

PROPOSED REGULATION OF THE COMMISSIONER OF INSURANCE

LCB File No. R074-14

NOTICE OF WORKSHOP TO SOLICIT COMMENTS ON PROPOSED REGULATIONS

The State of Nevada, Department of Business and Industry, Division of Insurance (“Division”), (775) 687-0700, is proposing the adoption, amendment or repeal of regulations pertaining to chapters **689A, 689C and 695C** of the Nevada Administrative Code (“NAC”). A workshop has been set for **9:00 a.m., on July 29, 2014**, at the Division’s office located at 1818 East College Parkway, 1st floor hearing room, Carson City, Nevada 89706. Interested parties may also participate through a simultaneous videoconference conducted at the Bradley Building, 2501 East Sahara Avenue, 2nd floor conference room, Las Vegas, Nevada 89104.

The purpose of the workshop is:

1. To solicit comments from interested persons on the following general topics that may be addressed in the proposed regulation(s); and
2. To assist in determining whether the proposed regulation:
 - (a) Is likely to impose a direct and significant burden upon a small business; or
 - (b) Directly restricts the formation, operation or expansion of a small business.

Please submit any written comments no later than **July 22, 2014**.

LCB File No. R074-14. Prescription Drug Formularies.

A regulation relating to health insurance; prohibiting certain health insurers that provide coverage for prescription drugs and use a drug formulary from making certain changes to the formulary after its approval by the Commissioner of Insurance; and providing other matters properly relating thereto.

A copy of all materials relating to the proposal(s) may be obtained at the workshop or by contacting the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, (775) 687-0700. A reasonable fee for copying may be charged. Members of the public who would like additional information about the proposed regulation may contact Adam Plain, Insurance Regulation Liaison, at (775) 687-0783, or via e-mail to aplain@doi.nv.gov.

Notice of the workshop(s) was provided via electronic means to all persons on the agency’s e-mail list for administrative regulations, and this Notice of Workshop to Solicit Comments on Proposed Regulations was posted to the agency’s Internet Web site at <http://doi.nv.gov/>, the Nevada Legislature’s Internet Web site at <http://www.leg.state.nv.us>, and provided to or posted at the following locations:

Department of Business and Industry
Division of Insurance
1818 East College Parkway, Suite 103
Carson City, NV 89706

Capitol Press Room
Capitol Building Basement
Carson City, NV 89710

Legislative Counsel Bureau
401 South Carson Street
Carson City, NV 89701

Blasdel Building
209 East Musser Street
Carson City, NV 89701

Office of the Governor
Capitol Building
Carson City, NV 89710

Carson City Library
900 North Roop Street
Carson City, NV 89701

Clark County District Library
833 Las Vegas Boulevard North
Las Vegas, NV 89101

Elko County Library
720 Court Street
Elko, NV 89801

Eureka Branch Library
P.O. Box 293
Eureka, NV 89316

Lander County Library
P.O. Box 141
Battle Mountain, NV 89820

Lyon County Library
20 Nevin Way
Yerington, NV 89447

Pershing County Library

Department of Business and Industry
Division of Insurance
2501 East Sahara Avenue, Suite 302
Las Vegas, NV 89104

Donald W. Reynolds Press Center
102 North Curry Street
Carson City, NV 89701

Office of the Attorney General
100 North Carson Street
Carson City, NV 89701

Nevada State Library & Archives
100 North Stewart Street
Carson City, NV 89701

Carson City Courthouse
885 East Musser Street
Carson City, NV 89701

Churchill County Library
553 South Main Street
Fallon, NV 89406

Douglas County Library
P.O. Box 337
Minden, NV 89423

Esmeralda County Library
P.O. Box 430
Goldfield, NV 89013

Humboldt County Library
85 East 5th Street
Winnemucca, NV 89445

Lincoln County Library
P.O. Box 330
Pioche, NV 89043-0330

Mineral County Public Library
P.O. Box 1390
Hawthorne, NV 89415

Storey County Clerk

NEVADA DIVISION OF INSURANCE
AGENDA

PUBLIC REGULATION WORKSHOP

JULY 29, 2014

9:00 A.M.

