

Government of the District of Columbia  
Office of the Chief Financial Officer



Jeffrey S. DeWitt  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeffrey S. DeWitt  
Chief Financial Officer

**DATE:** October 1, 2018

**SUBJECT:** Fiscal Impact Statement – Health Insurance Marketplace Improvement  
Emergency Act of 2018

**REFERENCE:** Draft Bill as shared with the Office of Revenue Analysis on September  
24, 2018

A handwritten signature in black ink that reads "Jeffrey S. DeWitt".

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**Conclusion**

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill.

**Background**

The bill extends the District’s regulation of health insurance coverage offered by multiple employer welfare arrangements (MEWA), including health insurance offered by an association or professional employer or employee organizations. The bill also places new requirements on short-term, limited duration health insurance policies and contracts sold in the District.

Under current District law, a “bona fide association” may offer group health insurance if the association and the insurance meet certain conditions. The bill adds<sup>1</sup> requirements that the association is domiciled and has its principal offices within the District and that the association shall not expand its membership based on geography.

MEWAs will be covered under the District’s requirements for the individual health insurance market<sup>2</sup> if the plan covers an individual in the District who is not an employee (or dependent of an

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<sup>1</sup> By amending the Health Insurance Portability and Accountability Federal Law Conformity and No-Fault Motor Vehicle Insurance Act of 1998, effective April 13, 1999 (D.C. Law 12-209; D.C. Code § 31-3303.01 *et seq.*).

<sup>2</sup> Including the requirements of the Health Insurance Portability and Accountability Federal Law Conformity and No-Fault Motor Vehicle Insurance Act of 1998, effective April 13, 1999; the Reasonable Health Insurance

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FIS: "Insurance Modernization and Accreditation Omnibus Act of 2018," Draft Bill as shared with the Office of Revenue Analysis on September 27, 2018

employee) of a small or large employer. If such a plan covers an employee of a small employer, the District's requirements<sup>3</sup> for small group health benefit plans will apply.

The bill authorizes the Commissioner of the Department of Insurance and Banking (DISB) to create rules grandfathering MEWAs in existence and operating in the District as of December 15, 2017 and impose additional requirements on such grandfathered plans.

MEWAs located outside of the District may not conduct any business in the District unless licensed in the District as an insurer, hospital and medical services corporation, fraternal benefit society or health maintenance organization.

The bill requires insurers to receive a certificate of authority from the Commissioner prior to providing any short-term, limited duration health insurance policy or contract. In addition, the bill imposes the following requirements on such policies and the insurers offering them:

- The insurer shall apply the same underwriting standards to all applicants
- The insurer shall not exclude pre-existing conditions from coverage nor deny coverage to an individual based on receiving treatment in the previous 12 months.
- The policy must be limited to three months and may not be extended or renewed. The insurer may not issue a short-term policy to an individual who had one in the previous nine months.
- The policy or contract must disclose that the coverage does not constitute minimal essential coverage for purposes of satisfying the District's individual responsibility requirement<sup>4</sup>.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. DISB can absorb any new oversight responsibilities within its existing budget.

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Ratemaking and Health Care Reform Act of 2010, effective April 8, 2011 (D.C. Law 18-360; D.C. Code § 31-3311.10); and the Federal Health Reform Implementation and Omnibus Amendment Act of 2014, effective May 2, 2015 (D.C. Law 20-265; D.C. Code § 31-3101 *et. seq.*).

<sup>3</sup> *ibid*

<sup>4</sup> As required under the Health Insurance Requirement Act of 2018, Act 22-442, signed by the Mayor September 5, 2018