

SENATE FILE 25

By RABEDAUX, SCHWIEGER, ANDERSEN,
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(Monroe, McCormick, Lipsky, Avenson,
Bittle, Bortell, Brinck, Brunow,
Byerly, Caffrey, Carr, Clark of
Dubuque, Cochran, Crawford, Cusack,
Doyle, Drake, Dunton, Edelen, Ewing,
Ferguson, Fisher of Greene, Fitzgerald
Freeman, Griffee, Hargrave, Hennessey,
Higgins, Hill, Horn, Husak, Hutchins,
Jesse, Jordan, Krause, Logue,
Mendenhall, Middleswart, Miller of
Cerro Gordo, Miller of Buchanan,
Miller of Calhoun, Newhard, Norland,
Norpel, O'Halloran, Patchett, Peterson
Poncy, Rapp, Readinger, Rinas, Small,
Stanley, Tofte, Wells, Woods, Wyckoff
and Connors)

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McCartney, Chairman
Kelly
Glenn

Passed Senate, Date 2-8-73 (273) Passed House, Date _____
Vote: Ayes 27 Nays 21 Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act to authorize the establishment and continuing regula-
2 tion of health maintenance organizations and to provide
3 penalties.

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

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1 Section 1. NEW SECTION. PURPOSE. The general assembly
2 determines that health maintenance organizations, when properly
3 regulated, encourage methods of treatment and controls over
4 the quality of care which effectively contain costs and provide
5 for continuous health care by undertaking responsibility for
6 the provision, availability, and accessibility of services.
7 It is the intent of this Act that legal barriers be removed
8 to allow a variety of organizational structures to establish
9 and operate health maintenance organizations in order to
10 provide for experimentation with and improvement in this
11 alternative system of health care delivery. For this reason,
12 and because the primary responsibility of a health maintenance
13 organization lies in providing health care services on a
14 prepaid basis without regard to the type and number of services
15 actually rendered, rather than providing indemnification
16 against the cost of such services, the general assembly finds
17 it necessary to provide a statutory framework for the
18 establishment and continuing regulation of health maintenance
19 organizations which is separate from the insurance laws of
20 this state, except as otherwise provided in this Act.

21 Sec. 2. NEW SECTION. DEFINITIONS. As provided in this
22 Act, unless the context otherwise requires:

- 23 1. "Commissioner" means the commissioner of insurance.
- 24 2. "Health care services" means services included in the
25 furnishing to any individual of medical or dental care, or
26 hospitalization, or incident to the furnishing of such care
27 or hospitalization, as well as the furnishing to any person
28 of all other services for the purposes of preventing, alle-
29 viating, curing, or healing human illness or injury.
- 30 3. "Health maintenance organization" means any arrange-
31 ment by which a person undertakes to provide, arrange for,
32 pay for or reimburse any part of the cost of any health care
33 services and at least part of such arrangement consists of
34 arranging for or the provision of health care services, as
35 distinguished from mere indemnification against the cost of

1 such services, on a prepaid basis through insurance or other-
2 wise.

3 4. "Enrollee" means an individual who is enrolled in a
4 health maintenance organization.

5 5. "Provider" means any physician, hospital, or person
6 as defined in chapter four (4) of the Code which is licensed
7 or otherwise authorized in this state to furnish health care
8 services.

9 6. "Basic health care services" means services which an
10 enrollee might reasonably require in order to be maintained
11 in good health, including as a minimum, emergency care, in-
12 patient hospital and physician care, and outpatient and other
13 medical services.

14 7. "Evidence of coverage" means any certificate, agree-
15 ment, or contract issued to an enrollee setting out the
16 coverage to which he is entitled.

17 Sec. 3. NEW SECTION. ESTABLISHMENT OF HEALTH MAINTENANCE ORGANIZATIONS. Any person may apply to the commissioner
18 for and obtain a certificate of authority to establish and
19 operate a health maintenance organization in compliance with
20 this Act. A person shall not establish or operate a health
21 maintenance organization in this state, nor sell, offer to
22 sell, or solicit offers to purchase or receive advance or
23 periodic consideration in conjunction with a health mainte-
24 nance organization without obtaining a certificate under
25 this Act.
26

27 Every person operating a health maintenance organization
28 on January 1, 1974 shall submit an application for a certi-
29 ficate of authority under section four (4) of this Act not
30 later than January 31, 1974. The health maintenance orga-
31 nization may continue to operate until the commissioner acts
32 upon the application, but if the application is denied the
33 applicant shall be treated as a health maintenance organiza-
34 tion whose certificate of authority has been revoked.

35 Sec. 4. NEW SECTION. APPLICATION FOR A CERTIFICATE OF

1 AUTHORITY. An application for a certificate of authority
2 shall be verified by an officer or authorized representative
3 of the health maintenance organization, shall be in a form
4 prescribed by the commissioner, and shall set forth or be
5 accompanied by the following:

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

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

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

20 4. A copy of any contract made or to be made between any
21 providers or persons listed in subsection three (3) of this
22 section and the applicant.

23 5. A statement generally describing the health maintenance
24 organization including, but not limited to, a description
25 of its facilities and personnel.

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

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

30 8. Financial statements showing the applicant's assets,
31 liabilities, and sources of financial support. If the
32 applicant's financial affairs are audited by an independent
33 certified public accountant, a copy of the applicant's most
34 recent regular certified financial statement shall satisfy
35 this requirement unless the commissioner directs that

1 additional financial information is required for the proper
2 administration of this Act.

3 9. A description of the proposed method of marketing the
4 plan and a three-year projection of operating expenses and
5 sources of funding.

6 10. A power of attorney executed by any applicant who is
7 not domiciled in this state appointing the commissioner, his
8 successors in office and deputies as the true and lawful
9 attorney of the applicant for this state upon whom all lawful
10 process in any legal action or proceeding against the health
11 maintenance organization on a cause of action arising in this
12 state may be served.

13 11. A statement reasonably describing the geographic area
14 to be served.

15 12. A description of the complaint procedures to be utilized
16 as required under section fifteen (15) of this Act.

17 13. A description of the procedures and programs to be
18 implemented to meet the requirements for quality of health
19 care review as determined by the commissioner of public health
20 under this Act.

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

24 15. Other information the commissioner finds necessary
25 to make the determinations required in section six (6) of
26 this Act.

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

31 Upon receipt of an application for a certificate of author-
32 ity, the commissioner shall immediately transmit copies of
33 the application and accompanying documents to the commissioner
34 of public health.

35 Sec. 5. NEW SECTION. DUTIES OF THE COMMISSIONER OF PUBLIC

1 HEALTH. The commissioner of public health shall determine
2 whether the applicant for a certificate of authority, with
3 respect to health care services to be furnished:

4 1. Has demonstrated the willingness and potential ability
5 to assure the availability, accessibility and continuity of
6 service through adequate personnel and facilities.

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

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

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

24 Within a reasonable period of time from the receipt of
25 the application for a certificate of authority, the com-
26 missioner of public health shall certify to the commissioner
27 whether the proposed health maintenance organization meets
28 the requirements of this section. If the commissioner of
29 public health certifies that the health maintenance organi-
30 zation does not meet these requirements, he shall specify
31 in what respects it is deficient.

32 Sec. 6. NEW SECTION. ISSUANCE AND DENIAL OF A CERTI-
33 FICATE OF AUTHORITY. The commissioner shall issue or deny
34 a certificate of authority to any person filing an applica-
35 tion pursuant to section four (4) of this Act within a rea-

1 sonable period of time after receiving certification from
2 the commissioner of public health. Issuance of a certificate
3 of authority shall be granted upon payment of the application
4 fee prescribed in section twenty-three (23) of this Act if
5 the commissioner is satisfied that the following conditions
6 are met:

7 1. The persons responsible for the conduct of the affairs
8 of the applicant are competent and trustworthy.

9 2. The commissioner of public health certifies that the
10 health maintenance organization's proposed plan of operation
11 meets the requirements of section five (5) of this Act.

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

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

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

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

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

35 d. Any agreement made with providers for the provision

1 of health care services.

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

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

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

11 7. Any deficiencies certified by the commissioner of
12 public health have been corrected.

13 A certificate of authority shall be denied only after com-
14 pliance with the requirements of section twenty-seven (27)
15 of this Act.

16 Sec. 7. NEW SECTION. POWERS OF HEALTH MAINTENANCE
17 ORGANIZATIONS. The powers of a health maintenance organi-
18 zation include, but are not limited to, the following:

19 1. The purchase, lease, construction, renovation, opera-
20 tion or maintenance of hospitals, medical facilities, or both,
21 and their ancillary equipment, and such property as may
22 reasonably be required for transacting the business of the
23 organization.

24 2. The making of loans to a medical group under contract
25 with it or to a corporation under its control for the purpose
26 of acquiring or constructing medical facilities and hospitals
27 or in furtherance of a program providing health care services
28 to enrollees.

29 3. The furnishing of health care services to the public
30 through providers which are under contract with or employed
31 by the health maintenance organization.

32 4. The contracting with any person for the performance
33 on its behalf of certain functions such as marketing,
34 enrollment and administration.

35 5. The contracting with an insurance company authorized

1 to insure groups or individuals in this state for the cost
2 of health care or with a corporation authorized under chapter
3 five hundred fourteen (514) of the Code for the provision
4 of insurance, indemnity, or reimbursement against the cost
5 of health care services provided by the health maintenance
6 organization.

7 6. The offering, in addition to basic health care services,
8 of health care services and indemnity benefits to enrollees
9 or groups of enrollees.

10 7. The acceptance from any person of payments covering
11 all or part of the charges made to enrollees of the health
12 maintenance organization.

13 A health maintenance organization shall file notice with
14 the commissioner before the exercise of any power granted
15 in subsections one (1) and two (2) of this section. The
16 notice shall be accompanied by adequate supporting information
17 obtained from the commissioner of public health relating to
18 the health maintenance organization's need for physical
19 facilities. The commissioner shall disapprove the exercise
20 of power if in his opinion it would substantially and adversely
21 affect the financial soundness of the health maintenance or-
22 ganization and endanger its ability to meet its obligations.
23 The commissioner may promulgate rules exempting from the
24 filing requirement of this section those activities having
25 a minimum effect.

26 Sec. 8. NEW SECTION. GOVERNING BODY. The governing body
27 of any health maintenance organization may include providers,
28 other individuals, or both, but it shall establish a mechanism
29 to allow enrollees to participate in matters of policy and
30 operation.

31 Sec. 9. NEW SECTION. FIDUCIARY RESPONSIBILITIES. Any
32 director, officer or partner of a health maintenance orga-
33 nization who receives, collects, disburses or invests funds
34 in connection with the activities of a health maintenance
35 organization shall be responsible for these funds in a

1 fiduciary relationship to the enrollees.