In Carson City:

**1818 E. College Pkwy., 1st Floor Hearing Room, Carson City, NV 89706
(Insurance Division Office located in Suite 103)**

Videoconferenced to Las Vegas:

**2501 E. Sahara Ave., 2nd Floor Conference Room, Las Vegas, NV 89104
(Insurance Division Office located in Suite 302)**

PROPOSED REGULATION:

- 1. LCB FILE NO. R074-14: Prescription Drug Formularies**
 - a. Presentation by Division of Insurance**
 - b. Public Comments to be Received**

NOTICE OF INTENT TO ACT UPON REGULATION

Notice of Hearing for the Adoption, Amendment or Repeal of Regulations of The Department of Business and Industry, Division of Insurance

The State of Nevada Department of Business and Industry, Division of Insurance (“Division”), (775) 687-0700, will hold a public hearing at **9:00 a.m. on August 12, 2014**, at the Division’s office located at 1818 East College Parkway, 1st floor hearing room, Carson City, Nevada 89706. Interested persons may also participate through a simultaneous videoconference conducted at the Bradley Building, 2501 East Sahara Avenue, 2nd floor conference room, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption, amendment or repeal of the regulation that pertains to **chapters 689A, 689C and 695C** of the Nevada Administrative Code (“NAC”).

The following information is provided pursuant to the requirements of Nevada Revised Statute (“NRS”) 233B.0603 and the directives of the Governor:

LCB File No. R074-14. Prescription Drug Formularies.

A regulation relating to health insurance; prohibiting certain health insurers that provide coverage for prescription drugs and use a drug formulary from making certain changes to the formulary after its approval by the Commissioner of Insurance; and providing other matters properly relating thereto.

- (1) Why is the regulation necessary and what is its purpose?

The proposed regulation clarifies the parameters under which a prescription drug in a formulary may be removed from the formulary or moved among prescription benefit tiers (if applicable).

- (2) What are the terms or substance of the proposed regulation?

Existing state law requires insurers and health maintenance organizations (“HMOs”) using prescription drug formularies to notify policyholders or members of, among other things, how often the contents of the formulary are reviewed.¹ The Patient Protection and Affordable Care Act (“ACA”) generally permits issuers of health benefit plans to deny coverage to an individual attempting to enroll outside of the annual open enrollment period and without a limited open or special enrollment period triggering event.² The Division of Insurance (“Division”) has identified that individuals enrolling in coverage in whole or in part due to the perceived benefits of a particular prescription drug formulary may be disenfranchised if the formulary is materially altered during a plan year, leaving the insured or member with no recourse to change coverage. The proposed regulation clarifies that prescription drug formularies cannot be changed more frequently than annually, except in cases where the United States Food and Drug Administration has issued guidance on the safety of a particular prescription drug or rescinded approval of a drug.

¹ NRS 689A.405, 689C.281

² 45 C.F.R. § 147.104

(3) What is the anticipated impact of the regulation on the problem(s)?

The Division anticipates that the proposed regulation will grant consumers peace of mind knowing that formulary benefits will not be changed mid-plan year, except in cases of consumer safety. This should alleviate concerns regarding being “locked in” to coverage that may have less utility than was anticipated when it was purchased.

(4) Do other regulations address the same problem(s)? No.

(5) Are alternate forms of regulation sufficient to address the problem(s)? None known.

(6) What value does the regulation have to the public?

The Division anticipates that the proposed regulation will grant consumers peace of mind knowing that formulary benefits will not be changed mid-plan year, except in cases of consumer safety. This should alleviate concerns regarding being “locked in” to coverage that may have less utility than was anticipated when it was purchased.

(7) What is the anticipated economic benefit of the regulation?

a. Public

1. Immediate: Unquantifiable. The Division anticipates reducing the incidence of purchasing health insurance that loses efficacy.

2. Long Term: Unquantifiable. The Division anticipates reducing the incidence of purchasing health insurance that loses efficacy.

b. Insurance Business

1. Immediate: None anticipated

2. Long Term: None anticipated

c. Small Businesses

1. Immediate: Unquantifiable. The Division anticipates reducing the incidence of purchasing health insurance that loses efficacy.

2. Long Term: Unquantifiable. The Division anticipates reducing the incidence of purchasing health insurance that loses efficacy.

d. Small Communities

1. Immediate: None anticipated

2. Long Term: None anticipated

e. Government Entities

1. Immediate: None anticipated

2. Long Term: None anticipated

(8) What is the anticipated adverse impact, if any?

