

19 insurance written in connection with money loaned shall be included
20 in the rate of interest unless

21 a. the coverage of the debtor by the insurance is not a factor in the
22 approval by the creditor of the extension of credit, and this fact is
23 clearly disclosed in writing to the person applying for or obtaining the
24 extension of credit; and

25 b. in order to obtain the insurance in connection with the extension
26 of credit, the person to whom the credit is extended must give specific
27 affirmative written indication of his desire to do so after written dis-
28 closure to him of the cost thereof.

29 The foregoing provision regarding excessive charges or premiums
30 to be included in the rate of interest shall have application only to the
31 original parties to an agreement and shall in no manner affect the
32 negotiability of instruments or the rights of subsequent holders.

33 The insurance commissioner, after hearing where all interested par-
34 ties shall be given an opportunity to be heard, shall approve a reason-
35 able charge or premium for credit life and accident or health credit
36 insurance. Such reasonable charge or premium shall allow a fair and
37 reasonable return or profit for the risk involved in providing such
38 coverage.

1 SEC. 4. Section five hundred nine point one (509.1), subsection
2 three (3), paragraph d, Code 1973, is amended as follows:

3 d. The amount of insurance on the life of any debtor shall at no time
4 exceed the amount owed by him to the creditor, or the face amount of
5 any loan or loan commitment, totally or partially executed, creating
6 personal liability and made in good faith for general agricultural or
7 horticultural purposes to a debtor with seasonal income; however, it
8 shall not exceed thirty-five thousand dollars, ~~or ten thousand dollars,~~
9 ~~whichever is less.~~

1 SEC. 5. NEW SECTION. A company or its agent licensed to sell a
2 policy of credit life or credit accident and health insurance or certifi-
3 cate under a policy of group credit life or credit accident and health
4 insurance shall not deposit or offer to deposit funds in a financial
5 institution of this state in exchange for the privilege of selling such
6 insurance to or on behalf of the financial institution. Any person
7 violating the provisions of this section shall be guilty of a misde-
8 meanor.

Approved May 24, 1973.

CHAPTER 274

HEALTH MAINTENANCE ORGANIZATIONS

S. F. 25

AN ACT to authorize the establishment and continuing regulation of health maintenance organizations and to provide penalties.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. NEW SECTION. Purpose. The general assembly de-
2 termines that health maintenance organizations, when properly regu-

3 lated, encourage methods of treatment and controls over the quality of
 4 care which effectively contain costs and provide for continuous health
 5 care by undertaking responsibility for the provision, availability, and
 6 accessibility of services. It is the intent of this Act that legal barriers
 7 be removed to allow a variety of organizational structures to establish
 8 and operate health maintenance organizations in order to provide for
 9 experimentation with and improvement in this alternative system of
 10 health care delivery. For this reason, and because the primary respon-
 11 sibility of a health maintenance organization lies in providing quality
 12 health care services on a prepaid basis without regard to the type and
 13 number of services actually rendered, rather than providing indemni-
 14 fication against the cost of such services, the general assembly finds it
 15 necessary to provide a statutory framework for the establishment and
 16 continuing regulation of health maintenance organizations which is
 17 separate from the insurance laws of this state, except as otherwise
 18 provided in this Act, and the general assembly further finds it desir-
 19 able to make a special exception, limited to health maintenance organ-
 20 izations, in order that health maintenance organizations may have the
 21 option of contracting with or employing providers of health care ser-
 22 vices notwithstanding the provisions of Title VIII and section one
 23 hundred thirty-five B point twenty-six (135B.26) of the Code.
 24 This section shall be printed in the Acts of the Sixty-fifth General
 25 Assembly but shall not be printed as part of the Code of Iowa.

1 **SEC. 2. NEW SECTION. Definitions.** As provided in this Act, un-
 2 less the context otherwise requires:

- 3 1. "Commissioner" means the commissioner of insurance.
- 4 2. "Health care services" means services included in the furnishing
 5 to any individual of medical or dental care, or hospitalization, or inci-
 6 dent to the furnishing of such care or hospitalization, as well as the
 7 furnishing to any person of all other services for the purposes of pre-
 8 venting, alleviating, curing, or healing human illness, injury, or physi-
 9 cal disability.
- 10 3. "Health maintenance organization" means any person which:
 11 a. Provides either directly or through arrangements with others,
 12 health care services to enrollees on a fixed prepayment basis;
 13 b. Provides either directly or through arrangements with other per-
 14 sons for basic health care services; and,
 15 c. Is responsible for the availability, accessibility and quality of the
 16 health care services provided or arranged.
- 17 4. "Enrollee" means an individual who is enrolled in a health main-
 18 tenance organization.
- 19 5. "Provider" means any physician, hospital, or person as defined
 20 in chapter four (4) of the Code which is licensed or otherwise author-
 21 ized in this state to furnish health care services.
- 22 6. "Basic health care services" means services which an enrollee
 23 might reasonably require in order to be maintained in good health,
 24 including as a minimum, emergency care, inpatient hospital and
 25 physician care, and outpatient medical services rendered within or
 26 outside of a hospital.
- 27 7. "Evidence of coverage" means any certificate, agreement, or con-
 28 tract issued to an enrollee setting out the coverage to which he is
 29 entitled.

