

# House File 2568

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## AN ACT

RELATING TO INDIVIDUAL HEALTH INSURANCE PROGRAM MODIFICATION;  
RESTRUCTURING AND MODIFICATION OF ELIGIBILITY, BENEFITS,  
TAX OFFSETS, AND OTHER TERMS RELATED TO THE OPERATION OF THE  
IOWA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION; PHASEOUT OF  
GUARANTEED BASIC AND STANDARD INDIVIDUAL INSURANCE PLANS; AND  
COVERAGE OF FEDERAL TRADE ADJUSTMENT ACT RECIPIENTS UNDER THE  
IOWA COMPREHENSIVE HEALTH INSURANCE ACT; AND PROVIDING EFFEC=  
TIVE DATES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 513C.3, subsection 15, Code Supplement  
2003, is amended by adding the following new unnumbered  
paragraph:

NEW UNNUMBERED PARAGRAPH. For purposes of this subsection,  
an association policy under chapter 514E is not considered  
"qualifying existing coverage" or "qualifying previous  
coverage".

Sec. 2. Section 513C.7, subsections 1, 2, and 5, Code  
Supplement 2003, are amended by striking the subsections.

Sec. 3. Section 513C.8, Code 2003, is amended to read as  
follows:

513C.8 HEALTH BENEFIT PLAN STANDARDS.

~~The commissioner board of directors of the Iowa  
comprehensive health insurance association, with the approval  
of the commissioner, shall adopt by rule the form and level of  
coverage of the basic health benefit plan and the standard  
health benefit plan for the individual market which shall  
provide benefits substantially similar to those as provided  
for under chapter 513B with respect to small group coverage,  
but which shall be appropriately adjusted at least every three  
years to reflect the current state of the individual market.~~

Sec. 4. Section 513C.10, subsection 1, paragraph a, Code  
Supplement 2003, is amended to read as follows:

a. All persons that provide health benefit plans in this  
state including insurers providing accident and sickness  
insurance under chapter 509, 514, or 514A, whether on an  
individual or group basis; fraternal benefit societies  
providing hospital, medical, or nursing benefits under chapter  
512B; and health maintenance organizations, organized delivery  
systems, ~~and all~~ other entities providing health insurance or  
health benefits subject to state insurance regulation, ~~and all  
other insurers as designated by the board of directors of the  
Iowa comprehensive health insurance association with the  
approval of the commissioner~~ shall be members of the  
association.

Sec. 5. Section 513C.10, subsection 4, Code Supplement  
2003, is amended to read as follows:

4. The board shall develop procedures and assessment  
mechanisms and make assessments and distributions as required  
to equalize the individual carrier and organized delivery  
system gains or losses so that each carrier or organized  
delivery system receives the same ratio of paid claims to  
ninety percent of earned premiums as the aggregate of all  
basic and standard plans insured by all carriers and organized  
delivery systems in the state.

Sec. 6. Section 514E.1, subsection 2, Code Supplement  
2003, is amended to read as follows:

2. "Association policy" means an individual or group  
policy issued by the association that provides the coverage  
~~specified in section 514E.4 as set forth in the benefit plans  
adopted by the association's board of directors and approved  
by the commissioner.~~

Sec. 7. Section 514E.1, subsections 7, 8, and 12, Code  
Supplement 2003, are amended by striking the subsections.

Sec. 8. Section 514E.1, subsection 9, Code Supplement  
2003, is amended by adding the following new paragraph:

NEW PARAGRAPH. f. Who has been confirmed eligible under  
the federal Trade Adjustment Act of 2002, Pub. L. No. 107-210,  
as a recipient under that Act, by the department of workforce  
development and the federal internal revenue service.

Sec. 9. Section 514E.1, subsection 13, Code Supplement

3 6 2003, is amended to read as follows:

3 7 13. "Health care services" means services, the coverage of  
3 8 which is authorized under chapter 509, chapter 514, chapter  
3 9 514A, or chapter 514B as limited by ~~sections 514E.4 and 514E.5~~  
3 10 benefit plans established by the association's board of  
3 11 directors with the approval of the commissioner, and includes  
3 12 services for the purposes of preventing, alleviating, curing,  
3 13 or healing human illness, injury or physical disability.

3 14 Sec. 10. Section 514E.2, subsection 1, unnumbered  
3 15 paragraph 1, Code Supplement 2003, is amended to read as  
3 16 follows:

3 17 The Iowa comprehensive health insurance association is  
3 18 established as a nonprofit corporation. The association shall  
3 19 assure that ~~health insurance, as limited by sections 514E.4~~  
3 20 ~~and 514E.5, is benefit plans as authorized in section 514E.1,~~  
3 21 subsection 2, for an association policy, are made available to  
3 22 each eligible Iowa resident and each federally eligible  
3 23 individual applying to the association for coverage. The  
3 24 association shall also be responsible for administering the  
3 25 Iowa individual health benefit reinsurance association  
3 26 pursuant to all of the terms and conditions contained in  
3 27 chapter 513C.

3 28 Sec. 11. Section 514E.2, subsection 1, paragraph a, Code  
3 29 Supplement 2003, is amended to read as follows:

3 30 a. All carriers ~~as defined in section 514E.1, subsection~~  
3 31 ~~3,~~ and all organized delivery systems licensed by the director  
3 32 of public health providing health insurance or health care  
3 33 services in Iowa ~~and all other insurers designated by the~~  
3 34 association's board of directors and approved by the  
3 35 commissioner shall be members of the association.