2 Sec. 10. NEW SECTION. EVIDENCE OF COVERAGE. Every
3 enrollee shall receive an evidence of coverage and any amend-
4 ments. If the enrollee obtains coverage through an insurance
5 policy or a contract issued by a corporation authorized under
6 chapter five hundred fourteen (514) of the Code, the insurer
7 or the corporation shall issue the evidence of coverage.
8 No evidence of coverage or amendment shall be issued or de-
9 livered to any person in this state until a copy of the form
10 of the evidence of coverage or amendment has been filed with
11 and approved by the commissioner.

12 An evidence of coverage shall contain a clear and complete
13 statement of:

14 1. The health care services and the insurance or other
15 benefits, if any, to which the enrollee is entitled in the
16 total context of the organizational structure of the health
17 maintenance organization.

18 2. Any limitations on the services or benefits to be
19 provided, including any deductible or copayment feature
20 permitted under section six (6), subsection three (3) of this
21 Act.

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

24 4. The total amount of payment for health care services
25 and indemnity or service benefits, if any, which the enrollee
26 is obligated to pay with respect to individual contracts,
27 or an indication whether the plan offered through the health
28 maintenance organization is contributory or noncontributory
29 with respect to group contracts.

30 5. The health maintenance organization's method for
31 resolving enrollee complaints.

32 A copy of the form of the evidence of coverage to be used
33 in this state and any amendment shall be subject to the filing
34 and approval requirements of this section unless it is subject
35 to the jurisdiction of the commissioner under the laws

1 governing health insurance or corporations authorized under
2 chapter five hundred fourteen (514) of the Code in which event
3 the filing and approval provisions of such laws apply. To
4 the extent, however, that those provisions are less strict
5 than those provided under this section, then the requirements
6 of this section shall apply.

7 Enrollees shall be entitled to receive the most recent
8 statement of the financial condition of the health maintenance
9 organization in which they are enrolled.

10 Sec. 11. NEW SECTION. CHARGES--APPROVAL REQUIRED. No
11 schedule of charges for enrollee coverage for health care
12 services or amendment to the schedule may be used by a health
13 maintenance organization until a copy of the schedule or
14 amendment to the schedule has been filed with and approved
15 by the commissioner. Charges to enrollees may be established
16 in accordance with actuarial principles for various categories
17 of enrollees, but the charges shall not be determined according
18 to the status of an individual enrollee's health and shall
19 not be excessive, inadequate or unfairly discriminatory.

20 Sec. 12. NEW SECTION. DISAPPROVAL OF FILINGS. If the
21 commissioner disapproves a filing made pursuant to sections
22 ten (10) and eleven (11) of this Act, he shall notify the
23 filer and in the notice specify the reasons for his
24 disapproval. A hearing shall be granted by the commissioner
25 within thirty days after receipt by the filer of the notice
26 of disapproval. The commissioner may require the submission
27 of whatever relevant information he deems necessary in deter-
28 mining whether to disapprove a filing.

29 Sec. 13 NEW SECTION. ANNUAL REPORT. A health maintenance
30 organization shall annually before the first day of March
31 file with the commissioner, with a copy to the commissioner
32 of public health, a report verified by at least two of its
33 principal officers and covering the preceding calendar year.
34 The report shall be on forms prescribed by the commissioner
35 and shall include:

1 1. A financial statement of the organization, including
2 its balance sheet, receipts and disbursements for the preceding
3 year certified by an independent public accountant.

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

6 3. The number of persons enrolled during the year, the
7 number of enrollees as of the end of the year and the number
8 of enrollments terminated during the year.

9 4. A summary of information compiled pursuant to section
10 five (5), subsection three (3) of this Act in the form required
11 by the commissioner of public health.

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

15 Sec. 14. NEW SECTION. OPEN ENROLLMENT. After a health
16 maintenance organization has been in operation twenty-four
17 months, it shall have an annual open enrollment period of
18 at least one month during which it accepts enrollees up to
19 the limits of its capacity, as determined by the health
20 maintenance organization, in the order in which they apply
21 for enrollment. A health maintenance organization may apply
22 to the commissioner for authorization to impose such under-
23 writing restrictions upon enrollment as are necessary to
24 preserve its financial stability, to prevent excessive ad-
25 verse selection by prospective enrollees, or to avoid unrea-
26 sonably high or unmarketable charges for enrollee coverage
27 for health care services. The commissioner shall approve
28 or deny the application made pursuant to this section within
29 a reasonable period of time from the receipt of the appli-
30 cation.

31 Health maintenance organizations providing services ex-
32 clusively on a group contract basis may limit the open
33 enrollment provided for in this section to all members of
34 the group covered by the contract.

35 Sec. 15. NEW SECTION. COMPLAINT SYSTEM. A health

1 maintenance organization shall establish and maintain a
2 complaint system which has been approved by the commissioner
3 in consultation with the commissioner of public health and
4 which shall provide for the resolution of written complaints
5 initiated by enrollees concerning health care services. A
6 health maintenance organization shall submit to the commis-
7 sioner and to the commissioner of public health an annual
8 report in a form prescribed by the commissioner in consulta-
9 tion with the commissioner of public health, which shall
10 include:

11 1. A description of the procedures of the complaint system.

12 2. The total number of complaints handled through the
13 complaint system and a compilation of causes underlying the
14 complaints filed.

15 3. The number, amount and disposition of malpractice
16 claims settled during the year by the health maintenance
17 organization and any of its providers.

18 The health maintenance organization shall maintain
19 statistical information of written complaints filed with it
20 concerning benefits over which the health maintenance orga-
21 nization does not have control and shall submit to the com-
22 missioner a summary report at the time and in the format that
23 the commissioner may require. Complaints involving other
24 persons shall be referred to those persons and a copy of the
25 complaint sent to the commissioner.

26 Sec. 16. NEW SECTION. INVESTMENTS. With the exception
27 of investments made in accordance with section seven (7) of
28 this Act, the investable funds of a health maintenance orga-
29 nization shall be invested only in securities or other invest-
30 ments permitted by section five hundred eleven point eight
31 (511.8) of the Code for the investment of assets constituting
32 the legal reserves of life insurance companies or such other
33 securities or investments as the commissioner may permit.
34 For purposes of this section, investable funds of a health
35 maintenance organization are all moneys held in trust for

1 the purpose of fulfilling the obligations incurred by a health
2 maintenance organization in providing health care services
3 to enrollees.

4 Sec. 17. NEW SECTION. PROTECTION AGAINST INSOLVENCY.

5 A health maintenance organization shall furnish a surety bond
6 in an amount satisfactory to the commissioner, or deposit
7 with the commissioner cash or securities acceptable to him
8 in at least the same amount, as a guarantee that its obliga-
9 tions to enrollees will be performed. The commissioner may
10 waive this requirement when satisfied that the assets of the
11 organization or its contracts with other organizations are
12 sufficient to reasonably assure the performance of its
13 obligations.

14 Sec. 18. NEW SECTION. CANCELLATION OF ENROLLEES. An
15 enrollee shall not be cancelled except for the failure to
16 pay the charges permitted under section eleven (11) of this
17 Act or for other reasons stated in the rules promulgated by
18 the commissioner and subject to review in accordance with
19 chapter seventeen A (17A) of the Code. No notice of
20 cancellation to an enrollee shall be effective unless de-
21 livered to the enrollee by the health maintenance organization
22 in a manner prescribed by the commissioner and at least thirty
23 days before the effective date of cancellation and unless
24 accompanied by a statement of reason for cancellation. At
25 any time before cancellation of the policy for nonpayment,
26 the enrollee may pay to the health maintenance organization
27 the full amount due, including court costs if any, and from
28 the date of payment by the enrollee or the collection of the
29 judgment, coverage shall revive and be in full force and effect.

30 Sec. 19. NEW SECTION. FALSE REPRESENTATION. A health
31 maintenance organization, unless licensed as an insurer, shall
32 not use in its name, contracts, or literature any words
33 descriptive of an insurance, casualty, or surety business
34 or deceptively similar to the name or description of any
35 insurance or surety corporation doing business in this state.

1 No health maintenance organization or any person on its behalf
2 shall advertise or merchandise its services in a manner to
3 misrepresent its services or capacity for service, nor shall
4 it engage in misleading, deceptive or unfair practices with
5 respect to advertising or merchandising. This section does
6 not exempt health maintenance organizations which are engaged
7 in the business of insurance from regulation under the
8 provisions of chapter five hundred seven B (507B) of the Code.

9 Sec. 20. NEW SECTION. REGULATION OF AGENTS. The
10 commissioner may, after notice and hearing, promulgate such
11 reasonable rules under the provisions of chapter five hundred
12 twenty-two (522) of the Code that are necessary to provide
13 for the licensing of agents who engage in solicitation or
14 enrollment for a health maintenance organization.

15 Sec. 21. NEW SECTION. POWERS OF INSURERS AND HOSPITAL
16 AND MEDICAL SERVICE CORPORATIONS. An insurance company
17 authorized to engage in insuring individuals or groups for
18 the cost of health care in this state or a corporation autho-
19 rized under chapter five hundred fourteen (514) of the Code
20 may either directly or through a subsidiary or affiliate do
21 one or more of the following:

22 1. Organize and operate a health maintenance organization
23 under the provisions of this Act.

24 2. Contract with a health maintenance organization to
25 provide insurance or similar protection against the cost of
26 care provided through the health maintenance organization.

27 3. Contract with a health maintenance organization to
28 provide coverage in the event of the failure of the health
29 maintenance organization to meet its obligations.

30 Any two or more insurance companies, corporations, or their
31 subsidiaries or affiliates may jointly organize and operate
32 a health maintenance organization.

33 Sec. 22. NEW SECTION. PUBLIC EMPLOYEES INCLUDED. Any
34 employee of the state, political subdivision of the state,
35 or of any institution supported in whole or in part by public

1 funds may authorize the deduction from his salary or wages
2 of the amount charged to him for any health care services
3 provided through health maintenance organizations under this
4 Act in the manner provided in section five hundred fourteen
5 point sixteen (514.16) of the Code.

6 Sec. 23. NEW SECTION. FEES. Every health maintenance
7 organization subject to this Act shall pay to the commissioner
8 the following fees:

9 1. For filing an application for a certificate of authority
10 or an amendment to the certificate, one hundred dollars.

11 2. For filing each annual report, twenty-five dollars.

12 Fees charged under this section shall be remitted to the
13 treasurer of state and credited by him to the general fund.

14 Sec. 24. NEW SECTION. RULES. The commissioner and the
15 commissioner of public health may promulgate rules as are
16 necessary to carry out the provisions of this Act, subject
17 to review in accordance with chapter seventeen A (17A) of
18 the Code.

19 Sec. 25. NEW SECTION. EXAMINATIONS PERMITTED. The
20 commissioner shall make an examination of the affairs of any
21 health maintenance organization and its providers as often
22 as he deems necessary for the protection of the interests
23 of the people of this state, but not less frequently than
24 once every three years.

25 The commissioner of public health shall make an examina-
26 tion concerning the quality of health care services provided
27 through any health maintenance organization as often as he
28 deems necessary for the protection of the interests of the
29 people of this state, but not less frequently than once every
30 three years.