1 **SEC. 3. NEW SECTION. Establishment of health maintenance or-**
2 **ganizations.** Any person may apply to the commissioner for and
3 obtain a certificate of authority to establish and operate a health
4 maintenance organization in compliance with this Act. A person shall
5 not establish or operate a health maintenance organization in this
6 state, nor sell, offer to sell, or solicit offers to purchase or receive ad-
7 vance or periodic consideration in conjunction with a health mainte-
8 nance organization without obtaining a certificate under this Act.

9 Every person operating a health maintenance organization on Janu-
10 ary 1, 1974 shall submit an application for a certificate of authority
11 under section four (4) of this Act not later than January 31, 1974.
12 The health maintenance organization may continue to operate until
13 the commissioner acts upon the application, but if the application is
14 denied the applicant shall be treated as a health maintenance organi-
15 zation whose certificate of authority has been revoked.

1 **SEC. 4. NEW SECTION. Application for a certificate of authority.**
2 An application for a certificate of authority shall be verified by an
3 officer or authorized representative of the health maintenance organi-
4 zation, shall be in a form prescribed by the commissioner, and shall set
5 forth or be accompanied by the following:

6 1. A copy of the basic organizational document, if any, of the appli-
7 cant such as the articles of incorporation, articles of association, part-
8 nership agreement, trust agreement, or other applicable documents,
9 and all of its amendments.

10 2. A copy of the bylaws, rules or similar document, if any, regulat-
11 ing the conduct of the internal affairs of the applicant.

12 3. A list of the names, addresses, and official positions of the per-
13 sons who are to be responsible for the conduct of the affairs of the
14 applicant, including all members of the board of directors, board of
15 trustees, executive committee, or other governing board or committee,
16 the principal officers if a corporation and the partners or members if
17 a partnership or association.

18 4. A copy of any contract made or to be made between any provid-
19 ers or persons listed in subsection three (3) of this section and the
20 applicant.

21 5. A statement generally describing the health maintenance organi-
22 zation including, but not limited to, a description of its facilities and
23 personnel.

24 6. A copy of the form of evidence of coverage.

25 7. A copy of the form of the group contract, if any, which is to be
26 issued to employers, unions, trustees or other organizations.

27 8. Financial statements showing the applicant's assets, liabilities,
28 and sources of financial support. If the applicant's financial affairs
29 are audited by an independent certified public accountant, a copy of
30 the applicant's most recent regular certified financial statement shall
31 satisfy this requirement unless the commissioner directs that addi-
32 tional financial information is required for the proper administration
33 of this Act.

34 9. A description of the proposed method of marketing the plan, a
35 financial plan which includes a three-year projection of operating
36 results anticipated, and a statement as to the sources of funding.

37 10. A power of attorney executed by any applicant who is not domi-
38 ciled in this state appointing the commissioner, his successors in office

39 and deputies as the true and lawful attorney of the applicant for this
 40 state upon whom all lawful process in any legal action or proceeding
 41 against the health maintenance organization on a cause of action
 42 arising in this state may be served.

43 11. A statement reasonably describing the geographic area to be
 44 served.

45 12. A description of the complaint procedures to be utilized as re-
 46 quired under section fifteen (15) of this Act.

47 13. A description of the procedures and programs to be implemented
 48 to meet the requirements for quality of health care as determined by
 49 the commissioner of public health under section five (5) of this Act.

50 14. A description of the mechanism by which enrollees shall be
 51 allowed to participate in matters of policy and operation as required
 52 by section eight (8) of this Act.

53 15. Other information the commissioner finds reasonably necessary
 54 to make the determinations required in section six (6) of this Act.

55 A health maintenance organization shall, unless otherwise provided
 56 for in this Act, file notice with the commissioner and receive approval
 57 from him before modifying the operations described in the information
 58 required by this section.

59 Upon receipt of an application for a certificate of authority, the
 60 commissioner shall immediately transmit copies of the application and
 61 accompanying documents to the commissioner of public health and the
 62 affected regional health planning council, as authorized by Public Law
 63 89-749 (42 U.S.C. 246 (b) 2b), for their nonbinding consultation and
 64 advice.

1 SEC. 5. NEW SECTION. Duties of the commissioner of public
 2 health. The commissioner of public health shall determine whether
 3 the applicant for a certificate of authority, with respect to health care
 4 services to be furnished:

5 1. Has demonstrated the willingness and potential ability to assure
 6 the availability, accessibility and continuity of service through ade-
 7 quate personnel and facilities.

8 2. Has arrangements established in accordance with regulations
 9 promulgated by the commissioner of public health for a continuous
 10 review of health care processes and outcomes.

11 3. Has a procedure established in accordance with regulations of the
 12 commissioner of public health to develop, compile, evaluate and report
 13 statistics relating to the cost of its operations, the pattern of utiliza-
 14 tion of its services, the availability and accessibility of its services,
 15 and other matters as may be reasonably required by the commissioner
 16 of public health.