- a. Public
 - 1. Immediate: None anticipated
 - 2. Long Term: None anticipated

- b. Insurance Business
 - 1. Immediate: Unquantifiable. Insurers and HMOs will need to take measures to ensure their prescription drug formularies do not contribute to adverse selection risk.
 - 2. Long Term: Unquantifiable. Insurers and HMOs will need to take measures to ensure their prescription drug formularies do not contribute to adverse selection risk.

- c. Small Businesses
 - 1. Immediate: None anticipated
 - 2. Long Term: None anticipated

- d. Small Communities
 - 1. Immediate: None anticipated
 - 2. Long Term: None anticipated

- e. Government Entities
 - 1. Immediate: None anticipated
 - 2. Long Term: None anticipated

(9) What is the anticipated cost of the regulation, both direct and indirect?

- a. Enactment: None anticipated.
- b. Enforcement: None anticipated.
- c. Compliance: None anticipated.

(10) Does the regulation establish a new fee or increase an existing fee? No.

(11) Provide a statement which identifies the methods used by the agency in determining the impact of the proposed regulation on a small business, prepared pursuant to subsection 3 of NRS 233B.0608. Attached.

(12) Provide a description of any regulations of other state or local governmental agencies which the proposed regulation overlaps or duplicates, and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, state the name of the regulating federal agency. None known.

(13) If the regulation is required pursuant to federal law, provide a citation and description of the federal law. Not applicable.

(14) If the regulation includes provisions which are more stringent than a federal regulation that regulates the same activity, provide a summary of such provisions. Not applicable.

Persons wishing to comment upon the proposed action of the Division may appear at the scheduled public hearing or may address their comments, data, views or arguments, in written form, to the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. **Written submissions must be received by the Division on or before July 22, 2014.** If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Division may proceed immediately to act upon any written submissions.

A copy of this notice and the regulation will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the regulation will be available at the offices of the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, and 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulation are also available in the State of Nevada Register of Administrative Regulations, which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653, and on the Internet at <http://leg.state.nv.us/register/>. Copies of this notice and the proposed regulation will be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary. This does not apply to a public body subject to the Open Meeting Law.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, shall issue a concise statement of the principal reasons for and against its adoption, and incorporate therein its reason for overruling the consideration urged against its adoption.

Notice of the hearing was provided via electronic means to all persons on the agency's e-mail list for administrative regulations, and this Notice of Intent to Act Upon Regulation was posted to the agency's Internet Web site at <http://doi.nv.gov/> and was provided to or posted at the following locations:

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Division of Insurance
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Carson City, NV 89706

Department of Business and Industry
Division of Insurance
2501 East Sahara Avenue, Suite 302
Las Vegas, NV 89104

Capitol Press Room
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Carson City, NV 89710

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102 North Curry Street
Carson City, NV 89701

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100 North Carson Street
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Eureka, NV 89316

Lander County Library
P.O. Box 141
Battle Mountain, NV 89820

Lyon County Library
20 Nevin Way
Yerington, NV 89447

Pershing County Library
P.O. Box 781
Lovelock, NV 89419

Tonopah Public Library
P.O. Box 449
Tonopah, NV 89049

White Pine County Library
950 Campton Street
Ely, NV 89301

Carson City, NV 89701

Carson City Courthouse
885 East Musser Street
Carson City, NV 89701

Churchill County Library
553 South Main Street
Fallon, NV 89406

Douglas County Library
P.O. Box 337
Minden, NV 89423

Esmeralda County Library
P.O. Box 430
Goldfield, NV 89013

Humboldt County Library
85 East 5th Street
Winnemucca, NV 89445

Lincoln County Library
P.O. Box 330
Pioche, NV 89043-0330

Mineral County Public Library
P.O. Box 1390
Hawthorne, NV 89415

Storey County Clerk
P.O. Drawer D
Virginia City, NV 89440

Washoe County Library
P.O. Box 2151
Reno, NV 89505-2151

Members of the public who would like additional information about the proposed regulation may contact Adam Plain, Insurance Regulation Liaison, at (775) 687-0783, or via e-mail to aplain@doi.nv.gov.

NEVADA DIVISION OF INSURANCE
AGENDA

PUBLIC REGULATION HEARING

AUGUST 12, 2014

9:00 A.M.