31 Every health maintenance organization and provider shall
32 submit its books and records to the commissioner and the
33 commissioner of public health and in every way facilitate
34 the examination. For the purpose of examinations, the com-
35 missioners may administer oaths to and examine the officers

1 and agents of the health maintenance organization and the
2 principals of its providers concerning their business. The
3 expenses of examinations under this section shall be assessed
4 against the organization being examined and remitted to the
5 commissioner or commissioner of public health as the case
6 may be.

7 In lieu of the examination required by this section, either
8 commissioner may accept the report of an examination made
9 by the appropriate departments in other states.

10 Sec. 26. NEW SECTION. SUSPENSION OR REVOCATION OF
11 CERTIFICATE OF AUTHORITY. The commissioner may suspend or
12 revoke any certificate of authority issued to a health main-
13 tenance organization under this Act if he finds that the
14 health maintenance organization is operating in contravention
15 of its proposed plan of operation on the basis of which a
16 certificate of authority was issued to it or has failed to
17 comply with the provisions of and rules promulgated under
18 this Act. When the certificate of authority of a health
19 maintenance organization is suspended, the health maintenance
20 organization shall not, during the period of suspension,
21 enroll any additional enrollees except newly acquired
22 dependents of existing enrollees and shall not engage in any
23 advertising or solicitation or merchandising for the health
24 maintenance organization. When the certificate of authority
25 of a health maintenance organization is revoked, the health
26 maintenance organization shall, immediately following the
27 effective date of the order of revocation, conduct no further
28 business except as may be essential to the orderly conclusion
29 of its affairs and shall engage in no further advertising
30 or solicitation or merchandising. The commissioner may in
31 writing permit continued operation of the organization as
32 he finds to be in the best interest of enrollees to the end
33 that enrollees will be afforded the greatest practical
34 opportunity to obtain continuing health care coverage.

35 The commissioner may, in lieu of suspension or revocation

1 of a certificate of authority, levy an administrative penalty
2 in an amount not more than five thousand dollars, if reason-
3 able notice in writing is given of the intent to levy the
4 penalty and the health maintenance organization has a rea-
5 sonable time within which to remedy the defect in its oper-
6 ations which gave rise to the penalty citation. The commis-
7 sioner may increase this penalty by an amount equal to the
8 sum that he calculates to be the damages suffered by enrollees
9 or other members of the public.

10 Sec. 27. NEW SECTION. ADMINISTRATIVE PROCEDURES. When
11 the commissioner has cause to believe that grounds for the
12 denial, suspension, or revocation of a certificate of authority
13 exist, he shall notify the health maintenance organization
14 in writing of the particular grounds for denial, suspension,
15 or revocation and shall issue a notice of a time fixed for
16 a hearing, which shall be held not less than ten days after
17 the receipt by the health maintenance organization of the
18 notice. The commissioner of public health or his designee
19 shall participate in the proceedings of the hearing and his
20 recommendation and findings with respect to matters relating
21 to the quality of health care services provided in connection
22 with any decision regarding denial, suspension, or revocation
23 of a certificate of authority, or in connection with an order
24 to the health maintenance organization by the commissioner
25 to cease from methods or practices in violation of this Act,
26 shall be conclusive and binding upon the commissioner.

27 At the time and place fixed for a hearing, the person
28 charged shall have an opportunity to be heard and to show
29 cause why the order should not be made by the commissioner.
30 Upon good cause shown, the commissioner may permit any per-
31 son to intervene, appear and be heard at the hearing by coun-
32 sel or in person. Nothing contained in this Act shall require
33 the observance at any hearing of formal rules of pleading
34 or evidence. The provisions of section five hundred seven
35 B point six (507B.6), subsections four (4) and five (5) of

1 the Code relating to the powers and duties of the commissioner
2 in relation to the hearing and relating to the rights and
3 obligations of persons upon whom the commissioner has served
4 notice shall apply to this Act.

5 After the hearing, or upon the failure of the health
6 maintenance organization to appear at the hearing, the com-
7 missioner shall take action as he deems advisable and which
8 is permitted by him under the provisions of this Act and shall
9 reduce his findings to writing. Copies of the written findings
10 shall be mailed to the health maintenance organization charged
11 with violation of this Act and to the commissioner of public
12 health.

13 Sec. 28. NEW SECTION. JUDICIAL REVIEW. The action of
14 the commissioner and the recommendation and findings of the
15 commissioner of public health under section twenty-seven (27)
16 of this Act shall be subject to review by the district court
17 of Polk county according to the proceedings set out under
18 the provisions of section five hundred seven B point eight
19 (507B.8) of the Code. Until the expiration of the ten days
20 allowed for filing a petition for review, if no petition has
21 been filed, or if a petition for review has been filed within
22 that time, then until the transcript of the record in the
23 proceeding has been filed in the district court as provided
24 in section five hundred seven B point eight (507B.8) of the
25 Code, the commissioner may at any time, upon notice, modify
26 or set aside in whole or in part any order issued by him under
27 section twenty-seven (27) of this Act. After the expiration
28 of the ten days allowed for filing a petition for review and
29 if no petition has been filed, the commissioner may at any
30 time, after notice and opportunity for a hearing, reopen and
31 alter, modify, or set aside, in whole or in part, any order
32 issued by him under section twenty-seven (27) of this Act,
33 when in his opinion conditions of fact or of law require the
34 action, or if the public interest shall so require.

35 Sec. 29. NEW SECTION. INJUNCTION. The commissioner

1 may, in the manner provided by law, maintain an action in
2 the name of the state for injunction or other process against
3 the person violating any provision of this Act.

4 Sec. 30. NEW SECTION. PENALTIES. Where no other penalty
5 is provided for in this Act, any person who violates any of
6 the provisions of this Act shall be guilty of a misdemeanor
7 and upon conviction shall be punished by a fine not to exceed
8 one hundred dollars or by imprisonment for a period not to
9 exceed thirty days or be punished by both such fine and
10 imprisonment.

11 Sec. 31. NEW SECTION. CONFIDENTIALITY OF MEDICAL
12 INFORMATION. Any data or information pertaining to the
13 diagnosis, treatment, or health of an individual enrollee
14 or applicant obtained by a health maintenance organization
15 shall be held in confidence and shall not be disclosed to
16 any person except to the extent that it may be necessary to
17 carry out the purpose of this Act, or upon the express consent
18 of the enrollee or applicant, or pursuant to statute or court
19 order for the production or discovery of evidence, or in the
20 event of a claim or litigation between the enrollee or
21 applicant and the health maintenance organization, when the
22 information is pertinent. A health maintenance organization
23 shall be entitled to claim any statutory privileges against
24 disclosure of medical information which the provider who
25 furnished the information to the health maintenance
26 organization is entitled to claim.

27 Sec. 32. NEW SECTION. TAXATION. Payments received by
28 a health maintenance organization for health care services,
29 insurance, indemnity, or other benefits to which an enrollee
30 is entitled through a health maintenance organization
31 authorized under this Act and payments by a health mainte-
32 nance organization to providers for health care services,
33 to insurers, or corporations authorized under chapter five
34 hundred fourteen (514) of the Code for insurance, indemnity,
35 or other service benefits authorized under this Act are not

1 premiums received and taxable under the provisions of section
2 four hundred thirty-two point one (432.1) of the Code.

3 Sec. 33. NEW SECTION. CONSTRUCTION.

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

12 2. Solicitation of enrollees by a health maintenance
13 organization granted a certificate of authority or its
14 representatives shall not be construed to violate any pro-
15 vision of law prohibiting solicitation or advertising by
16 health professionals.

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

22 Sec. 34. Section two hundred forty-nine A point four
23 (249A.4), subsection four (4), Code 1973, is amended to read
24 as follows:

25 4. Have authority to contract with any corporation or
26 ~~corporations~~, authorized to engage in this state in insuring
27 groups or individuals for all or part of the cost of medical,
28 hospital, or other health care or with any corporation or
29 ~~corporations~~ maintaining and operating a medical, hospital,
30 or health service prepayment plan ~~or plans~~ under the provisions
31 of chapter 514 or with any health maintenance organization
32 authorized to operate in this state, for any or all of the
33 benefits to which any recipients are entitled under this
34 chapter to be provided by such corporation ~~or corporations~~
35 or health maintenance organization on a prepaid individual

1 or group basis.

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

4 509A.6 CONTRACT WITH INSURANCE CARRIER. The governing
5 body may contract with a nonprofit corporation operating under
6 the provisions of this chapter or chapter 514 or with any
7 insurance company having a certificate of authority to transact
8 an insurance business in this state with respect of a group
9 insurance plan, which may include life, accident, health,
10 hospitalization and disability insurance during period of
11 active service of such employees, with the right of any
12 employee to continue such life insurance in force after
13 termination of active service at such employee's sole expense;
14 and may contract with a nonprofit corporation operating under
15 and governed by the provisions of this chapter or chapter
16 514 with respect of any hospital or medical service plan;
17 and may contract with a health maintenance organization
18 authorized to operate in this state with respect to health
19 maintenance organization activities.

20 Sec. 36. EFFECTIVE DATE. The provisions of this Act shall
21 become effective January 1, 1974.

22 EXPLANATION

23 Under this bill, any person may apply for and obtain a
24 certificate of authority from the Commissioner of Insurance
25 to establish and operate a health maintenance organization
26 in compliance with the provisions of the bill. The health
27 maintenance organization must, at a minimum, be able to pro-
28 vide or arrange for the provision of medical services and
29 hospital care for a fixed prepaid sum which is unaffected
30 by the actual amount or type of services which the individual
31 actually receives. Other health care services which may be
32 provided by a health maintenance organization either on a
33 prepaid basis or through the payment of indemnity or service
34 benefits include "all services for the purpose of preventing,
35 alleviating, curing, or healing human illness or injury."

1 The flexibility provided in the bill to health maintenance
2 organizations in piecing together the package of coverage
3 through direct and indirect services and indemnity benefits
4 is meant to enable health maintenance organizations to meet
5 health care needs in a wide variety of circumstances and
6 through various organizational structures.

7 The latitude given in the bill to the Commissioner of
8 Insurance in regulating the establishment and operation of
9 health maintenance organizations corresponds to the goal of
10 the bill. In determining to what extent fiscal reserves
11 should be required of a health maintenance organization, the
12 Commissioner may consider among other criteria: the number
13 of enrollees to be served; the restrictions on indemnity
14 benefits to be offered by the health maintenance organization;
15 the contracts entered into between the health maintenance
16 organization and insurance companies or health service
17 prepayment corporations for indemnity against the cost of
18 services not available through a health maintenance
19 organization.

20 Key sections of the bill override existing legal barriers
21 to the formation and development of health maintenance orga-
22 nizations, including:

23 1. The law requiring incorporation under Chapter 514 of
24 the Code which is in itself restrictive.

25 2. Insurance laws which are inappropriate to the preventa-
26 tive aspect of health maintenance.

