

**REPORT OF THE SUBCOMMITTEE STUDY OF
ACCIDENT AND SICKNESS INSURANCE POLICIES
TO THE
HOUSE CORPORATION, INSURANCE AND BANKING COMMITTEE**



HOUSE DOCUMENT NO. 14

**COMMONWEALTH OF VIRGINIA
Department of Purchases and Supply
Richmond
1976**

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**REPORT OF THE SUBCOMMITTEE STUDY OF
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I. INTRODUCTION

During the 1975 Session of the General Assembly Delegate George R. Grayson introduced legislation requiring accident and sickness insurance policies to provide benefits for medical treatment received at home. This legislation would require every policy of accident and sickness insurance issued in Virginia to contain a provision extending coverage to its insureds while convalescing at home, regardless of where they receive medical treatments. The proposed legislation did not pass. However, House Resolution No. 37 was passed, directing a study of accident and sickness insurance policies by the Committee on Corporations, Insurance and Banking to determine the feasibility of requiring accident and sickness insurance policies to provide benefits for treatment required at home and report to the Governor and General Assembly no later than December 1, 1975.

HOUSE RESOLUTION NO. 37

Authorizing the Committee on Corporations, Insurance and Banking to study the feasibility of requiring accident and sickness insurance policies to provide benefits for medical treatment received at home.

WHEREAS, accident and sickness insurance policies are not required to provide benefits for medical treatment received at home; and

WHEREAS, many injured and sick persons receive substantial amounts of medical treatment while convalescing at home; and

WHEREAS, as a result many persons are not compensated for medical expenses incurred while convalescing at home; now, therefore, be it

RESOLVED by the House of Delegates, That the Committee on Corporations, Insurance and Banking is authorized to study the feasibility of requiring all individual and group policies of accident and sickness insurance to afford coverage to its insureds while they are convalescing at home. All agencies of the State and its political subdivisions shall assist the Committee upon request.

The Committee is requested to complete its study and report to the General Assembly no later than December one, nineteen hundred seventy-five.

Pursuant to the study directive, Robert R. Gwathmey, III, Chairman of the full Committee appointed a subcommittee from the membership of the Committee to carry out the study. The Subcommittee, chaired by Delegate Thomas W. Moss, Jr., Norfolk, and composed of Delegates Edward E. Lane, Richmond; Stanley G. Bryan, Norfolk; Stanley A. Owens, Manassas; and Glenn B. McClanan, Virginia Beach, met twice to deliberate upon the issues raised by House Resolution No. 37. L. Willis Robertson, Jr. and Susan T. Gill served as staff to the Subcommittee.

II. SURVEY

At the organizational meeting, Delegate Moss asked that Mr. John Day, Commissioner of Insurance, Mr. Bernie Henderson, of the State Corporation Commission, Mr. Aldon Flory, of Blue Cross/Blue Shield and Mr. William Shands, General Counsel and Vice President of Life of Virginia, meet with the Subcommittee to discuss the proposed legislation and the resulting House Resolution No. 37.

At the second meeting, on August 18, 1975, Commissioner of Insurance Day expressed considerable sympathy for the underlying purpose of House Resolution No. 37 and Delegate Grayson's proposed legislation. At the same time, Commissioner Day reviewed similar efforts in other jurisdictions and outlined the complex issues that must be resolved before the mandating of home health care will have its intended effect, i. e., minimizing the use of hospitals for treatment that can be performed just as well within the less expensive environment of the home. Merely adding this type of coverage to all types of health insurance might not reduce the cost of health insurance because this would be added to all coverages including those providing for services that would not be replaced by home health care. If, on the other hand, the home health care coverage was tied to hospital health insurance only, a savings could result since less costly home health care could be substituted for the more expensive inpatient hospital care. Questions were also raised regarding the safeguards that must be established to assure the delivery of quality home health care by qualified medical and paramedical personnel. Furthermore, complex issues are encountered in determining whether this type of coverage should be mandated for master group contracts covering employees in many states and developed through collective bargaining.

Commissioner Day also pointed out that there were other areas where insurance coverage could possibly influence ambulatory as opposed to inpatient hospital care and that it might be better to review all of these possibilities rather than approach the problem on a piecemeal basis. It was also pointed out that this whole area should receive careful analysis from various interested parties including the Department of Health and the insurance industry. Only in this manner can one be absolutely certain of developing a

better insurance product that will, in the long run, save the consumer money.

III. RECOMMENDATION

The Subcommittee took into consideration all of the factors stated above and makes the following recommendation:

The Committee directs Commissioner Day to chair a task force composed of the Department of Health, the insurance industry and others which he deems appropriate to review (1) the entire question of ambulatory care, and (2) the degree to which insurance coverage should be changed to encourage this less expensive type of treatment. Commissioner Day is directed to report back to the Governor and General Assembly on or before September 1, 1976, with the task force's recommendations and proposed legislation necessary to carry out these recommendations. See proposed legislation in Appendix I.

IV. REASONS FOR RECOMMENDATIONS

During his conversation with the Committee, Mr. Day noted that the Bureau of Insurance is presently reviewing the entire problem of insurance coverage. A policy approval program is now in progress by the State Corporation Commission which has many complexities and will take a great deal of time and effort to complete. Mr. Day volunteered to have a report prepared on "home health care" by the 1977 General Assembly. Due to the complexities of the issue, it is not possible, according to Mr. Day, to have a comprehensive report and/or legislation for the upcoming session. The Committee felt that the Bureau of Insurance would be most adept at compiling a report of this nature and determining what legislation would be needed to implement the provisions of the report.

CONCLUSIONS

After reviewing the information from the State Corporation Commission, Bureau of Insurance, Blue Cross/Blue Shield, and Health Maintenance Organization, the Committee has concluded that home health care insurance coverage is desirable due to the continually escalating costs of hospitalization and the overcrowding of hospitals with people who could be convalescing at home. For example, hospital utilization is higher in Richmond per capita than in any other city in the United States.

At present there is no licensing of home health care attendants in Virginia to handle the post hospital care that is recommended by Blue Cross/Blue Shield to cut down on hospital utilization. Legislation would be needed for this but Blue Cross/Blue Shield

does not have the manpower at present to implement such a program.

If the coverage for home health care is tied to hospital health insurance only, a savings could result because less costly home health care could be substituted for more costly in-hospital care.

Respectfully submitted,

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Thomas W. Moss, Jr., Chairman

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Stanley G. Bryan

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Edward E. Lane

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Glenn B. McClanan

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Stanley A. Owens

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HOUSE JOINT RESOLUTION NO.....

Directing the Bureau of Insurance, the Department of Health and representatives of the insurance industry to make a study of and report on the question of home health care.

WHEREAS, House Resolution No. 37 of the 1975 Session of the General Assembly authorized the Committee on Corporations, Insurance and Banking to study the feasibility of requiring accident and sickness insurance policies to provide benefits for medical treatment received at home; and

WHEREAS, the Bureau of Insurance is presently reviewing the entire problem of insurance coverage and the membership of the Subcommittee feels that the Bureau of Insurance should have primary responsibility for making recommendations on this subject; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Bureau of Insurance, in conjunction with the Department of Health and representatives of the insurance industry, is directed to make a study of and report on the entire question of ambulatory care, and the necessity for changes in present insurance coverages to encourage the less expensive home health care.

The Bureau of Insurance shall complete its study and report to the Governor and General Assembly on or before September one, nineteen hundred seventy-six with its recommendations and the proposed legislation, if any, necessary to implement those recommendations.

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