17 The commissioner of public health, in carrying out his obligations
 18 under this section and sections twenty-six (26) and twenty-seven (27)
 19 of this Act, may contract with qualified persons to make recommenda-
 20 tions concerning the determinations required to be made by him. Such
 21 recommendations may be accepted in full or in part by the commis-
 22 sioner of public health.

23 Within a reasonable period of time from the receipt of the applica-
 24 tion for a certificate of authority, the commissioner of public health
 25 shall certify to the commissioner whether the proposed health mainte-
 26 nance organization meets the requirements of this section. If the

27 commissioner of public health certifies that the health maintenance
28 organization does not meet these requirements, he shall specify in what
29 respects it is deficient.

1 **SEC. 6. NEW SECTION. Issuance and denial of a certificate of**
2 **authority.** The commissioner shall issue or deny a certificate of au-
3 thority to any person filing an application pursuant to section four (4)
4 of this Act within a reasonable period of time after receiving certifi-
5 cation from the commissioner of public health. Issuance of a certificate
6 of authority shall be granted upon payment of the application fee
7 prescribed in section twenty-three (23) of this Act if the commis-
8 sioner is satisfied that the following conditions are met:

9 1. The persons responsible for the conduct of the affairs of the
10 applicant are competent and trustworthy.

11 2. The commissioner of public health certifies that the health main-
12 tenance organization's proposed plan of operation meets the require-
13 ments of section five (5) of this Act.

14 3. The health maintenance organization provides or arranges for
15 the provision of basic health care services on a prepaid basis, except
16 that the health maintenance organization may impose deductible and
17 coinsurance charges which might be required to be paid by persons
18 on whose behalf the federal government contracts with the health
19 maintenance organization for health care services.

20 4. The health maintenance organization is fiscally sound and may
21 reasonably be expected to meet its obligations to enrollees. In making
22 this determination, the commissioner may consider:

23 a. The financial soundness of the health maintenance organization's
24 arrangements for health care services in relation to its schedule of
25 charges.

26 b. The adequacy of the health maintenance organization's working
27 capital.

28 c. Any agreement made by the health maintenance organization
29 with an insurer, a corporation authorized under chapter five hundred
30 fourteen (514) of the Code or any other organization for insuring the
31 payment of the cost of health care services or for providing immediate
32 alternative coverage in the event of discontinuance of the health
33 maintenance organization.

34 d. Any agreement made with providers for the provision of health
35 care services.

36 e. Any surety bond or deposit of cash or securities submitted in
37 accordance with section seventeen (17) of this Act.

38 5. The enrollees may participate in matters of policy and operation
39 pursuant to section eight (8) of this Act.

40 6. Nothing in the proposed method of operation as shown by the
41 information submitted pursuant to section four (4) of this Act or by
42 independent investigation is contrary to the public interest.

43 7. Any deficiencies certified by the commissioner of public health
44 have been corrected.

45 A certificate of authority shall be denied only after compliance with
46 the requirements of section twenty-seven (27) of this Act.

1 **SEC. 7. NEW SECTION. Powers of health maintenance organiza-**
2 **tions.** The powers of a health maintenance organization include, but
3 are not limited to, the following:

4 1. The purchase, lease, construction, renovation, operation or main-
5 tenance of hospitals, medical facilities, or both, and their ancillary
6 equipment, and such property as may reasonably be required for trans-
7 acting the business of the organization.

8 2. The making of loans to a medical group under contract with it
9 or to a corporation under its control for the purpose of acquiring or
10 constructing medical facilities and hospitals or in furtherance of a
11 program providing health care services to enrollees.

12 3. The furnishing of health care services to the public through pro-
13 viders which are under contract with or employed by the health
14 maintenance organization.

15 4. The contracting with any person for the performance on its
16 behalf of certain functions such as marketing, enrollment and ad-
17 ministration.

18 5. The contracting with an insurance company authorized to insure
19 groups or individuals in this state for the cost of health care or with
20 a corporation authorized under chapter five hundred fourteen (514)
21 of the Code for the provision of insurance, indemnity, or reimburse-
22 ment against the cost of health care services provided by the health
23 maintenance organization.

24 6. The offering, in addition to basic health care services, of health
25 care services and indemnity benefits to enrollees or groups of enrollees.

26 7. The acceptance from any person of payments covering all or part
27 of the charges made to enrollees of the health maintenance organiza-
28 tion.

29 A health maintenance organization shall file notice with the commis-
30 sioner before the exercise of any power granted in subsections one (1)
31 and two (2) of this section. The notice shall be accompanied by ade-
32 quate supporting information obtained from the commissioner of
33 public health relating to the health maintenance organization's need
34 for physical facilities. The commissioner shall disapprove the exercise
35 of power if in his opinion it would substantially and adversely affect
36 the financial soundness of the health maintenance organization and
37 endanger its ability to meet its obligations. The commissioner may
38 promulgate rules exempting from the filing requirement of this section
39 those activities having a minimum effect.