27 3. Laws which prohibit solicitation or advertising by
28 health professionals.

29 4. The legal doctrine that a lay-controlled corporation
30 providing health care services to the public through physicians
31 employed by it is engaging in the practice of medicine without
32 a license to do so.

33 The bill provides for regulation of agents who engage in
34 solicitation of enrollees for health maintenance organiza-
35 tions, requires that the Commissioner of Public Health make

1 all determinations with regard to quality of care review,
2 and provides that insurance companies and health service pre-
3 payment corporations are exempt from existing laws only with
4 respect to their health maintenance organization activities
5 authorized under the bill.

6 The bill also authorizes the Commissioner of Social Services
7 to contract with health maintenance organizations for the
8 provision of health care services to Medicaid recipients.

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1 Amend Senate File 25 as follows:

2 1. Page 3, line 12, by striking the words "and
3 other".

4 2. Page 3, line 13, by inserting after the word
5 "services" the words "rendered within or outside of
6 a hospital".

7 3. Page 5, line 4, by striking all after the word
8 "plan" and inserting in lieu thereof the words ", a
9 financial plan which includes a three-year projection
10 of operating results anticipated, and a statement as
11 to the".

12 4. Page 5, line 19, by striking the word "review".

13 5. Page 5, line 20, by inserting after the word
14 "under" the words "section five (5) of".

15 6. Page 5, line 24, by inserting after the word
16 "finds" the word "reasonably".

17 7. Page 10, line 19, by striking the words
18 "copayment feature" and inserting in lieu thereof
19 the words "coinsurance charges".

20 8. Page 10, by adding after line 31 the following
21 subsection:

22 "6. The mechanism by which enrollees shall be
23 allowed to participate in matters of policy and
24 operation."

25 9. Page 11, by striking lines 7 through 9

*Adopted
2-8-73
(261)*

Page 2

1 inclusive and inserting in lieu thereof the follow-
2 ing:

3 "Enrollees shall be entitled to receive the most
4 recent annual statement of the financial condition
5 of the health maintenance organization in which they
6 are enrolled, which statement shall include a
7 balance sheet and summary of receipts and disburse-
8 ments."

9 10. Page 11, line 24, by inserting after the word
10 "commissioner" the words "within a reasonable period
11 of time from the request for the hearing, which
12 request must be made.

13 11. Page 17, line 34, by adding after the period
14 the sentence "If the certificate of authority of a
15 health maintenance organization is revoked, the
16 commissioner shall report the revocation to the
17 attorney general who shall apply to the district
18 court for the appointment of a receiver to close the
19 affairs of the health maintenance organization."

20 12. Page 18, line 6, by striking all after the
21 period and by striking lines 7, 8, and 9.

22 13. Page 20, line 17, by striking the words "the
23 purpose" and inserting in lieu thereof the words
24 "the provisions of section twenty-five (25)".

25 14. Page 20, line 22, by striking the word

*Withdrawn
2-8-73
(262)*

Page 3

1 "pertinent" and inserting in lieu thereof the words
2 "relevant and material".

S-27

1 Amend Senate File 25, page 21, line 2, by adding after
the
2 word "Code" the following: "for the first five years
3 of the existence of the health maintenance organization,
its
4 successors or assigns. After the first five years, the
5 payments received shall be considered premiums received
and
6 shall be taxable under the provisions of section four
hundred
7 thirty-two point one (432.1) of the Code".

Filed - *Adopted 2/1*
February 1, 1973

By DE KOSTER

S-30

1 Amend Senate File 25, page 20, by striking lines 11 through
2 26 and inserting in lieu thereof the following:
3 "Sec. 31. NEW SECTION. COMMUNICATIONS IN PROFESSIONAL
4 CONFIDENCE. No officer, director, trustee, partner or
5 employee of a health maintenance organization shall testify
6 as to nor make other public disclosure of any communication
7 made to a provider and deemed privileged under section six
8 hundred twenty-two point ten (622.10) of the Code, and which
9 communication has come into the knowledge or possession of
such
10 officer, director, trustee, partner or employee by reason of
11 his employment with said health maintenance organization.
To
12 the extent necessary to effectuate the examinations provided
in
13 section twenty-five (25) of this Act only, the commissioner
14 or the commission of public health shall have the right to
15 examine medical or hospital records of a person receiving
basic
16 health care services under the provisions of this Act but
shall
17 not testify as to such confidential communications or make
other
18 public disclosure thereof without the express consent of
said
19 person or his legal representative, if he be deceased or
20 incompetent. The provisions of section six hundred twenty-
two
21 point ten (622.10) of the Code respecting waiver shall apply
22 to this section."

Filed - *Adopted as amended by S. 48 2/1* By RILEY, and GLENN
February 5, 1973

S-35

1 Amend Senate File 25 as follows:
2 Page 12, line 2, by inserting following the word "sheet"
3 the words "which shall contain a net profit or net loss
4 statement, and".

Filed. *Adopted 2/6*
February 6, 1973

By GLENN

S-36

1 Amend amendment S-30, by Riley and Glenn, filed on February
5,
2 1973, to Senate File 25, page 20, and found on Page 235 of
3 the Senate Journal as follows:
4 Line 22 by adding after the word "section." the follow-
5 ing new paragraph:
6 "A Health Maintenance Organization is hereby prohibited
7 from releasing the names of its membership list of enrollees,
8 whether or not for value or consideration, except to the
9 commissioner or commission of public health to the extent
10 necessary to effecuate the examination provided in section
11 25 of this Act.

Filed - *withdrawn 2/8*
February 6, 1973

By RILEY

S-37

1 Amend Senate File 25 as follows:
2 Page 21, by striking lines 17 through 21,
3 inclusive, and inserting in lieu thereof
4 the following:
5 "3. The providing of or arranging for health care
6 services to enrollees by a health maintenance
7 organization
8 as authorized by this Act shall not be deemed a
9 violation
10 of any provision of Title VIII of the Code to the
11 extent
12 that such health care services are rendered to
13 enrollees
14 by persons who themselves are not in violation of
15 Title VIII."

Filed - *withdrawn 2/8*
February 6, 1973

By COLEMAN

S-34

1 Amend Senate File 25 as follows:
2 Page 11, line 19, by inserting following the word
3 "discriminatory." the words:
4 "Charges which result in a net annual profit to the
5 health maintenance organization of more than seven per
6 cent
7 per year shall be considered excessive. When excessive
8 charges shall have been made, the commissioner shall
9 order
10 refunds be made to enrollees."

Filed - *lost 2/8*
February 6, 1973

By GLENN

S-38

1 Amend Senate File 25, page 8, by striking lines 29 through 31
 2 inclusive and inserting in lieu thereof the following:
 3 "3. The furnishing of health care services to en-
 4 rollees through physicians and surgeons, osteopathic
 5 physicians and surgeons, osteopathic physicians, dentists,
 6 optometrists and podiatrists who, either individually or
 7 in groups, are under contract with the health maintenance
 8 organization or through other providers who, either in-
 9 dividually or in groups, are under contract with or employe
 10 by the health maintenance organization."

Filed - *Withdrawn 2/6*
 February 6, 1973

By RILEY, SHAW and KELLY

S-33

1 Amend Senate File 25 as follows:
 2 Page 2, lines 30 and 31, by striking the words
 3 "arrangement by which a person" and inserting in lieu
 4 thereof the words "organization, corporation, or association
 5 which".

Filed - *Withdrawn 2/6*
 February 6, 1973

By GLENN

S-43

1 Amend Senate File 25 as follows:
 2 1. Page 2, strike lines 30 through 35, and page 3, strike
 3 lines 1 and 2, and insert in lieu thereof the following:
 4 "3. 'Health maintenance organization' means any organiza-
 5 tion which:
 6 a. provides either directly or through arrangements with
 7 others, health care services to members enrolled with the
 8 organization on a fixed prepayment basis;
 9 b. provides either directly or through arrangements with
 10 other persons for basic health care services; and,
 11 c. is responsible for the availability, accessibility and
 12 quality of the health care services provided or arranged."
 13 2. Page 5, line 34, by inserting after the word "health"
 14 following: "and the Iowa comprehensive health planning the
 15 council".
 16 3. Page 7, line 14, strike the following words: "through
 17 or otherwise," insurance
 18 4. Page 14, line 31, strike the words "unless licensed
 as an } *Rowe 2/6*
 insurer,".

Filed *1, 2, 3 adopted, of... 2/6 (204-5)* By COMMITTEE ON HUMAN RESOURCES
 February 7, 1973

S-45

1 Amend Senate File 25, page 21, line 16, by inserting after
2 the word "professionals" the following:
3 "; it being further provided, however, that no health
4 maintenance organization shall, in soliciting enrollees or
5 in any advertising, identify by name any physician or
6 osteopathic physician or surgeon, dentist, optometrist,
7 podiatrist or professional corporation with whom the
8 maintenance organization has an agreement to provide
9 care services".

Filed - *accepted as amended by S-62*
S-54 By RILEY
February 7, 1973

S-40

1 Amend Senate File 25 as follows:
2 1. Page 20, line 26, by inserting after the period
3 the sentence "All applications, annual reports, examina-
4 tions, and records of proceedings filed or conducted
5 pursuant to this Act, with the exception of confidential
6 data or information set forth in this section, shall be
7 matters of public record."

Filed - *withdrawing 2/1* By GLUBA
February 7, 1973

S-62

1 Amend S-45 to page 21 of Senate File 25, filed by Riley on
2 February 7, 1973, line 7 by striking the words "or
3 corporation".

Filed and adopted By SCHABEN
February 8, 1973

S-59

1 Amend Senate File 25, page 2, by adding the following
2 new paragraph after line 20:
3 "This section shall be printed in the Acts of the
4 Sixty-fifth General Assembly but shall not be printed
5 as part of the Code of Iowa."

Filed and adopted By DODERER
February 8, 1973

S-54

1 Amend S-45, by Riley, filed on February 7,
2 1973, to Senate File 25, Page 21, and found on page 257
3 of the Senate Journal as follows:
4 Line 7, by inserting after the word "podiatrist" the
5 word ", chiropractor".

Filed and adopted By MILLER
February 8, 1973

S-39

- 1 Amend Senate File 25 as follows:
- 2 1. Page 2, line 2, by inserting after the word } *W.D.*
- 3 "determines" the words "that adequate health care is } *admitted*
- 4 a right of all persons, regardless of race, color, } *3*
- 5 sex, age, or economic status and".
- 6 2. Page 2, line 13, by inserting after the word } *W.D.*
- 7 "providing" the word "quality".
- 8 3. Page 2, line 16, by inserting after the word } *Law*
- 9 "services" the words ", and to as broad a cross section } *Law*
- 10 of people as possible, with the maintenance of good } *Law*
- 11 health and the prevention of illness as a primary } *Law*
- 12 goal".
- 13 4. Page 9, line 28, by inserting after the word } *W.D.*
- 14 "but" the words "enrollees shall comprise one-third } *W.D.*
- 15 of its membership, and".
- 16 5. Page 11, line 18, by inserting after the word } *W.D.*
- 17 "health" the words "or age".

