CHAPTER 514

NONPROFIT HEALTH SERVICE CORPORATIONS

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514.1 Applicability — definitions.

1. A corporation organized under chapter 504, Code 1989, or current chapter 504 for the purpose of establishing, maintaining, and operating a nonprofit hospital service plan, whereby hospital service may be provided by the corporation or by a hospital with which it has a contract for service, to the public who become subscribers to this plan under a contract which entitles each subscriber to hospital service; or a corporation organized for the purpose of establishing, maintaining, and operating a plan whereby health care service may be provided at the expense of this corporation, by licensed physicians and surgeons, dentists, podiatric physicians, osteopathic physicians, osteopathic physicians and surgeons or chiropractors, to subscribers under contract, entitling each subscriber to health care service, as provided in the contract; or a corporation organized for the purpose of establishing, maintaining, and operating a nonprofit pharmaceutical service plan or optometric service plan, whereby pharmaceutical or optometric service may be provided by this corporation or by a licensed pharmacy with which it has a contract for service, to the public who become subscribers to this plan under a contract which entitles each subscriber to pharmaceutical or optometric service; shall be governed by this chapter and is exempt from all other provisions of the insurance laws of this state, unless specifically designated in this chapter, not only in governmental relations with the state but for every other purpose, and additions enacted after July 1, 1939, shall not apply to these corporations unless they are expressly designated in the additions.

2. For the purposes of this chapter:

a. *"Health care"* means that care necessary for the purpose of preventing, alleviating, curing, or healing human physical or mental illness, injury, or disability.

b. *"Provider"* means a person as defined in section 4.1, subsection 20, which is licensed or authorized in this state to furnish health care services.

c. *"Subscriber"* means an individual who enters into a contract for health care services with a corporation subject to this chapter and includes a person eligible for mandatory medical assistance or optional medical assistance as defined under chapter 249A, with respect to whom the department of human services has entered into a contract with a firm operating under this chapter.

[C39, §**8895.01;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.1]

83 Acts, ch 27, §11; 83 Acts, ch 96, §157, 159; 84 Acts, ch 1122, §3; 86 Acts, ch 1180, §3; 96 Acts, ch 1034, §68; 2003 Acts, ch 108, §96; 2004 Acts, ch 1049, §191; 2004 Acts, ch 1175, §394; 2007 Acts, ch 22, §86; 2013 Acts, ch 138, §76; 2014 Acts, ch 1026, §114

Subsection 2 amended

514.2 Incorporation.

Persons desiring to form a nonprofit hospital service corporation, or a nonprofit medical service corporation, or a nonprofit pharmaceutical or optometric service corporation shall have been incorporated under the provisions of chapter 504, Code 1989, or shall incorporate under the provisions of current chapter 504.

[C39, §**8895.02;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.2]

2003 Acts, ch 108, §97; 2004 Acts, ch 1049, §191; 2004 Acts, ch 1086, §87; 2004 Acts, ch 1175, §394; 2006 Acts, ch 1030, §62

514.2A Service of process.

A nonprofit health service corporation authorized to do business in this state shall file in the office of the commissioner a power of attorney and an agreement in writing that service of process in any action or proceeding against the corporation may be served on the commissioner and shall be of the same legal force and validity as if served upon the corporation, and that the authority shall continue in force so long as any liability remains outstanding in this state. Copies of the power of attorney, certified by the commissioner, shall be deemed sufficient evidence of the appointment and shall be admitted in evidence with the same force and effect as the original.

2003 Acts, ch 91, §27

514.3 Approval by commissioner.

The articles of incorporation, and any subsequent amendments, of a corporation shall have endorsed on or annexed to those articles or amendments the approval of the commissioner of insurance before the same shall be filed for record. A corporation shall file with the commissioner bylaws and subsequent amendments to the bylaws within thirty days of the adoption of the bylaws and amendments.

[C39, §**8895.03;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.3]

2000 Acts, ch 1023, §22; 2002 Acts, ch 1119, §180

514.4 Directors.

At least two-thirds of the directors of a hospital service corporation, medical service corporation, dental service corporation, or pharmaceutical or optometric service corporation subject to this chapter shall be at all times subscribers and not more than one-third of the directors shall be providers as provided in this section. The board of directors of each corporation shall consist of at least nine members.