4 1 Sec. 12. Section 514E.2, subsection 6, Code Supplement  
4 2 2003, is amended by striking the subsection and inserting in  
4 3 lieu thereof the following:

4 4 6. Rates for coverages issued by the association shall  
4 5 reflect rating characteristics used in the individual  
4 6 insurance market. The rates for a given classification shall  
4 7 not be more than one hundred fifty percent of the average  
4 8 premium or payment rate for the classification charged by the  
4 9 five carriers with the largest health insurance premium or  
4 10 payment volume in the state during the preceding calendar  
4 11 year. In determining the average rate of the five largest  
4 12 carriers, the rates or payments charged by the carriers shall  
4 13 be actuarially adjusted to determine the rate or payment that  
4 14 would have been charged for benefits similar to those issued  
4 15 by the association.

4 16 Sec. 13. Section 514E.2, subsection 13, Code Supplement  
4 17 2003, is amended by striking the subsection and inserting in  
4 18 lieu thereof the following:

4 19 13. An insurer may offset an assessment made pursuant to  
4 20 this chapter against its premium tax liability pursuant to  
4 21 chapter 432 to the extent of twenty percent of the amount of  
4 22 the assessment for each of the five calendar years following  
4 23 the year in which the assessment was paid. If an insurer  
4 24 ceases doing business, all uncredited assessments may be  
4 25 credited against its premium tax liability for the year it  
4 26 ceases doing business.

4 27 Sec. 14. Section 514E.4, Code 2003, is amended by striking  
4 28 the section and inserting in lieu thereof the following:

4 29 514E.4 ASSOCIATION POLICY == COVERAGE AND BENEFIT  
4 30 REQUIREMENTS == DEDUCTIBLES == COINSURANCE.

4 31 The association policy shall pay for medically necessary  
4 32 eligible health care services as established in the benefit  
4 33 plans adopted by the association's board of directors and  
4 34 approved by the commissioner. The plans shall provide  
4 35 benefits, deductibles, and coinsurance that reflect the  
5 1 current state of the individual insurance market. The board  
5 2 may modify the benefits provided under the plans to reflect  
5 3 the current state of the individual insurance market with the  
5 4 approval of the commissioner.

5 5 Sec. 15. Section 514E.7, subsection 1, Code 2003, is  
5 6 amended by adding the following new unnumbered paragraph:

5 7 NEW UNNUMBERED PARAGRAPH. The association shall rescind  
5 8 coverage for an individual who no longer resides in the state.

5 9 Sec. 16. Section 514E.7, subsection 4, paragraph b, Code  
5 10 2003, is amended by adding the following new subparagraph:

5 11 NEW SUBPARAGRAPH. (4) In the case of an individual  
5 12 transferring to an association policy from a basic or standard  
5 13 health benefit plan under chapter 513C beginning on or after  
5 14 January 1, 2005.

5 15 Sec. 17. Section 514E.7, subsection 5, Code 2003, is  
5 16 amended by adding the following new paragraph:

5 17 NEW PARAGRAPH. f. The individual is eligible for Medicare  
5 18 based upon age.

5 19 Sec. 18. Section 514E.8, subsection 1, Code 2003, is  
5 20 amended to read as follows:

5 21 1. An association policy shall contain provisions under  
5 22 which the association is obligated to renew the ~~contract~~  
5 23 ~~coverage for an individual until the day on which the~~  
5 24 ~~individual in whose name the contract is issued first becomes~~  
5 25 ~~eligible for Medicare coverage, except that in a family policy~~  
5 26 ~~covering both husband and wife, the age of the younger spouse~~  
5 27 ~~shall be used as the basis for meeting the durational~~  
5 28 ~~requirements of this subsection. However, when the individual~~  
5 29 ~~in whose name the contract is issued becomes eligible for~~  
5 30 ~~Medicare coverage, the person shall be eligible for the~~  
5 31 ~~Medicare supplement plan offered by the association based on~~  
5 32 ~~age.~~

5 33 Sec. 19. Section 514E.11, Code 2003, is amended to read as  
5 34 follows:

5 35 514E.11 NOTICE OF ASSOCIATION POLICY.

6 1 Every carrier, including a health maintenance organization  
6 2 subject to chapter 514B and an organized delivery system,  
6 3 authorized to provide health care insurance or coverage for  
6 4 health care services in Iowa, shall provide a notice of the  
6 5 availability of coverage by the association to any person who  
6 6 receives a rejection of coverage for health insurance or  
6 7 health care services, or ~~a notice to any person who is~~  
6 8 ~~informed that~~ a rate for health insurance or coverage for  
6 9 health care services that will exceed the rate of an  
6 10 association policy, and that the person is eligible to apply  
6 11 for health insurance provided by the association. Application  
6 12 for the health insurance shall be on forms prescribed by the  
6 13 association's board of directors and made available to the  
6 14 carriers and organized delivery systems and other entities  
6 15 providing health care insurance or coverage for health care  
6 16 services regulated by the commissioner.

6 17 Sec. 20. Sections 514E.5 and 514E.6, Code 2003, are  
6 18 repealed.

6 19 Sec. 21. EFFECTIVE DATE. The sections of this Act  
6 20 amending section 513C.7 and section 514E.2, subsection 13,  
6 21 take effect January 1, 2005.

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CHRISTOPHER C. RANTS  
Speaker of the House

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JEFFREY M. LAMBERTI  
President of the Senate

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I hereby certify that this bill originated in the House and  
is known as House File 2568, Eightieth General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

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THOMAS J. VILSACK  
Governor