Filed *1, 4, 5 W.D., 2 adptd, 3 law* By GLUBA
 February 7, 1973 *2/7*

S-44

- 1 Amend Senate File 25, page 2, line 20, by striking the
 period
- 2 and inserting in lieu thereof the following:
- 3 ", and the general assembly further finds it
 desirable
- 4 to create, solely for health maintenance organizations,
 5 a special exception to existing law which precludes
 unlicensed
- 6 persons from practicing medicine and certain other
 professions
- 7 by means of employing licensed professionals and selling
 their
- 8 services to the public."

Filed - *Withdrawn 2/8* By RILEY and SHAW
 February 7, 1973

S-46

- 1 Amend amendment S-30, by Riley and Glenn, filed on February
 5,
- 2 1973, to Senate File 25, page 20, and found on Page 235 of
 the
- 3 Senate Journal as follows:
- 4 Line 22 by adding after the word "section." the follow-
 5 ing new paragraph:
- 6 "A health maintenance organization is hereby prohibited
 7 from releasing the names of its membership list of enrollees,
 8 whether or not for value or consideration, except to the
 9 commissioner or commission of public health to the extent
 10 necessary to effectuate the provisions of this Act.

Filed - *Withdrawn 2/8* By RILEY
 February 7, 1973

S-60

1 Amend the Glenn amendment to Senate File 25, S-34, page
11, by adding after
2 the word "cent" in line 5 the words "on its common equity"

Filed and lost
February 8, 1973

By PALMER

S-47

1 Amend Senate 25 as follows:
2 Page 2, line 1, by inserting after the word "assembly"
3 the words "recognizes that adequate health care is a right
4 of all, regardless of race, color, sex, age, or economic
5 status and therefore".

Filed and lost
February 8, 1973

By GLUBA

S-55

1 Amend Senate File 25 as follows:
2 1. Page 21, by adding after line 2 the following new
3 section:
4 "Sec. ____ . NEW SECTION. County and city hospitals
may
5 lease or sell their property for hospital purposes to any
6 person for use as physicians' offices and medical clinics."
7 2. By renumbering the remaining sections in accordance
8 with this amendment.

Filed and withdrawn
February 8, 1973

By SCHWIEGER

S-57

1 Amend amendment S-49 to page 2 of Senate File 25,
2 by inserting a period after the word "Code" in line 9
3 and by striking the remainder of the amendment.

Filed and lost
February 8, 1973

By DODERER

S-53

1 Amend Senate File 25, page 6, line 9, by striking the
words
2 "and outcomes".

Filed and lost
February 8, 1973

By DODERER

S-52

1 Amend Senate File 25, page 11, line 19 by striking the
2 word "unfairly".

Filed and withdrawn
February 8, 1973

By DODERER

S-61

1 Amend S-49 to page 2 of Senate File 25 by Riley and Shaw
filed
2 February 8, 1973 by striking all after the word
"profession"
3 in line 12 and all of lines 13 and 14 and inserting in
lieu
4 thereof the following: "and that an unlicensed person or
5 corporation cannot engage in the practice of a learned
6 fession either personally or through their employees who
pro-
may
7 be licensed to do."

Filed and withdrawn By RILEY
February 8, 1973

S-63

1 Amend S-49 to page 2 of Senate File by Riley and Shaw
filed
2 February 8, 1973 by striking all after the word
"profession"
3 in line 12 and all of lines 13 and 14 and inserting in
lieu
4 thereof the following: "and that an unlicensed person
or
5 corporation cannot engage in the practice of a learned
6 fession either personally or through their employees
pro-
who may
7 be licensed to do so."

Filed and withdrawn By RILEY
February 8, 1973

S-50

1 Amend Senate File 25 as follows:
2 1. Page 9, by striking from line 28 the words "it
shall
3 establish a mechanism".
4 2. Page 9, by striking lines 29 and 30 and inserting
in
5 lieu thereof the words "the governing body shall consist
of
6 at least one-third enrollees who are not related to any
profes-
7 sional person involved in health care delivery in the
first
8 degree and who have no other direct or official
relationship
9 to any profession involved in health care delivery."

Filed and withdrawn By GLUBA
February 8, 1973

S-22

1 Amend Senate File 25 as follows:

2 1. Page 22, by adding after line 1 the following
3 section:

4 "Sec. _____. Section four hundred thirty-two point
5 one (432.1), subsection two (2), Code 1973, is amended
6 to read as follows:

7 2. Two percent of gross amount of premiums, assess-
8 ments, and fees received during the preceding calendar
9 year by every company or association other than life on
10 contracts of insurance other than life for business done
11 in this state, including all insurance upon property
12 situated in this state, after deducting the amounts
13 returned upon canceled policies, certificates and
14 rejected applications.

15 In determining the gross amount of premiums to be
16 taxed hereunder, there shall be excluded all premiums
17 received from policies or contracts of accident or
18 health insurance."

19 2. Renumber remaining sections and correct internal
20 references as necessary in accordance with this amendment.

Filed *withdawn 2/8*
January 31, 1973

By GRIFFIN, SR.

S-48

1 Amend amendment S-30, by Riley and Glenn, filed on February
2 1973, to Senate File 25, page 20, and found on Page 235 of ^{5,}
3 the
4 Senate Journal as follows:

5 Line 22 by adding after the word "section." the follow-
6 ing new paragraph:

7 "A health maintenance organization is hereby prohibited
8 from releasing the names of its membership list of

9 whether or not for value or consideration, except to the
10 extent

Filed and adopted
February 8, 1973

By RILEY

1 Amend Senate File 25 as follows: Page 2, line 20, by
2 the period and inserting in lieu thereof the following: striking
3 ",and the general assembly further finds it desirable
4 to make a special exception, limited to health maintenance
5 organizations, in order that health maintenance organizations
6 may have the option of contracting with or employing providers
7 of health care services notwithstanding the provisions
8 Title VIII and section one hundred thirty five B point of
9 six (135B.26) of the Code which, together with Iowa twenty-
10 decisions, establish the common law rule that a court
11 cannot obtain or possess a license to practice a corporation
12 profession and that a licensed practitioner of such a learned
13 fession cannot lawfully practice his profession as an pro-
14 of an unlicensed person or corporation." employee

Filed and adopted
February 8, 1973

By RILEY and Shaw

S-197

- 1 Amend the House Amendment to Senate File 25, page 2,
- 2 line 14, by striking the quotation mark and inserting
- 3 in lieu thereof the following new paragraph:
- 4 "The executive committee of the governing body of
- 5 a health maintenance organization shall have reasonable
- 6 enrollee representation on it from the enrollee members
- 7 of the governing body.' "

Filed - *Revised out of order by* By SCHWIEGER and MURRAY
March 2, 1973 *adoption of S-248*

S-217

- 1 Amend the House Amendment to Senate File 25 as follows:
- 2 1. Page 1 by striking lines 22 through 25.
- 3 2. Page 2 by striking lines 1 through 14.

S-217 Filed - *Adopted 3-19* By RABEDEAUX
March 7, 1973

S-251

- 1 Amend Rabedeaux Amendment S-217 to House Amendment to
- 2 Senate File 25 by striking lines 2 and 3 and inserting
- 3 in lieu thereof the following:
- 4 "1. page 2, by striking lines 4 through 14 inclu-
- 5 sive and inserting in lieu thereof the following:
- 6 'individuals, or both.' "

S-251 Filed and lost By DODERER
March 19, 1973

S-248

- 1 Amend the House Amendment to Senate File 25, page 3,
- 2 by striking all of line 13.

S-248 Filed and adopted By DE KOSTER
March 19, 1973

S-258

- 1 Amend the House Amendment to Senate File 25, page 1,
- 2 by adding after line 21 the following new division:
- 3 (1) Page 9, line 26, by adding after the period the
- 4 following new sentence: "Board members of a single
- 5 board of any other corporation shall not constitute
- 6 a majority of the members of the health maintenance
- 7 organization board."

S-258 Filed and lost By DODERER
March 19, 1973

S-255

Division S-255A

1 Amend the House Amendment to Senate File 25, page 1, by
2 adding after line 21 the following new divisions:
3 (1) Page 9, line 26, by adding after the period the follow-
4 ing new sentence: "Every health maintenance organization
5 shall have a governing body separate and apart from the
6 governing body of any other legal entity."

Division S-255 B

7 (2) Page 9, by adding after line 30 the following new
8 paragraph:
9 "The executive committee of the governing body of
10 a health maintenance organization shall have reasonable
11 enrollee representation on it from the enrollee members
12 of the governing body."

S-255 Filed,
division S-255A ruled out of order
division S-255B lost
March 19, 1973

By SCHWIEGER

S-257

1 Amend the Doderer Amendment S-256 filed March 19
2 Line 6 by inserting the word "insurance" after the
3 word "single"

S-257 Filed, out of order
March 19, 1973

By SCHABEN

S-256

1 Amend the House Amendment to Senate File 25, page 1,
2 by adding after line 21 the following new division:
3 (1) Page 9, line 26, by adding after the period the
4 following new sentence: "The majority of the members
5 of the governing board of a health maintenance organi-
6 zation shall not be board members of any other single
7 corporation."

S-256 Filed and withdrawn
March 19, 1973

By DODERER

SENATE AMENDMENT TO HOUSE AMENDMENT TO SENATE FILE 25

1 Amend the House amendment to Senate File 25 as follows:
2 1. Page 1, by striking lines 22 through 25.
3 2. Page 2, by striking lines 1 through 14.
4 3. Page 3, by striking all of line 13.