1 **SEC. 8. NEW SECTION. Governing body.** The governing body of
2 any health maintenance organization shall be a legal entity separate
3 from the governing body of any other legal entity and may include
4 providers, other individuals, or both, but it shall establish a mechanism
5 to allow a reasonable representation of enrollees to participate in mat-
6 ters of policy and operation as members of the governing body. The
7 commissioner shall establish guidelines to implement this section.

1 **SEC. 9. NEW SECTION. Fiduciary responsibilities.** Any director,
2 officer or partner of a health maintenance organization who receives,
3 collects, disburses or invests funds in connection with the activities
4 of a health maintenance organization shall be responsible for these
5 funds in a fiduciary relationship to the enrollees.

1 **SEC. 10. NEW SECTION. Evidence of coverage.** Every enrollee
2 shall receive an evidence of coverage and any amendments. If the
3 enrollee obtains coverage through an insurance policy or a contract

4 issued by a corporation authorized under chapter five hundred four-
5 teen (514) of the Code, the insurer or the corporation shall issue the
6 evidence of coverage. No evidence of coverage or amendment shall be
7 issued or delivered to any person in this state until a copy of the form
8 of the evidence of coverage or amendment has been filed with and
9 approved by the commissioner.

10 An evidence of coverage shall contain a clear and complete state-
11 ment of:

12 1. The health care services and the insurance or other benefits, if
13 any, to which the enrollee is entitled in the total context of the organi-
14 zational structure of the health maintenance organization.

15 2. Any limitations on the services or benefits to be provided, includ-
16 ing any deductible or coinsurance charges permitted under section six
17 (6), subsection three (3) of this Act.

18 3. The manner in which information is available on the method of
19 obtaining health care services.

20 4. The total amount of payment for health care services and indem-
21 nity or service benefits, if any, which the enrollee is obligated to pay
22 with respect to individual contracts, or an indication whether the plan
23 offered through the health maintenance organization is contributory
24 or noncontributory with respect to group contracts.

25 5. The health maintenance organization's method for resolving en-
26 rollee complaints.

27 6. The mechanism by which enrollees shall be allowed to participate
28 in matters of policy and operation.

29 A copy of the form of the evidence of coverage to be used in this
30 state and any amendment shall be subject to the filing and approval
31 requirements of this section unless it is subject to the jurisdiction of
32 the commissioner under the laws governing health insurance or cor-
33 porations authorized under chapter five hundred fourteen (514) of
34 the Code in which event the filing and approval provisions of such laws
35 apply. To the extent, however, that those provisions are less strict
36 than those provided under this section, then the requirements of this
37 section shall apply.

38 Enrollees shall be entitled to receive the most recent annual state-
39 ment of the financial condition of the health maintenance organization
40 in which they are enrolled, which statement shall include a balance
41 sheet and summary of receipts and disbursements.

1 **SEC. 11. NEW SECTION. Charges—approval required.** No sched-
2 ule of charges for enrollee coverage for health care services or amend-
3 ment to the schedule may be used by a health maintenance organization
4 until a copy of the schedule or amendment to the schedule has been
5 filed with and approved by the commissioner. Charges to enrollees
6 may be established in accordance with actuarial principles for various
7 categories of enrollees, but the charges shall not be determined accord-
8 ing to the status of an individual enrollee's health or sex and shall not
9 be excessive, inadequate or unfairly discriminatory.

1 **SEC. 12. NEW SECTION. Disapproval of filings.** If the commis-
2 sioner disapproves a filing made pursuant to sections ten (10) and
3 eleven (11) of this Act, he shall notify the filer and in the notice
4 specify the reasons for his disapproval. A hearing shall be granted
5 by the commissioner within a reasonable period of time from the

6 request for the hearing, which request must be made within thirty
7 days after receipt by the filer of the notice of disapproval. The com-
8 missioner may require the submission of whatever relevant informa-
9 tion he deems necessary in determining whether to disapprove a filing.

1 SEC. 13. NEW SECTION. **Annual report.** A health maintenance
2 organization shall annually before the first day of March file with the
3 commissioner, with a copy to the commissioner of public health, a
4 report verified by at least two of its principal officers and covering the
5 preceding calendar year. The report shall be on forms prescribed by
6 the commissioner and shall include:

7 1. Financial statements of the organization including a balance
8 sheet as of the end of the preceding calendar year and statement of
9 profit and loss for the year then ended, certified by a certified public ac-
10 countant or an independent public accountant.

11 2. Any material changes in the information submitted pursuant to
12 section four (4) of this Act.

13 3. The number of persons enrolled during the year, the number of
14 enrollees as of the end of the year and the number of enrollments
15 terminated during the year.

16 4. A summary of information compiled pursuant to section five (5),
17 subsection three (3) of this Act in the form required by the commis-
18 sioner of public health.

19 5. Other information relating to the performance of the health
20 maintenance organization as is necessary to enable the commissioner
21 to carry out his duties under this Act.

