monitor compliance with this section.

As added by P.L.203-2001, SEC.24.