Received from Senate
March 21, 1973

*House referred to Council 3/29
Senate insisted 4/4*

Wednesday, February 28, 1973

*Senate concerned as amended
by 217 and 248. 3/19*

HOUSE AMENDMENT TO SENATE FILE 25

1 Amend Senate File 25 as amended and passed by the
2 Senate and reprinted as follows:
3 1. Page 2A, by striking everything after the
4 word "Code" in line 27 and all of lines 28 through
5 33 and inserting in lieu thereof a period.
6 2. Page 2B, line 45, by striking all after the
7 word "illness", and inserting in lieu thereof the
8 following: ", injury, or physical disability."
9 3. Page 3A, by striking from lines 1 and 2 the
10 second word "organization" and inserting in lieu there-
11 of the word "person".
12 4. Page 3A, by striking from lines 4 and 5 the
13 words "members enrolled with the organization" and
14 inserting in lieu thereof the word "enrollees".
15 5. Page 5A, line 35, by inserting after the first
16 word "health" the following: "and the affected
17 regional health planning council, as authorized by
18 Public Law 89-749 (42 U.S.C. 246 (b) 2b), for their
19 nonbinding consultation and advice".
20 6. Page 5A, by striking from line 35 the words "and
21 the Iowa comprehensive health planning council".
22 7. Page 9, by striking all of lines 26 through 30
and
23 inserting in lieu thereof the following:
24 "Sec. 8. NEW SECTION. GOVERNING BODY. Every health
25 maintenance organization shall have a governing body

Page 2

1 separate and apart from the governing body of any other
2 legal entity. The governing body of any health
3 maintenance organization may include providers, other
4 individuals, or both. At any time the health
5 maintenance organization has more than one thousand
6 enrollees, not less than one-third of the membership
7 of the governing body shall be composed of these
8 enrollees provided that no enrollee member of the
9 governing body shall be the child, parent or spouse of
10 any professional person involved in health care
11 delivery, or have any other direct or official
12 relationship to any profession involved in health

13 care delivery. The commissioner shall establish
14 guidelines to implement this section."
15 8. Page 11A, line 20, by inserting after the word
16 "health" the words "or sex".
17 9. Page 12A, by striking lines 1 through 4 and
18 inserting in lieu thereof the following:
19 "1. Financial statements of the organization
20 including a balance sheet as of the end of the preceding
21 calendar year and statement of profit and loss for the
22 year then ended, certified by a certified public
23 accountant or an independent public accountant."
24 10. Page 19, line 17, by striking the words "Polk
25 county" and inserting in lieu thereof the following:

Page 3

1 "the county where the health maintenance organization's
2 principal place of business is located,".
3 11. Page 19, line 19, by inserting after the
4 period the following new sentence: "If the health
5 maintenance organization's principal place of business
6 is outside this state, the review shall be by the
7 district court of Polk County."
8 12. Page 20A, line 22, by striking the word
9 "commission" and inserting in lieu thereof the word
10 "commissioner".
11 13. Page 21A, by inserting in line 2 a period
12 after the word "Code".
13 14. Page 21A, by striking all of lines 3 through 8.
14 15. Page 21A, by striking in lines 22 and 23 the
15 words "; it being further provided, however, that no"
16 and inserting in lieu thereof the words ". Upon a
17 prospective enrollee's request, a list of locations of
18 services and a list of providers who have current
19 agreements with the health maintenance organization
20 shall be made available. No".
21 16. Page 21A, by striking in lines 23 and 24
22 the words "in soliciting enrollees or".
23 17. Page 21A, line 26, by inserting after the
24 word "chiropractor" the following:
25 ", or professional corporation as defined by chapter

Page 4

1 four hundred ninety-six C (496C) of the Code,".

Received from the House
February 27, 1973

February 9, 1973

SENATE FILE 25

*See Human Resources 2-12-73
Base for amendment 2-14-73*

By RABEDEAUX, SCHWIEGER, ANDERSEN,
GRIFFIN, PALMER and SCHABEN
(Monroe, McCormick, Lipsky, Avenson,
Bittle, Bortell, Brinck, Brunow,
Byerly, Caffrey, Carr, Clark of
Dubuque, Cochran, Crawford, Cusack,
Doyle, Drake, Dunton, Edelen, Ewing,
Ferguson, Fisher of Greene, Fitzgerald,
Freeman, Griffee, Hargrave, Hennessey,
Higgins, Hill, Horn, Husak, Hutchins,
Jesse, Jordan, Krause, Logue,
Mendenhall, Middleswart, Miller of
Cerro Gordo, Miller of Buchanan,
Miller of Calhoun, Newhard, Norland,
Norpel, O'Halloran, Patchett, Peterson,
Poncy, Rapp, Readinger, Rinas, Small,
Stanley, Tofte, Wells, Woods, Wyckoff
and Connors)

**SENATE AMENDMENTS
IN BOLD FACE TYPE**

(AS PASSED BY THE SENATE)

Passed Senate, Date *3-19-73 (581)* Passed House, Date *2-22-73 (399)*

Vote: Ayes *44* Nays *4* Vote: Ayes *75* Nays *20*

Approved *5-25-73*

*as amended with consent of
House and further amended
by the Senate* *Motion to take recess until June 2/73*

A BILL FOR

- 1 An Act to authorize the establishment and continuing regula-
- 2 tion of health maintenance organizations and to provide
- 3 penalties.
- 4 *Be It Enacted by the General Assembly of the State of Iowa:*

Conference Committee appointed

<i>Senate 4/4</i>	<i>House 4/5</i>
<i>Rabedeaux</i>	<i>Lipsky</i>
<i>Brieas</i>	<i>Higgin</i>
<i>Priebe</i>	<i>Monroe</i>
<i>Miller</i>	<i>Fisher</i>
<i>Layler</i>	<i>Brickett</i>

*Report adopted
5/10*

*Bill Passed
Senate 5/10 House 5/11 (1273)
36-2 76-12*

1 Section 1. *NEW SECTION.* PURPOSE. The general assembly
2 determines that health maintenance organizations, when properly
3 regulated, encourage methods of treatment and controls over
4 the quality of care which effectively contain costs and provide
5 for continuous health care by undertaking responsibility for
6 the provision, availability, and accessibility of services.
7 It is the intent of this Act that legal barriers be removed
8 to allow a variety of organizational structures to establish
9 and operate health maintenance organizations in order to
10 provide for experimentation with and improvement in this
11 alternative system of health care delivery. For this reason,
12 and because the primary responsibility of a health maintenance
13 organization lies in providing quality health care services on a
14 prepaid basis without regard to the type and number of services
15 actually rendered, rather than providing indemnification
16 against the cost of such services, the general assembly finds
17 it necessary to provide a statutory framework for the
18 establishment and continuing regulations of health maintenance
19 organizations which is separate from the insurance laws of
20 this state, except as otherwise provided in this Act, and
21 the general assembly further finds it desirable to make a
22 special exception, limited to health maintenance organi-
23 zations, in order that health maintenance organizations
24 may have the option of contracting with or employing pro-
25 viders of health care services notwithstanding the pro-
26 visions of Title VIII and section one hundred thirty-five
27 B point twenty-six (135B.26) of the Code which, together
28 with Iowa court decisions, establish the common law rule
29 that a corporation cannot obtain or possess a license to
30 practice a learned profession and that a licensed prac-
31 titioner of such a profession cannot lawfully practice
32 his profession as an employee of an unlicensed person or
33 corporation.
34 This section shall be printed in the Acts of the
35 Sixty-fifth General Assembly but shall not be printed as

86 part of the Code of Iowa.

37 Sec. 2. *NEW SECTION. DEFINITIONS.* As provided in this
38 Act, unless the context otherwise requires:

39 1. "Commissioner" means the commissioner of insurance.

40 2. "Health care services" means services included in the
41 furnishing to any individual of medical or dental care, or
42 hospitalization, or incident to the furnishing of such care
43 or hospitalization, as well as the furnishing to any person
44 of all other services for the purposes of preventing, alle-
45 viating, curing, or healing human illness or injury.

1 3. "Health maintenance organization" means any organi-
2 zation which:

3 a. provides either directly or through arrangements
4 with others, health care services to members enrolled with
5 the organization on a fixed prepayment basis;

6 b. provides either directly or through arrangements
7 with other persons for basic health care services; and,

8 c. is responsible for the availability, accessibility
9 and quality of the health care services provided or ar-
10 ranged.

11 4. "Enrollee" means an individual who is enrolled in a
12 health maintenance organization.

13 5. "Provider" means any physician, hospital, or person
14 as defined in chapter four (4) of the Code which is licensed
15 or otherwise authorized in this state to furnish health care
16 services.

17 6. "Basic health care services" mean services which an
18 enrollee might reasonably require in order to be maintained
19 in good health, including as a minimum, emergency care, in-
20 patient hospital and physician care, and outpatient
21 medical services rendered within or outside of a hospital.

22 7. "Evidence of coverage" means any certificate, agree-
23 ment, or contract issued to an enrollee setting out the
24 coverage to which he is entitled.

25 Sec. 3. *NEW SECTION.* ESTABLISHMENT OF HEALTH
26 MAINTENANCE ORGANIZATIONS. Any person may apply to the commis-
27 sioner

27 for and obtain a certificate of authority to establish and
28 operate a health maintenance organization in compliance with
29 this Act. A person shall not establish or operate a health
30 maintenance organization in this state, nor sell, offer to
31 sell, or solicit offers to purchase or receive advance or
32 periodic consideration in conjunction with a health mainte-
33 nance organization without obtaining a certificate under
34 this Act.

35 Every person operating a health maintenance organization

36 on January 1, 1974 shall submit an application for a certi-
37 ficate of authority under section four (4) of this Act not
38 later than January 31, 1974. The health maintenance orga-
39 nization may continue to operate until the commissioner acts
40 upon the application, but if the application is denied the
41 applicant shall be treated as a health maintenance organiza-
42 tion whose certificate of authority has been revoked.

43 Sec. 4. *NEW SECTION.* APPLICATION FOR A CERTIFICATE
OF

1 AUTHORITY. An application for a certificate of authority
2 shall be verified by an officer or authorized representative
3 of the health maintenance organization, shall be in a form
4 prescribed by the commissioner, and shall set forth or be
5 accompanied by the following:

- 6 1. A copy of the basic organizational document, if any,
7 of the applicant such as the articles of incorporation,
8 articles of association, partnership agreement, trust agree-
9 ment, or other applicable documents, and all of its amendments.
- 10 2. A copy of the bylaws, rules or similar document, if
11 any, regulating the conduct of the internal affairs of the
12 applicant.
- 13 3. A list of the names, addresses, and official positions
14 of the persons who are to be responsible for the conduct of
15 the affairs of the applicant, including all members of the
16 board of directors, board of trustees, executive committee,
17 or other governing board or committee, the principal officers
18 if a corporation and the partners or members if a partnership
19 or association.
- 20 4. A copy of any contract made or to be made between any
21 providers or persons listed in subsection three (3) of this
22 section and the applicant.
- 23 5. A statement generally describing the health maintenance
24 organization including, but not limited to, a description
25 of its facilities and personnel.
- 26 6. A copy of the form of evidence of coverage.
- 27 7. A copy of the form of the group contract, if any, which
28 is to be issued to employers, unions, trustees or other
29 organizations.
- 30 8. Financial statements showing the applicant's assets,
31 liabilities, and sources of financial support. If the
32 applicant's financial affairs are audited by an independent
33 certified public accountant, a copy of the applicant's most
34 recent regular certified financial statement shall satisfy
35 this requirement unless the commissioner directs that

1 additional financial information is required for the proper
2 administration of this Act.

3 9. A description of the proposed method of marketing the
4 plan, a financial plan which includes a three-year pro-
5 jection of operating results anticipated, and a statement as to the
6 sources of funding.

7 10. A power of attorney executed by any applicant who is
8 not domiciled in this state appointing the commissioner, his
9 successors in office and deputies as the true and lawful
10 attorney of the applicant for this state upon whom all lawful
11 process in any legal action or proceeding against the health
12 maintenance organization on a cause of action arising in this
13 state may be served.

14 11. A statement reasonably describing the geographic area
15 to be served.

16 12. A description of the complaint procedures to be utilized
17 as required under section fifteen (15) of this Act.