1 SEC. 14. NEW SECTION. **Open enrollment.** After a health main-
2 tenance organization has been in operation twenty-four months, it
3 shall have an annual open enrollment period of at least one month
4 during which it accepts enrollees up to the limits of its capacity, as
5 determined by the health maintenance organization, in the order in
6 which they apply for enrollment. A health maintenance organization
7 may apply to the commissioner for authorization to impose such under-
8 writing restrictions upon enrollment as are necessary to preserve its
9 financial stability, to prevent excessive adverse selection by prospec-
10 tive enrollees, or to avoid unreasonably high or unmarketable charges
11 for enrollee coverage for health care services. The commissioner
12 shall approve or deny the application made pursuant to this section
13 within a reasonable period of time from the receipt of the applica-
14 tion.

15 Health maintenance organizations providing services exclusively on
16 a group contract basis may limit the open enrollment provided for in
17 this section to all members of the group covered by the contract.

1 SEC. 15. NEW SECTION. **Complaint system.** A health mainte-
2 nance organization shall establish and maintain a complaint system
3 which has been approved by the commissioner in consultation with the
4 commissioner of public health and which shall provide for the resolu-
5 tion of written complaints initiated by enrollees concerning health
6 care services. A health maintenance organization shall submit to the
7 commissioner and to the commissioner of public health an annual
8 report in a form prescribed by the commissioner in consultation with
9 the commissioner of public health, which shall include:

- 10 1. A description of the procedures of the complaint system.
11 2. The total number of complaints handled through the complaint
12 system and a compilation of causes underlying the complaints filed.
13 3. The number, amount and disposition of malpractice claims settled
14 during the year by the health maintenance organization and any of its
15 providers.
16 The health maintenance organization shall maintain statistical in-
17 formation of written complaints filed with it concerning benefits over
18 which the health maintenance organization does not have control and
19 shall submit to the commissioner a summary report at the time and in
20 the format that the commissioner may require. Complaints involving
21 other persons shall be referred to those persons and a copy of the com-
22 plaint sent to the commissioner.

1 SEC. 16. NEW SECTION. **Investments.** With the exception of in-
2 vestments made in accordance with section seven (7) of this Act, the
3 investable funds of a health maintenance organization shall be invested
4 only in securities or other investments permitted by section five hun-
5 dred eleven point eight (511.8) of the Code for the investment of
6 assets constituting the legal reserves of life insurance companies or
7 such other securities or investments as the commissioner may permit.
8 For purposes of this section, investable funds of a health maintenance
9 organization are all moneys held in trust for the purpose of fulfilling
10 the obligations incurred by a health maintenance organization in pro-
11 viding health care services to enrollees.

1 SEC. 17. NEW SECTION. **Protection against insolvency.** A health
2 maintenance organization shall furnish a surety bond in an amount
3 satisfactory to the commissioner, or deposit with the commissioner
4 cash or securities acceptable to him in at least the same amount, as a
5 guarantee that its obligations to enrollees will be performed. The
6 commissioner may waive this requirement when satisfied that the
7 assets of the organization or its contracts with other organizations are
8 sufficient to reasonably assure the performance of its obligations.

1 SEC. 18. NEW SECTION. **Cancellation of enrollees.** An enrollee
2 shall not be cancelled except for the failure to pay the charges per-
3 mitted under section eleven (11) of this Act or for other reasons stated
4 in the rules promulgated by the commissioner and subject to review
5 in accordance with chapter seventeen A (17A) of the Code. No notice
6 of cancellation to an enrollee shall be effective unless delivered to the
7 enrollee by the health maintenance organization in a manner pre-
8 scribed by the commissioner and at least thirty days before the effec-
9 tive date of cancellation and unless accompanied by a statement of
10 reason for cancellation. At any time before cancellation of the policy
11 for nonpayment, the enrollee may pay to the health maintenance
12 organization the full amount due, including court costs if any, and
13 from the date of payment by the enrollee or the collection of the judg-
14 ment, coverage shall revive and be in full force and effect.

1 SEC. 19. NEW SECTION. **False representation.** A health mainte-
2 nance organization, unless licensed as an insurer, shall not use in its
3 name, contracts, or literature any words descriptive of an insurance,
4 casualty, or surety business or deceptively similar to the name or
5 description of any insurance or surety corporation doing business in

6 this state. No health maintenance organization or any person on its
7 behalf shall advertise or merchandise its services in a manner to mis-
8 represent its services or capacity for service, nor shall it engage in
9 misleading, deceptive or unfair practices with respect to advertising or
10 merchandising. This section does not exempt health maintenance
11 organizations which are engaged in the business of insurance from
12 regulation under the provisions of chapter five hundred seven B
13 (507B) of the Code.

1 SEC. 20. NEW SECTION. **Regulation of agents.** The commission-
2 er may, after notice and hearing, promulgate such reasonable rules
3 under the provisions of chapter five hundred twenty-two (522) of the
4 Code that are necessary to provide for the licensing of agents who
5 engage in solicitation or enrollment for a health maintenance organi-
6 zation.

