



**STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE**

June 20, 1986

**ADMINISTRATIVE LETTER  
1986-12**

**TO:** All Health Maintenance Organizations Licensed in Virginia

**RE:** Guidelines for Approval of Copayment Requirements

The definition of copayment in § 38.2-4300 (formerly § 38.1-863) has been amended so that, effective July 1, 1986, copayments will no longer be defined as nominal payments required of enrollees as a condition of the receipt of specific health services. The word "nominal" has been deleted pursuant to Senate Bill 169 which was passed during the 1986 session of the General Assembly.

The Code of Virginia does, however, impose a limitation on the level or amount of copayments which may be required of enrollees by stating in § 38.2-4302 (formerly § 38.1-865) that the Commission shall be satisfied that the health maintenance organization provides or arranges for basic health care services on a pre-paid basis except to the extent of reasonable requirements for copayments. The following guidelines are offered to clarify what will be accepted by the Bureau of Insurance as being "reasonable" requirements for copayments as of July 1, 1986.

It should be noted that these guidelines apply only to basic health care services and do not apply to any supplemental health care services.

**Guidelines for Bureau Approval of Copayment Requirements**

1. The maximum amount of copayment a health maintenance organization may require in any contract or calendar year shall not exceed 100% of the total annual premium per single member or family unit.
2. The maximum copayment amount shall be based upon the actual premium charged, including any employer contributions, for that member or family's coverage.
3. The maximum copayment amount shall be shown in the evidence of coverage as a specified dollar amount.
4. The copayment requirement for each specific basic health care service shall be shown in the evidence of coverage as a specified dollar amount.
5. Each health maintenance organization shall keep accurate records of each enrollee's copayment expenses and notify the enrollee when his

copayment maximum is reached. Once the maximum is reached, no additional copayment charges shall be made for the remainder of the contract or calendar year. Prompt refunds to the enrollee shall be made for copayments charged after the copayment maximum is reached. The evidence of coverage shall clearly state the health maintenance organization's procedure for meeting this requirement.

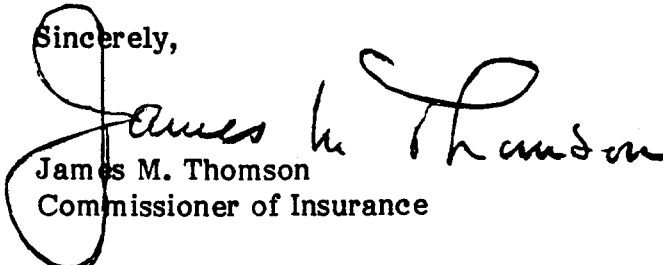
This will make it necessary for all HMOs licensed in Virginia to review their group agreements and evidences of coverage, whether issued on a group basis or an individual basis, to make sure they meet these guidelines.

1. As of July 1, 1986, the Bureau of Insurance will not approve any HMO policy forms, agreements, or evidences of coverage that do not conform to the copayment guidelines set forth in this letter.
2. Effective 90 days from July 1, 1986, any group agreements or evidences of coverage which do not meet these guidelines will be considered to be disapproved and may not be marketed subsequent to that date. In view of this, those HMOs with forms that do not meet these guidelines must withdraw them from use and file forms which do meet these guidelines within this 90 day period.
3. With regard to group contracts already in force, these may remain in force only until the anniversary date immediately following the expiration of 90 days from July 1, 1986. At that time, all group agreements must meet these guidelines.
4. Any evidence of coverage marketed on an individual basis prior to the expiration of 90 days from July 1, 1986 may stay in force, or may be amended, subject to the consent of all parties, using a form approved by the Bureau of Insurance.

Each health maintenance organization licensed in Virginia is requested to review the contents of this letter and its policy forms. Please acknowledge receipt of this letter, and direct any questions concerning its contents, in writing, to:

Robert L. Wright, CLU  
Supervisor  
Forms and Rate Section  
Life and Health Division  
State Corporation Commission  
Bureau of Insurance  
P. O. Box 1157  
Richmond, Virginia 23209

Sincerely,

  
James M. Thomson  
Commissioner of Insurance