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

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

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

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

32 Upon receipt of an application for a certificate of author-
33 ity, the commissioner shall immediately transmit copies of
34 the application and accompanying documents to the commissioner
35 of public health and the Iowa comprehensive health planning council.

S. F. 25

—5B—

36 Sec. 5. *NEW SECTION.* DUTIES OF THE COMMISSIONER
OF PUBLIC

1 HEALTH. The commissioner of public health shall determine
2 whether the applicant for a certificate of authority, with
3 respect to health care services to be furnished:

4 1. Has demonstrated the willingness and potential ability
5 to assure the availability, accessibility and continuity of
6 service through adequate personnel and facilities.

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

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

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

24 Within a reasonable period of time from the receipt of
25 the application for a certificate of authority, the com-
26 missioner of public health shall certify to the commissioner
27 whether the proposed health maintenance organization meets
28 the requirements of this section. If the commissioner of
29 public health certifies that the health maintenance organi-
30 zation does not meet these requirements, he shall specify
31 in what respects it is deficient.

32 Sec. 6. *NEW SECTION.* ISSUANCE AND DENIAL OF A CER-
33 TICATE OF AUTHORITY. The commissioner shall issue or deny
34 a certificate of authority to any person filing an applica-
35 tion pursuant to section four (4) of this Act within a rea-

1 sonable period of time after receiving certification from
2 the commissioner of public health. Issuance of certificate
3 of authority shall be granted upon payment of the application
4 fee prescribed in section twenty-three (23) of this Act if
5 the commissioner is satisfied that the following conditions
6 are met:

7 1. The persons responsible for the conduct of the affairs
8 of the applicant are competent and trustworthy.

9 2. The commissioner of public health certifies that the
10 health maintenance organization's proposed plan of operation
11 meets the requirements of section five (5) of this Act.

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

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

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

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

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

35 d. Any agreement made with providers for the provision

1 of health care services.

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

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

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

11 7. Any deficiencies certified by the commissioner of
12 public health have been corrected.

13 A certificate of authority shall be denied only after com-
14 pliance with the requirements of section twenty-seven (27)
15 of this Act.

16 **Sec. 7. NEW SECTION. POWERS OF HEALTH MAINTENANCE**

17 **ORGANIZATIONS.** The powers of a health maintenance organi-
18 zation include, but are not limited to, the following:

19 1. The purchase, lease, construction, renovation, opera-
20 tion or maintenance of hospitals, medical facilities, or both,
21 and their ancillary equipment, and such property as may
22 reasonably be required for transacting the business of the
23 organization.

24 2. The making of loans to a medical group under contract
25 with it or to a corporation under its control for the purpose
26 of acquiring or constructing medical facilities and hospitals
27 or in furtherance of a program providing health care services
28 to enrollees.

29 3. The furnishing of health care services to the public
30 through providers which are under contract with or employed
31 by the health maintenance organization.

32 4. The contracting with any person for the performance
33 on its behalf of certain functions such as marketing,
34 enrollment and administration.

35 5. The contracting with an insurance company authorized

1 to insure groups or individuals in this state for the cost
2 of health care or with a corporation authorized under chapter
3 five hundred fourteen (514) of the Code for the provision
4 of insurance, indemnity, or reimbursement against the cost
5 of health care services provided by the health maintenance
6 organization.

7 6. The offering, in addition to basic health care services,
8 of health care services and indemnity benefits to enrollees
9 or groups of enrollees.

10 7. The acceptance from any person of payments covering
11 all or part of the charges made to enrollees of the health
12 maintenance organization.

13 A health maintenance organization shall file notice with
14 the commissioner before the exercise of any power granted
15 in subsections one (1) and two (2) of this section. The
16 notice shall be accompanied by adequate supporting information
17 obtained from the commissioner of public health relating to
18 the health maintenance organization's need for physical
19 facilities. The commissioner shall disapprove the exercise
20 of power if in his opinion it would substantially and adversely
21 affect the financial soundness of the health maintenance or-
22 ganization and endanger its ability to meet its obligations.
23 The commissioner may promulgate rules exempting from the
24 filing requirement of this section those activities having
25 a minimum effect.

26 Sec. 8. *NEW SECTION.* GOVERNING BODY. The governing
27 of any health maintenance organization may include providers,
28 other individuals, or both, but it shall establish a mechanism
29 to allow enrollees to participate in matters of policy and
30 operation.

31 Sec. 9. *NEW SECTION.* FIDUCIARY RESPONSIBILITIES.
32 Any
33 director, officer or partner of a health maintenance orga-
34 nization who receives, collects, disburses or invests funds
35 in connection with the activities of a health maintenance
organization shall be responsible for these funds in a

1 fiduciary relationship to the enrollees.

2 Sec. 10. *NEW SECTION.* EVIDENCE OF COVERAGE. Every

3 enrollee shall receive an evidence of coverage and any amend-

4 ments. If the enrollee obtains coverage through an insurance

5 policy or a contract issued by a corporation authorized under

6 chapter five hundred fourteen (514) of the Code, the insurer

7 or the corporation shall issue the evidence of coverage.

8 No evidence of coverage or amendment shall be issued or de-

9 livered to any person in this state until a copy of the form

10 of the evidence of coverage or amendment has been filed with

11 and approved by the commissioner.

12 An evidence of coverage shall contain a clear and complete

13 statement of:

14 1. The health care services and the insurance or other

15 benefits, if any, to which the enrollee is entitled in the

16 total context of the organizational structure of the health

17 maintenance organization.

18 2. Any limitations on the services or benefits to be

19 provided, including any deductible or coinsurance charges

20 permitted under section six (6), subsection three (8) of this

21 Act.

22 3. The manner in which information is available on the

23 method of obtaining health care services.

24 4. The total amount of payment for health care services

25 and indemnity or service benefits, if any, which the enrollee

26 is obligated to pay with respect to individual contracts,

27 or an indication whether the plan offered through the health

28 maintenance organization is contributory or noncontributory

29 with respect to group contracts.

30 5. The health maintenance organization's method for

31 resolving enrollee complaints.

32 6. The mechanism by which enrollees shall be

33 allowed to participate in matters of policy and operation.

34 A copy of the form of the evidence of coverage to be used

35 in this state and any amendment shall be subject to the filing

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—10B—

36 and approval requirements of this section unless it is subject
37 to the jurisdiction of the commissioner under the laws

1 governing health insurance or corporations authorized under
2 chapter five hundred fourteen (514) of the Code in which event
3 the filing and approval provisions of such laws apply. To
4 the extent, however, that those provisions are less strict
5 than those provided under this section, then the requirements
6 of this section shall apply.

7 Enrollees shall be entitled to receive the most re-
8 cent annual statement of the financial condition of
9 the health maintenance organization in which they are
10 enrolled, which statement shall include a balance sheet
11 and summary of receipts and disbursements.

12 Sec. 11. *NEW SECTION. CHARGES—APPROVAL REQUIRED.* No

13 schedule of charges for enrollee coverage for health care
14 services or amendment to the schedule may be used by a health
15 maintenance organization until a copy of the schedule or
16 amendment to the schedule has been filed with and approved
17 by the commissioner. Charges to enrollees may be established
18 in accordance with actuarial principles for various categories
19 of enrollees, but the charges shall not be determined according
20 to the status of an individual enrollee's health and shall
21 not be excessive, inadequate or unfairly discriminatory.

22 Sec. 12. *NEW SECTION. DISAPPROVAL OF FILINGS.* If the
23 commissioner disapproves a filing made pursuant to sections
24 ten (10) and eleven (11) of this Act, he shall notify the
25 filer and in the notice specify the reasons for his
26 disapproval. A hearing shall be granted by the commissioner
27 within a reasonable period of time from the request for
28 the hearing, which request must be made
29 within thirty days after receipt by the filer of the notice
30 of disapproval. The commissioner may require the submission
31 of whatever relevant information he deems necessary in deter-
32 mining whether to disapprove a filing.

33 Sec. 13 *NEW SECTION. ANNUAL REPORT.* A health mainte-
34 nance organization shall annually before the first day of March
35 file with the commissioner, with a copy to the commissioner

- 36 of public health, a report verified by at least two of its
- 37 principal officers and covering the preceding calendar year.
- 38 The report shall be on forms prescribed by the commissioner
- 39 and shall include:

1 1. A financial statement of the organization, including
2 its balance sheet which shall contain a net profit or net
3 loss statement, and, receipts and disbursements for the preceding
4 year certified by an independent public accountant.

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

7 3. The number of persons enrolled during the year, the
8 number of enrollees as of the end of the year and the number
9 of enrollments terminated during the year.

10 4. A summary of information compiled pursuant to section
11 five (5), subsection three (3) of this Act in the form required
12 by the commissioner of public health.

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

16 Sec. 14. *NEW SECTION.* OPEN ENROLLMENT. After a health
17 maintenance organization has been in operation twenty-four
18 months, it shall have an annual open enrollment period of
19 at least one month during which it accepts enrollees up to
20 the limits of its capacity, as determined by the health
21 maintenance organization, in the order in which they apply
22 for enrollment. A health maintenance organization may apply
23 to the commissioner for authorization to impose such under-
24 writing restrictions upon enrollment as are necessary to
25 preserve its financial stability, to prevent excessive ad-
26 verse selection by prospective enrollees, or to avoid unrea-
27 sonably high or unmarketable charges for enrollee coverage
28 for health care services. The commissioner shall approve
29 or deny the application made pursuant to this section within
30 a reasonable period of time from the receipt of the appli-
31 cation.

32 Health maintenance organizations providing services ex-
33 clusively on a group contract basis may limit the open
34 enrollment provided for in this section to all members of
35 the group covered by the contract.

S. F. 25

—12B—

36 Sec. 15. *NEW SECTION.* COMPLAINT SYSTEM. A health

1 maintenance organization shall establish and maintain a
2 complaint system which has been approved by the commissioner
3 in consultation with the commissioner of public health and
4 which shall provide for the resolution of written complaints
5 initiated by enrollees concerning health care services. A
6 health maintenance organization shall submit to the commis-
7 sioner and to the commissioner of public health an annual
8 report in a form prescribed by the commissioner in consulta-
9 tion with the commissioner of public health, which shall
10 include:

- 11 1. A description of the procedures of the complaint system.
- 12 2. The total number of complaints handled through the
13 complaint system and a compilation of causes underlying the
14 complaints filed.
- 15 3. The number, amount and disposition of malpractice
16 claims settled during the year by the health maintenance
17 organization and any of its providers.

18 The health maintenance organization shall maintain
19 statistical information of written complaints filed with it
20 concerning benefits over which the health maintenance orga-
21 nization does not have control and shall submit to the com-
22 missioner a summary report at the time and in the format that
23 the commissioner may require. Complaints involving other
24 persons shall be referred to those persons and a copy of the
25 complaint sent to the commissioner.