A subscriber director is a director of the board of a corporation who is a subscriber and who is not a provider of health care pursuant to section 514B.1, subsection 7, a person who has material financial or fiduciary interest in the delivery of health care services or a related industry, an employee of an institution which provides health care services, or a spouse or a member of the immediate family of such a person. However, a subscriber director of a dental service corporation may be an employee, officer, director, or trustee of a hospital that does not contract with the dental service corporation. A subscriber director of a hospital or medical service corporation shall be a subscriber of the services of that corporation.

A provider director of a corporation subject to this chapter shall be at all times a person who has a material financial interest in or is a fiduciary to or an employee of or is a spouse or member of the immediate family of a provider having a contract with such corporation to render to its subscribers the services of such corporation or who is a hospital trustee.

A director may serve on a board of only one corporation at a time subject to this chapter.

The commissioner of insurance shall adopt rules pursuant to chapter 17A to implement the process of the election of subscriber directors of the board of directors of a corporation to ensure the representation of a broad spectrum of subscriber interest on each board and establish criteria for the selection of nominees. The rules shall provide for an independent subscriber nominating committee to serve until the composition of the board of directors meets the percentage requirements of this section. Once the composition requirements of this section are met, the nominations for subscriber directors shall be made by the subscriber directors of the board under procedures the board establishes which shall

also permit nomination by a petition of at least fifty subscribers. The board shall also establish procedures to permit nomination of provider directors by petition of at least fifty participating providers. A member of the board of directors of a corporation subject to this chapter shall not serve on the independent subscriber nominating committee. The nominating committee shall consist of subscribers as defined in this section. The rules of the commissioner of insurance shall also permit nomination of subscriber directors by a petition of at least fifty subscribers, and nomination of provider directors by a petition of at least fifty participating providers. These petitions shall be considered only by the independent nominating committee during the duration of the committee. Following the discontinuance of the committee, the petition process shall be continued and the board of directors of the corporation shall consider the petitions. The independent subscriber nominating committee is not subject to chapter 17A. The nominating committee shall not receive per diem or expenses for the performance of their duties.

Population factors, representation of different geographic regions, and the demography of the service area of the corporation subject to this chapter shall be considered when making nominations for the board of directors of a corporation subject to this chapter.

A corporation serving states in addition to Iowa shall be required to implement this section only for directors who are residents of Iowa and elected as board members from Iowa.

[C39, §**8895.04;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.4]

83 Acts, ch 27, §12, 15; 84 Acts, ch 1282, §1; 91 Acts, ch 258, §58; 2000 Acts, ch 1023, §23; 2007 Acts, ch 137, §10

514.5 Contracts for service.

A hospital service corporation organized under chapter 504, Code 1989, or current chapter 504 may enter into contracts for the rendering of hospital service to any of its subscribers with hospitals maintained and operated by the state or any of its political subdivisions, or by any corporation, association, or individual. Such hospital service corporation may also contract with an ambulatory surgical facility to provide surgical services to the corporation's subscribers. Hospital service is meant to include bed and board, general nursing care, use of the operating room, use of the delivery room, ordinary medications and dressings and other customary routine care. *"Ambulatory surgical facility"* means a facility constructed and operated for the specific purpose of providing surgery to patients admitted to and discharged from the facility within the same day.

A medical service corporation organized under this chapter may enter into contracts with subscribers to furnish health care service through physicians and surgeons, dentists, podiatric physicians, osteopathic physicians, osteopathic physicians and surgeons, or chiropractors.

Any pharmaceutical or optometric service corporation organized under the provisions of said chapter may enter into contracts for the rendering of pharmaceutical or optometric service to any of its subscribers. Membership in any pharmaceutical service corporation shall be open to all pharmacies licensed under chapter 155A.

A hospital service corporation or medical service corporation organized under this chapter may enter into contracts with subscribers and providers to furnish health care services not otherwise allocated by this section.

[C39, §**8895.05;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.5]

83 Acts, ch 27, §13; 84 Acts, ch 1122, §4; 86 Acts, ch 1180, §4; 87 Acts, ch 215, §48; 96 Acts, ch 1034, §68; 2003 Acts, ch 108, §98; 2004 Acts, ch 1049, §191; 2004 Acts, ch 1175, §394

514.6 Rates — approval by commissioner. Repealed by 2004 Acts, ch 1110, §71, 72.

514.7 Contracts — approval by commissioner — provisions to be available.

1. The contracts by any such corporation with the subscribers for health care service shall at all times be subject to the approval of the commissioner of insurance. The commissioner shall require that participating pharmacies be reimbursed by the pharmaceutical service corporation at rates or prices equal to rates or prices charged nonsubscribers, unless the commissioner determines otherwise to prevent loss to subscribers.