In Carson City:

**1818 E. College Pkwy., 1st Floor Hearing Room, Carson City, NV 89706
(Insurance Division Office located in Suite 103)**

Videoconferenced to Las Vegas:

**2501 E. Sahara Ave., 2nd Floor Conference Room, Las Vegas, NV 89104
(Insurance Division Office located in Suite 302)**

PROPOSED REGULATION:

- 1. LCB FILE NO. R074-14: Prescription Drug Formularies**
 - a. Presentation by Division of Insurance**
 - b. Public Comments to be Received**

**STATE OF NEVADA
DEPARTMENT OF BUSINESS & INDUSTRY
DIVISION OF INSURANCE**

Determination of Necessity of Small Business Impact Statement

LCB File No. R074-14

A Regulation concerning the formularies of certain health benefit plans.

To Be Effective Upon Filing with the Secretary of State

1. **BACKGROUND**

The Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010, as amended, collectively known as the Affordable Care Act (ACA) mandates that all health insurance sold on or after January 1, 2014 not meeting the requirements of 42 U.S.C. § 18011 pertaining to “grandfathered” plans offer a package of essential health benefits (“EHB”). There are ten categories of EHB, one of which is coverage for prescription drugs.

Regulations promulgated by the Center for Consumer Information and Insurance Oversight (“CCIIO”) within the federal Department of Health and Human Services detail consumers’ ability to purchase health insurance during open enrollment and special enrollment periods.³ The practical effect of these regulations limits consumers’ ability to change health insurance plans outside of the open enrollment except in limited circumstances; consumers are effectively “locked in” to their selection for a calendar year.

Additional guidance from CCIIO limits insurers’ ability to make health insurance plan design changes during the calendar year. However, CCIIO interprets laws relating to the prescription drug EHB to apply only to the quantity of drugs offered in a formulary and not the method of their offering. This interpretation by CCIIO leaves open the possibility that an insurer could remove prescription drugs from a formulary, or move prescription drugs among different cost-sharing tiers, while still maintaining compliance with the numerical minimums enforced by CCIIO.

The Division of Insurance has identified this as a potential loophole wherein consumers needing certain specific prescription drugs may purchase a health insurance plan with a favorable formulary design only to have the prescription drug moved or removed during the plan year. Such a scenario would leave the consumer with little or no recourse to pursue other health insurance options until the following open enrollment period. The proposed regulation seeks to address this issue by requiring prescription drug formularies to remain constant for the entire benefit year once approved except in certain scenarios where the public well-being may be at risk.

2. **DOES THE PROPOSED REGULATION IMPOSE A DIRECT AND SIGNIFICANT ECONOMIC BURDEN UPON A SMALL BUSINESS OR DIRECTLY RESTRICT THE FORMATION, OPERATION OR EXPANSION OF A SMALL BUSINESS? (NRS 233B.0608.1)(circle one)**

³ 45 C.F.R. § 147.104, 45 C.F.R. § 155.410 and 45 C.F.R. § 155.420

NO YES

3. HOW WAS THAT CONCLUSION REACHED? (NRS 233B.0608.3)

The Division of Insurance does not believe that the proposed regulation imposes a significant economic burden upon small businesses. There should be no additional cost of compliance as the regulation does not require health insurers to take any proactive or reactive steps. The Division acknowledges the possibility that a formulary design or pricing decision made by a health insurer could lead to that insurer's plan being selected against but it is not anticipated that any associated economic impact would be significant.

I, Scott J. Kipper, Commissioner of Insurance for the State of Nevada, certify that, to the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulation on small businesses and that the information contained in the statement above is accurate. (NRS 233B.0608.3)

July 3, 2014
(DATE)

_____/s/_____
SCOTT J. KIPPER
Commissioner of Insurance

Small Business Impact Statement

LCB File No. R074-14

4. DESCRIPTION OF SOLICITATION

Not Applicable

5. SUMMARY OF COMMENTS RECEIVED FROM SMALL BUSINESSES (NRS 233B.0609.1.a)

Not Applicable

Other interested parties may receive a copy of this summary by contacting the Insurance Regulation Liaison of the Nevada Division of Insurance, Adam Plain, at (775) 687-0783 or aplain@doi.nv.gov.

6. ESTIMATED ECONOMIC EFFECT ON SMALL BUSINESSES THE REGULATION IS TO REGULATE (NRS 233B.0609.1.c)

Not Applicable

7. METHODS CONSIDERED TO REDUCE IMPACT ON SMALL BUSINESSES (NRS 233B.0609.1.d)

Not Applicable

8. ESTIMATED COST OF ENFORCEMENT (NRS 233B.0609.1.e)