1 SEC. 21. NEW SECTION. **Powers of insurers and hospital and med-
2 ical service corporations.** An insurance company authorized to engage
3 in insuring individuals or groups for the cost of health care in this state
4 or a corporation authorized under chapter five hundred fourteen (514)
5 of the Code may either directly or through a subsidiary or affiliate do
6 one or more of the following:

7 1. Organize and operate a health maintenance organization under
8 the provisions of this Act.

9 2. Contract with a health maintenance organization to provide insur-
10 ance or similar protection against the cost of care provided through
11 the health maintenance organization.

12 3. Contract with a health maintenance organization to provide cov-
13 erage in the event of the failure of the health maintenance organiza-
14 tion to meet its obligations.

15 Any two or more insurance companies, corporations, or their sub-
16 sidiaries or affiliates may jointly organize and operate a health main-
17 tenance organization.

1 SEC. 22. NEW SECTION. **Public employees included.** Any em-
2 ployee of the state, political subdivision of the state, or of any institu-
3 tion supported in whole or in part by public funds may authorize the
4 deduction from his salary or wages of the amount charged to him for
5 any health care services provided through health maintenance organi-
6 zations under this Act in the manner provided in section five hundred
7 fourteen point sixteen (514.16) of the Code.

1 SEC. 23. NEW SECTION. **Fees.** Every health maintenance organ-
2 ization subject to this Act shall pay to the commissioner the following
3 fees:

4 1. For filing an application for a certificate of authority or an amend-
5 ment to the certificate, one hundred dollars.

6 2. For filing each annual report, twenty-five dollars. Fees charged
7 under this section shall be remitted to the treasurer of state and cred-
8 ited by him to the general fund.

1 SEC. 24. NEW SECTION. **Rules.** The commissioner and the com-
2 missioner of public health may promulgate rules as are necessary to
3 carry out the provisions of this Act, subject to review in accordance
4 with chapter seventeen A (17A) of the Code.

1 **SEC. 25. NEW SECTION. Examinations permitted.** The commis-
2 sioner shall make an examination of the affairs of any health mainte-
3 nance organization and its providers as often as he deems necessary
4 for the protection of the interests of the people of this state, but not
5 less frequently than once every three years.

6 The commissioner of public health shall make an examination concern-
7 ing the quality of health care services provided through any health
8 maintenance organization as often as he deems necessary for the
9 protection of the interests of the people of this state, but not less
10 frequently than once every three years.

11 Every health maintenance organization and provider shall submit its
12 books and records to the commissioner and the commissioner of public
13 health and in every way facilitate the examination. For the purpose
14 of examinations, the commissioners may administer oaths to and
15 examine the officers and agents of the health maintenance organization
16 and the principals of its providers concerning their business. The
17 expenses of examinations under this section shall be assessed against
18 the organization being examined and remitted to the commissioner or
19 commissioner of public health as the case may be.

20 In lieu of the examination required by this section, either commis-
21 sioner may accept the report of an examination made by the appropri-
22 ate departments in other states.

1 **SEC. 26. NEW SECTION. Suspension or revocation of certificate of**
2 **authority.** The commissioner may suspend or revoke any certificate of
3 authority issued to a health maintenance organization under this Act
4 if he finds that the health maintenance organization is operating in
5 contravention of its proposed plan of operation on the basis of which
6 a certificate of authority was issued to it or has failed to comply with
7 the provisions of and rules promulgated under this Act. When the
8 certificate of authority of a health maintenance organization is sus-
9 pended, the health maintenance organization shall not, during the
10 period of suspension, enroll any additional enrollees except newly ac-
11 quired dependents of existing enrollees and shall not engage in any
12 advertising or solicitation or merchandising for the health mainte-
13 nance organization. When the certificate of authority of a health
14 maintenance organization is revoked, the health maintenance organi-
15 zation shall, immediately following the effective date of the order of
16 revocation, conduct no further business except as may be essential to
17 the orderly conclusion of its affairs and shall engage in no further
18 advertising or solicitation or merchandising. The commissioner may
19 in writing permit continued operation of the organization as he finds
20 to be in the best interest of enrollees to the end that enrollees will be
21 afforded the greatest practical opportunity to obtain continuing health
22 care coverage. If the certificate of authority of a health maintenance
23 organization is revoked, the commissioner shall report the revocation
24 to the attorney general who shall apply to the district court for the
25 appointment of a receiver to close the affairs of the health maintenance
26 organization.

27 The commissioner may, in lieu of suspension or revocation of a cer-
28 tificate of authority, levy an administrative penalty in an amount not
29 more than five thousand dollars, if reasonable notice in writing is given
30 of the intent to levy the penalty and the health maintenance organiza-

31 tion has a reasonable time within which to remedy the defect in its
32 operations which gave rise to the penalty citation.