2. A provision shall be available in approved contracts with hospital and medical service corporate subscribers under group subscriber contracts or plans covering vision care services or procedures, for payment of necessary medical or surgical care and treatment provided by an optometrist licensed under chapter 154, if the care and treatment are provided within the scope of the optometrist's license and if the subscriber contract would pay for the care and treatment if it were provided by a person engaged in the practice of medicine or surgery as licensed under chapter 148. The subscriber contract shall also provide that the subscriber may reject the coverage or provision if the coverage or provision for services which may be provided by an optometrist is rejected for all providers of similar vision care services as licensed under chapter 148 or 154. This subsection applies to group subscriber contracts delivered after July 1, 1983, and to group subscriber contracts on their anniversary or renewal date, or upon the expiration of the applicable collective bargaining contract, if any, whichever is the later. This subsection does not apply to contracts designed only for issuance to subscribers eligible for coverage under Tit. XVIII of the Social Security Act, or any other similar coverage under a state or federal government plan.

3. A provision shall be made available in approved contracts with hospital and medical subscribers under group subscriber contracts or plans covering diagnosis and treatment of human ailments, for payment or reimbursement for necessary diagnosis or treatment provided by a chiropractor licensed under chapter 151 if the diagnosis or treatment is provided within the scope of the chiropractor's license and if the subscriber contract would pay or reimburse for the diagnosis or treatment of the human ailments, irrespective of and disregarding variances in terminology employed by the various licensed professions in describing the human ailments or their diagnosis or treatment, if it were provided by a person licensed under chapter 148. The subscriber contract shall also provide that the subscriber may reject the coverage or provision if the coverage or provision for diagnosis or treatment of a human ailment by a chiropractor is rejected for all providers of diagnosis or treatment for similar human ailments licensed under chapter 148 or 151. A group subscriber contract may limit or make optional the payment or reimbursement for lawful diagnostic or treatment service by all licensees under chapters 148 and 151 on any rational basis which is not solely related to the license under or the practices authorized by chapter 151 or is not dependent upon a method of classification, categorization, or description based upon differences in terminology used by different licensees in describing human ailments or their diagnosis or treatment. This subsection applies to group subscriber contracts delivered after July 1, 1986, and to group subscriber contracts on their anniversary or renewal date, or upon the expiration of the applicable collective bargaining contract, if any, whichever is the later. This subsection does not apply to contracts designed only for issuance to subscribers eligible for coverage under Tit. XVIII of the Social Security Act, or any other similar coverage under a state or federal government plan.

4. A provision shall be available in approved contracts with hospital and medical service corporate subscribers under group subscriber contracts or plans covering medical and surgical service, for payment of covered services determined to be medically necessary provided by certified registered nurses certified by a national certifying organization, which organization shall be identified by the Iowa board of nursing pursuant to rules adopted by the board, if the services are within the practice of the profession of a registered nurse as that practice is defined in section 152.1, under terms and conditions agreed upon between the corporation and subscriber group, subject to utilization controls. This subsection shall not require payment for nursing services provided by a certified registered nurse practicing in a hospital, nursing facility, health care institution, a physician's office, or other noninstitutional setting if the certified registered nurse is an employee of the hospital, nursing facility, health care institution, physician, or other health care facility or health care provider. This subsection applies to group subscriber contracts delivered in this state on or after July 1, 1989, and to group subscriber contracts on their anniversary or renewal date, or upon the expiration of the applicable collective bargaining contract, if any, whichever is the later. This subsection does not apply to limited or specified disease or individual contracts or contracts designed only for issuance to subscribers eligible for coverage under Tit. XVIII

of the federal Social Security Act, contracts which are rated on a community basis, or any other similar coverage under a state or federal government plan.

[C39, §**8895.07;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.7]

83 Acts, ch 166, §2; 84 Acts, ch 1122, §6; 84 Acts, ch 1290, §2; 86 Acts, ch 1180, §5; 89 Acts, ch 164, §3; 99 Acts, ch 75, §3; 2000 Acts, ch 1058, §46; 2008 Acts, ch 1088, §126; 2010 Acts, ch 1061, §180

514.8 Contracts with providers — approval.

The contracts by any such corporation with participating hospitals for hospital service or with participating physicians and surgeons, dentists, podiatric physicians, osteopathic physicians, or osteopathic physicians and surgeons for medical and surgical service, or with participating pharmacies for pharmaceutical service, or with participating optometrists for optometric service, or with other providers shall at all times be subject to the approval of the commissioner of insurance.

[C39, §**8895.08;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.8]

84 Acts, ch 1122, §7; 96 Acts, ch 1034, §68

514.9 Annual report.

Every such corporation shall annually, on or before the first day of March, file in the office of the commissioner of insurance a statement verified by at least two of the principal officers of said corporation showing its condition on the thirty-first day of December then next preceding, which shall be in such form and shall contain such matters as the commissioner of insurance shall prescribe.

[C39, §**8895.09;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.9]

514.9A Certificate of authority — renewal.

A certificate of authority of a corporation formed under this chapter expires on June 1 succeeding its issue and shall be renewed annually so long as the corporation transacts its business in accordance with all legal requirements. A corporation shall submit annually, on or before March 1, a completed application for renewal of its certificate of authority. A corporation that fails to timely file an application for renewal shall pay an administrative penalty of five hundred dollars to the treasurer of state for deposit as provided in section 505.7. A duly certified copy or duplicate of the certificate is admissible in evidence for or against the corporation with the same effect as the original.

2006 Acts, ch 1117, §57; 2009 Acts, ch 181, §72

514.10 Examination.

Every such corporation shall be subject to examination under the provisions of chapter 507 and any acts amendatory thereto, so far as the chapter may be applicable.

[C39, §**8895.10;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.10]

514.11 Costs approved.

All acquisition costs in connection with the solicitation of subscribers to such hospital service plan or medical service plan or pharmaceutical or optometric service plan, and administration costs including salaries paid its officers, if any, shall at all times be subject to the approval of the commissioner of insurance.

[C39, §**8895.11;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.11]

514.12 Investment of funds.

The funds of any corporation subject to the provisions of this chapter shall be invested only in securities permitted by the laws of this state for the investment of funds of life insurance companies.

[C39, §**8895.12;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.12]

514.13 Arbitration of disputes.

Any dispute arising between a corporation organized under this chapter and a provider may be submitted to the commissioner of insurance for a decision. All decisions and findings of the commissioner of insurance may be judicially reviewed in accordance with the terms of chapter 17A.

[C39, §**8895.13;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.13]
84 Acts, ch 1122, §8

514.14 Dissolution or merger.

Any dissolution, merger, or liquidation of a corporation organized under the provisions of said chapter shall be under the supervision of the commissioner of insurance who shall have all powers with respect thereto granted to the commissioner under the insurance laws of this state.

[C39, §**8895.14;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.14]

514.15 Nonexempt from taxation.

Every corporation organized under the provisions of this chapter is hereby declared to be a charitable and benevolent institution but its property and funds, including subscribers' contracts, shall not be exempt from taxation. For purposes of this section, the term *"subscriber contract"* shall mean only those benefit contracts issued or delivered in Iowa by corporations subject to this chapter, including certificates issued under such contracts, and which provide coverage to residents of Iowa on a risk basis.

[C39, §**8895.15;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.15; 82 Acts, ch 1003, §6]
85 Acts, ch 239, §3
Rate of tax; §432.2

514.16 Governmental employees included.

An employee or employees of the state, or of any county, city or of any institution supported in whole or in part by public funds, or any subdivisions thereof, may authorize the deduction from their salary or wages of the amount of their subscription payments to any corporation operating a nonprofit hospital service plan or medical service plan or pharmaceutical or optometric service plan, as provided in this chapter. The governing body of the state, or of the county, city or of any institution supported in whole or in part by public funds, or any subdivisions thereof, may authorize deductions from the salaries or wages of employees subscribing to such nonprofit hospital service plan or medical service plan or pharmaceutical or optometric service plan. The authorization by an employee or employees for deductions from the employee's or employees' salaries or wages shall be evidenced by a written request signed by the employee directed to and filed with the treasurer of the state, county, city or of any institution supported in whole or in part by public funds, or any subdivisions thereof, and said treasurer is authorized to draw and deliver checks in favor of the hospital service corporation or medical service corporation or pharmaceutical or optometric service corporation stipulated in such authorization for the amount covering the sum total of the deductions authorized. The foregoing provisions are not to be deemed an assignment of salaries or wages.