1 **SEC. 27. NEW SECTION. Administrative procedures.** When the
2 commissioner has cause to believe that grounds for the denial, sus-
3 pension, or revocation of a certificate of authority exist, he shall notify
4 the health maintenance organization in writing of the particular
5 grounds for denial, suspension, or revocation and shall issue a notice
6 of a time fixed for a hearing, which shall be held not less than ten
7 days after the receipt by the health maintenance organization of the
8 notice. The commissioner of public health or his designee shall par-
9 ticipate in the proceedings of the hearing and his recommendation and
10 findings with respect to matters relating to the quality of health care
11 services provided in connection with any decision regarding denial,
12 suspension, or revocation of a certificate of authority, or in connection
13 with an order to the health maintenance organization by the commis-
14 sioner to cease from methods or practices in violation of this Act, shall
15 be conclusive and binding upon the commissioner.

16 At the time and place fixed for a hearing, the person charged shall
17 have an opportunity to be heard and to show cause why the order
18 should not be made by the commissioner. Upon good cause shown, the
19 commissioner may permit any person to intervene, appear and be
20 heard at the hearing by counsel or in person. Nothing contained in
21 this Act shall require the observance at any hearing of formal rules
22 of pleading or evidence. The provisions of section five hundred seven
23 B point six (507B.6), subsections four (4) and five (5) of the Code
24 relating to the powers and duties of the commissioner in relation to
25 the hearing and relating to the rights and obligations of persons upon
26 whom the commissioner has served notice shall apply to this Act.

27 After the hearing, or upon the failure of the health maintenance
28 organization to appear at the hearing, the commissioner shall take
29 action as he deems advisable and which is permitted by him under the
30 provisions of this Act and shall reduce his findings to writing. Copies
31 of the written findings shall be mailed to the health maintenance
32 organization charged with violation of this Act and to the commis-
33 sioner of public health.

1 **SEC. 28. NEW SECTION. Judicial review.** The action of the com-
2 missioner and the recommendation and findings of the commissioner
3 of public health under section twenty-seven (27) of this Act shall be
4 subject to review by the district court of the county where the health
5 maintenance organization's principal place of business is located,
6 according to the proceedings set out under the provisions of section
7 five hundred seven B point eight (507B.8) of the Code. If the health
8 maintenance organization's principal place of business is outside this
9 state, the review shall be by the district court of Polk County. Until
10 the expiration of the ten days allowed for filing a petition for review,
11 if no petition has been filed, or if a petition for review has been filed
12 within that time, then until the transcript of the record in the pro-
13 ceeding has been filed in the district court as provided in section five
14 hundred seven B point eight (507B.8) of the Code, the commissioner
15 may at any time, upon notice, modify or set aside in whole or in part
16 any order issued by him under section twenty-seven (27) of this Act.
17 After the expiration of the ten days allowed for filing a petition for

18 review and if no petition has been filed, the commissioner may at any
19 time, after notice and opportunity for a hearing, reopen and alter,
20 modify, or set aside, in whole or in part, any order issued by him under
21 section twenty-seven (27) of this Act, when in his opinion conditions
22 of fact or of law require the action, or if the public interest shall so
23 require.

1 **SEC. 29. NEW SECTION. Injunction.** The commissioner may, in
2 the manner provided by law, maintain an action in the name of the
3 state for injunction or other process against the person violating any
4 provision of this Act.

1 **SEC. 30. NEW SECTION. Penalties.** Where no other penalty is
2 provided for in this Act, any person who violates any of the provisions
3 of this Act shall be guilty of a misdemeanor and upon conviction shall
4 be punished by a fine not to exceed one hundred dollars or by imprison-
5 ment for a period not to exceed thirty days or be punished by both such
6 fine and imprisonment.

1 **SEC. 31. NEW SECTION. Communications in professional confi-**
2 **dence.** No officer, director, trustee, partner or employee of a health
3 maintenance organization shall testify as to nor make other public
4 disclosure of any communication made to a provider and deemed privi-
5 leged under section six hundred twenty-two point ten (622.10) of the
6 Code, and which communication has come into the knowledge or pos-
7 session of such officer, director, trustee, partner or employee by reason
8 of his employment with said health maintenance organization. To the
9 extent necessary to effectuate the examinations provided in section
10 twenty-five (25) of this Act only, the commissioner or the commis-
11 sioner of public health shall have the right to examine medical or
12 hospital records of a person receiving basic health care services under
13 the provisions of this Act but shall not testify as to such confidential
14 communications or make other public disclosure thereof without the
15 express consent of said person or his legal representative, if he be
16 deceased or incompetent. The provisions of section six hundred twenty-
17 two point ten (622.10) of the Code respecting waiver shall apply to this
18 section.

19 A health maintenance organization is hereby prohibited from releas-
20 ing the names of its membership list of enrollees, whether or not for
21 value or consideration, except to the extent necessary to effectuate the
22 provisions of this Act.

1 **SEC. 32. NEW SECTION. Taxation.** Payments received by a health
2 maintenance organization for health care services, insurance, indem-
3 nity, or other benefits to which an enrollee is entitled through a health
4 maintenance organization authorized under this Act and payments by
5 a health maintenance organization to providers for health care ser-
6 vices, to insurers, or corporations authorized under chapter five hun-
7 dred fourteen (514) of the Code for insurance, indemnity, or other
8 service benefits authorized under this Act are not premiums received
9 and taxable under the provisions of section four hundred thirty-two
10 point one (432.1) of the Code for the first five years of the existence
11 of the health maintenance organization, its successors or assigns.
12 After the first five years, the payments received shall be considered

13 premiums received and shall be taxable under the provisions of section
14 four hundred thirty-two point one (432.1) of the Code.

1 SEC. 33. NEW SECTION. Construction.

2 1. Except as otherwise provided in this Act, laws regulating the
3 insurance business in this state and the operations of corporations
4 authorized under chapter five hundred fourteen (514) of the Code
5 shall not be applicable to any health maintenance organization granted
6 a certificate of authority under this Act with respect to its health
7 maintenance organization activities authorized and regulated pursu-
8 ant to this Act.

9 2. Solicitation of enrollees by a health maintenance organization
10 granted a certificate of authority or its representatives shall not be
11 construed to violate any provision of law prohibiting solicitation or
12 advertising by health professionals. Upon a prospective enrollee's
13 request, a list of locations of services and a list of providers who have
14 current agreements with the health maintenance organization shall be
15 made available. No health maintenance organization shall, in any
16 advertising, identify by name any physician or surgeon, osteopathic
17 physician or surgeon, dentist, optometrist, podiatrist, chiropractor,
18 or professional corporation as defined by chapter four hundred ninety-
19 six C (496C) of the Code, with whom the health maintenance organi-
20 zation has an agreement to provide health care services.

21 3. Any health maintenance organization authorized under this Act
22 is not practicing medicine and shall not be subject to the limitations
23 provided in section one hundred thirty-five B point twenty-six
24 (135B.26) of the Code on types of contracts entered into between
25 doctors and hospitals.

1 SEC. 34. Section two hundred forty-nine A point four (249A.4),
2 subsection four (4), Code 1973, is amended to read as follows:

3 4. Have authority to contract with any corporation ~~or corporations~~,
4 authorized to engage in this state in insuring groups or individuals
5 for all or part of the cost of medical, hospital, or other health care or
6 with any corporation ~~or corporations~~ maintaining and operating a
7 medical, hospital, or health service prepayment plan ~~or plans~~ under
8 the provisions of chapter 514 *or with any health maintenance organi-*
9 *zation authorized to operate in this state*, for any or all of the benefits
10 to which any recipients are entitled under this chapter to be provided
11 by such corporation ~~or corporations~~ *or health maintenance organiza-*
12 *tion* on a prepaid individual or group basis.

1 SEC. 35. Section five hundred nine A point six (509A.6), Code
2 1973, is amended to read as follows:

3 509A.6 Contract with insurance carrier. The governing body may
4 contract with a nonprofit corporation operating under the provisions
5 of this chapter or chapter 514 or with any insurance company having
6 a certificate of authority to transact an insurance business in this state
7 with respect of a group insurance plan, which may include life, acci-
8 dent, health, hospitalization and disability insurance during period of
9 active service of such employees, with the right of any employee to
10 continue such life insurance in force after termination of active ser-
11 vice at such employee's sole expense; ~~and~~ may contract with a non-
12 profit corporation operating under and governed by the provisions of

13 this chapter or chapter 514 with respect of any hospital or medical
 14 service plan; and may contract with a health maintenance organization
 15 authorized to operate in this state with respect to health maintenance
 16 organization activities.

1 SEC. 36. **Effective date.** The provisions of this Act shall become
 2 effective January 1, 1974.

Approved May 25, 1973.

CHAPTER 275

INTEREST ON JUDGMENTS AND DECREES

S. F. 9

AN ACT relating to the interest rates on judgments and decrees.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section five hundred thirty-five point three (535.3),
 2 Code 1973, is amended as follows:
 3 535.3 **Interest on judgments and decrees.** Interest shall be allowed
 4 on all money due on judgments and decrees of courts at the rate of
 5 ~~five~~ seven cents on the hundred by the year, unless a different rate is
 6 fixed by the contract on which the judgment or decree is rendered, in
 7 which case the judgment or decree shall draw interest at the rate ex-
 8 pressed in the contract, not exceeding the maximum applicable rate
 9 permitted by the provisions of section 535.2, which rate must be ex-
 10 pressed in the judgment or decree.

1 SEC. 2. **NEW SECTION.** The provisions of this Act shall not ap-
 2 ply to judgments rendered or decrees entered of record prior to the
 3 effective date of this Act.

Approved February 26, 1973.

CHAPTER 276

GRAIN DEALERS LICENSES

H. F. 383

AN ACT relating to the licensing and regulating of grain dealers and providing penal-
 ties.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. **NEW SECTION. Definitions.** As used in this Act, un-
 2 less the context otherwise requires:
 3 1. "Commission" means the Iowa state commerce commission.
 4 2. "Grain" means any grain for which the United States depart-
 5 ment of agriculture has established standards including, but not lim-
 6 ited to, corn, wheat, oats, soybeans, rye, barley, grain sorghum, flax-
 7 seeds, sunflower seed, speltz, and field peas.
 8 3. "Grain dealer" shall mean any person who is engaged in the