[C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.16]
Referred to in **§509A.3**, **§514B.21**

514.17 Physicians and surgeons, podiatric physicians, or dentists — number required.

No nonprofit medical service corporation shall be permitted to operate until it shall have entered into contracts with at least one hundred fifty physicians and surgeons licensed to practice medicine and surgery pursuant to chapter 148, or one hundred fifty dentists licensed to practice dentistry pursuant to chapter 153, or at least one hundred fifty osteopathic physicians and surgeons licensed to practice osteopathic medicine and surgery pursuant to chapter 148, or at least twenty-five podiatric physicians licensed to practice podiatry

pursuant to chapter 149, who agree to furnish medical and surgical, podiatric, or dental service and be governed by the bylaws of the corporation.

[C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §514.17]

96 Acts, ch 1034, §68; 2008 Acts, ch 1088, §127

514.18 Podiatric physicians.

Medical or surgical services or procedures constituting the practice of podiatry, also known as chiropody, as defined by chapter 149, and covered by the terms of any individual, group, blanket, or franchise policy providing accident or health benefits hereafter delivered or hereafter issued for delivery in Iowa and covering an Iowa risk may be performed by any practitioner, selected by the insured, licensed under chapter 149 to perform such medical or surgical services or procedures. Any provision of such policy or exclusion or limitation denying an insured the free choice of such licensed podiatric physician, also known as chiropodist, shall to the extent of the denial, be void, but such voidance shall not affect the validity of the other provisions of the policy.

[C66, 71, 73, 75, 77, 79, 81, §514.18]

95 Acts, ch 108, §18

514.19 Combined service corporations.

A corporation subject to this chapter may combine with any other corporation subject to this chapter as permitted under chapter 504 and upon the approval by the commissioner of insurance. Each corporation shall comply with chapter 504, the corporation's articles of incorporation, and the corporation's bylaws. The combined service corporation shall continue the service benefits previously provided by each corporation and may, subject to the approval of the commissioner of insurance, offer other service benefits not previously provided by the corporations before combining, which are permitted under this chapter.

83 Acts, ch 27, §14; 2004 Acts, ch 1049, §191; 2004 Acts, ch 1175, §393; 2007 Acts, ch 22, §87

514.20 Reserved.

514.21 Utilization review program.

A utilization review program shall be established for purposes of health care cost control, according to usual and customary third-party insurance payment or reimbursement procedures, by a corporation subject to this chapter and by physician providers as defined in section 135.1 and registered nurse providers licensed under chapter 152. This utilization review program shall not be used directly or indirectly to circumvent the provisions for payment or reimbursement to providers of health care services as provided in section 509.3, subsection 1, paragraphs "*f*" and "*g*", and section 514.7.

86 Acts, ch 1180, §9; 89 Acts, ch 164, §4

Utilization and cost control; see also chapter 514F

514.22 Reserved.

514.23 Mutualization plan.

1. A corporation organized and governed by this chapter may become a mutual insurer under a plan which is approved by the commissioner of insurance. The plan shall state whether the insurer will be organized as a for-profit corporation pursuant to chapter 490 or 491 or a nonprofit corporation pursuant to chapter 504. Upon consummation of the plan, the corporation shall fully comply with the requirements of the law that apply to a mutual insurance company. If the insurer is to be organized under chapter 504, then at least seventy-five percent of the initial board of directors of the mutual insurer so formed shall be policyholders who are also nonproviders of health care. All directors comprising this initial board of directors shall be selected by an independent committee appointed by the state commissioner of insurance. This independent committee shall consist of seven to eleven persons who are current policyholders, who are nonproviders of health care, and who are

not directors of a corporation subject to this chapter. For purposes of this subsection, a "*nonprovider of health care*" is an individual who is not any of the following:

a. A "provider" as defined in section 514B.1, subsection 7.

b. A person who has material financial or fiduciary interest in the delivery of health care services or a related industry.

c. An employee of an institution which provides health care services.

d. A spouse or a member of the immediate family of a person described in paragraphs "*a*" through "*c*".

2. A corporation organized and governed by this chapter which becomes a mutual insurer under this section shall continue as a mutual insurer to be governed by the provisions of section 514.7 and shall also be governed by section 509.3, subsection 1, paragraph "*f*".

85 Acts, ch 239, §4; 86 Acts, ch 1180, §6; 90 Acts, ch 1205, §36; 2004 Acts, ch 1049, §191; 2004 Acts, ch 1175, §393

Referred to in **§504.1108**, **§505.32**, **§514E.1**