26 Sec. 16. *NEW SECTION.* INVESTMENTS. With the exception
27 of investments made in accordance with section seven (7) of
28 this Act, the investable funds of a health maintenance orga-
29 nization shall be invested only in securities or other invest-
30 ments permitted by section five hundred eleven point eight
31 (511.8) of the Code for the investment of assets constituting
32 the legal reserves of life insurance companies or such other
33 securities or investments as the commissioner may permit.
34 For purposes of this section, investable funds of a health
35 maintenance organization are all moneys held in trust for

1 the purpose of fulfilling the obligations incurred by a health
2 maintenance organization in providing health care services
3 to enrollees.

4 Sec. 17. *NEW SECTION.* PROTECTION AGAINST INSOLV-
ENCY.

5 A health maintenance organization shall furnish a surety bond
6 in an amount satisfactory to the commissioner, or deposit
7 with the commissioner cash or securities acceptable to him
8 in at least the same amount, as a guarantee that its obliga-
9 tions to enrollees will be performed. The commissioner may
10 waive this requirement when satisfied that the assets of the
11 organization or its contracts with other organizations are
12 sufficient to reasonably assure the performance of its
13 obligations.

14 Sec. 18. *NEW SECTION.* CANCELLATION OF ENROLLEES.
An

15 enrollee shall not be cancelled except for the failure to
16 pay the charges permitted under section eleven (11) of this
17 Act or for other reasons stated in the rules promulgated by
18 the commissioner and subject to review in accordance with
19 chapter seventeen A (17A) of the Code. No notice of
20 cancellation to an enrollee shall be effective unless de-
21 livered to the enrollee by the health maintenance organization
22 in a manner prescribed by the commissioner and at least thirty
23 days before the effective date of cancellation and unless
24 accompanied by a statement of reason for cancellation. At
25 any time before cancellation of the policy for nonpayment,
26 the enrollee may pay to the health maintenance organization
27 the full amount due, including court costs if any, and from
28 the date of payment by the enrollee or the collection of the
29 judgment, coverage shall revive and be in full force and effect.

30 Sec. 19. *NEW SECTION.* FALSE REPRESENTATION. A
health

31 maintenance organization, unless licensed as an insurer, shall
32 not use in its name, contracts, or literature any words
33 descriptive of an insurance, casualty, or surety business
34 or deceptively similar to the name or description of any
35 insurance or surety corporation doing business in this state.

1 No health maintenance organization or any person on its behalf
2 shall advertise or merchandise its services in a manner to
3 misrepresent its services or capacity for service, nor shall
4 it engage in misleading, deceptive or unfair practices with
5 respect to advertising or merchandising. This section does
6 not exempt health maintenance organizations which are engaged
7 in the business of insurance from regulation under the
8 provisions of chapter five hundred seven B (507B) of the Code.

9 Sec. 20. *NEW SECTION.* REGULATION OF AGENTS. The
10 commissioner may, after notice and hearing, promulgate such
11 reasonable rules under the provisions of chapter five hundred
12 twenty-two (522) of the Code that are necessary to provide
13 for the licensing of agents who engage in solicitation or
14 enrollment for a health maintenance organization.

15 Sec. 21. *NEW SECTION.* POWERS OF INSURERS AND HOS-
16 AND MEDICAL SERVICE CORPORATIONS. An insurance com-
17 PITAL
18 AND MEDICAL SERVICE CORPORATIONS. An insurance com-
19 PANY

20 authorized to engage in insuring individuals or groups for
21 the cost of health care in this state or a corporation autho-
22 rized under chapter five hundred fourteen (514) of the Code
23 may either directly or through a subsidiary or affiliate do
24 one or more of the following:

25 1. Organize and operate a health maintenance organization
26 under the provisions of this Act.

27 2. Contract with a health maintenance organization to
28 provide insurance or similar protection against the cost of
29 care provided through the health maintenance organization.

30 3. Contract with a health maintenance organization to
31 provide coverage in the event of the failure of the health
32 maintenance organization to meet its obligations.

33 Any two or more insurance companies, corporations, or their
34 subsidiaries or affiliates may jointly organize and operate
35 a health maintenance organization.

36 Sec. 22. *NEW SECTION.* PUBLIC EMPLOYEES INCLUDED.
37 Any

38 employee of the state, political subdivision of the state,
39 or of any institution supported in whole or in part by public

1 funds may authorize the deduction from his salary or wages
2 of the amount charged to him for any health care services
3 provided through health maintenance organizations under this
4 Act in the manner provided in section five hundred fourteen
5 point sixteen (514.16) of the Code.

6 Sec. 23. *NEW SECTION. FEES.* Every health maintenance
7 organization subject to this Act shall pay to the commissioner
8 the following fees:

9 1. For filing an application for a certificate of authority
10 or an amendment to the certificate, one hundred dollars.

11 2. For filing each annual report, twenty-five dollars.

12 Fees charged under this section shall be remitted to the
13 treasurer of state and credited by him to the general fund.

14 Sec. 24. *NEW SECTION. RULES.* The commissioner and the
15 commissioner of public health may promulgate rules as are
16 necessary to carry out the provisions of this Act, subject
17 to review in accordance with chapter seventeen A (17A) of
18 the Code.

19 Sec. 25. *NEW SECTION. EXAMINATIONS PERMITTED.* The
20 commissioner shall make an examination of the affairs of any
21 health maintenance organization and its providers as often
22 as he deems necessary for the protection of the interests
23 of the people of this state, but not less frequently than
24 once every three years.

25 The commissioner of public health shall make an examina-
26 tion concerning the quality of health care services provided
27 through any health maintenance organization as often as he
28 deems necessary for the protection of the interests of the
29 people of this state, but not less frequently than once every
30 three years.

31 Every health maintenance organization and provider shall
32 submit its books and records to the commissioner and the
33 commissioner of public health and in every way facilitate
34 the examination. For the purpose of examinations, the com-
35 missioners may administer oaths to and examine the officers

1 and agents of the health maintenance organization and the
2 principals of its providers concerning their business. The
3 expenses of examinations under this section shall be assessed
4 against the organization being examined and remitted to the
5 commissioner or commissioner of public health as the case
6 may be.

7 In lieu of the examination required by this section, either
8 commissioner may accept the report of an examination made
9 by the appropriate departments in other states.

10 Sec. 26. *NEW SECTION. SUSPENSION OR REVOCATION OF*
11 *CERTIFICATE OF AUTHORITY.* The commissioner may suspend or
12 revoke any certificate of authority issued to a health main-
13 tenance organization under this Act if he finds that the
14 health maintenance organization is operating in contravention
15 of its proposed plan of operation on the basis of which a
16 certificate of authority was issued to it or has failed to
17 comply with the provisions of and rules promulgated under
18 this Act. When the certificate of authority of a health
19 maintenance organization is suspended, the health maintenance
20 organization shall not, during the period of suspension,
21 enroll any additional enrollees except newly acquired
22 dependents of existing enrollees and shall not engage in any
23 advertising or solicitation or merchandising for the health
24 maintenance organization. When the certificate of authority
25 of a health maintenance organization is revoked, the health
26 maintenance organization shall, immediately following the
27 effective date of the order of revocation, conduct no further
28 business except as may be essential to the orderly conclusion
29 of its affairs and shall engage in no further advertising
30 or solicitation or merchandising. The commissioner may in
31 writing permit continued operation of the organization as
32 he finds to be in the best interest of enrollees to the end
33 that enrollees will be afforded the greatest practical
34 opportunity to obtain continuing health care coverage.
35 **If the certificate of authority of a health maintenance**

36 organization is revoked, the commissioner shall report
37 the revocation to the attorney general who shall apply
38 to the district court for the appointment of a receiver
39 to close the affairs of the health maintenance organi-
40 zation.
41 The commissioner may, in lieu of suspension or revocation

1 of a certificate of authority, levy an administrative penalty
2 in an amount not more than five thousand dollars, if reason-
3 able notice in writing is given of the intent to levy the
4 penalty and the health maintenance organization has a rea-
5 sonable time within which to remedy the defect in its oper-
6 ations which gave rise to the penalty citation.

7 Sec. 27. *NEW SECTION.* ADMINISTRATIVE PROCEDURES.

When

8 the commissioner has cause to believe that grounds for the
9 denial, suspension, or revocation of a certificate of authority
10 exist, he shall notify the health maintenance organization
11 in writing of the particular grounds for denial, suspension,
12 or revocation and shall issue a notice of a time fixed for
13 a hearing, which shall be held not less than ten days after
14 the receipt by the health maintenance organization of the
15 notice. The commissioner of public health or his designee
16 shall participate in the proceedings of the hearing and his
17 recommendation and findings with respect to matters relating
18 to the quality of health care services provided in connection
19 with any decision regarding denial, suspension, or revocation
20 of a certificate of authority, or in connection with an order
21 to the health maintenance organization by the commissioner
22 to cease from methods or practices in violation of this Act,
23 shall be conclusive and binding upon the commissioner.

24 At the time and place fixed for a hearing, the person
25 charged shall have an opportunity to be heard and to show
26 cause why the order should not be made by the commissioner.
27 Upon good cause shown, the commissioner may permit any per-
28 son to intervene, appear and be heard at the hearing by coun-
29 sel or in person. Nothing contained in this Act shall require
30 the observance at any hearing of formal rules of pleading
31 or evidence. The provisions of section five hundred seven
32 B point six (507B.6), subsections four (4) and five (5) of

1 the Code relating to the powers and duties of the commissioner
2 in relation to the hearing and relating to the rights and
3 obligations of persons upon whom the commissioner has served
4 notice shall apply to this Act.

5 After the hearing, or upon the failure of the health
6 maintenance organization to appear at the hearing, the com-
7 missioner shall take action as he deems advisable and which
8 is permitted by him under the provisions of this Act and shall
9 reduce his findings to writing. Copies of the written findings
10 shall be mailed to the health maintenance organization charged
11 with violation of this Act and to the commissioner of public
12 health.

13 Sec. 28. *NEW SECTION. JUDICIAL REVIEW.* The action of
14 the commissioner and the recommendation and findings of the
15 commissioner of public health under section twenty-seven (27)
16 of this Act shall be subject to review by the district court
17 of Polk county according to the proceedings set out under
18 the provisions of section five hundred seven B point eight
19 (507B.8) of the Code. Until the expiration of the ten days
20 allowed for filing a petition for review, if no petition has
21 been filed, or if a petition for review has been filed within
22 that time, then until the transcript of the record in the
23 proceeding has been filed in the district court as provided
24 in section five hundred seven B point eight (507B.8) of the
25 Code, the commissioner may at any time, upon notice, modify
26 or set aside in whole or in part any order issued by him under
27 section twenty-seven (27) of this Act. After the expiration
28 of the ten days allowed for filing a petition for review and
29 if no petition has been filed, the commissioner may at any
30 time, after notice and opportunity for a hearing, reopen and
31 alter, modify, or set aside, in whole or in part, any order
32 issued by him under section twenty-seven (27) of this Act,
33 when in his opinion conditions of fact or of law require the
34 action, or if the public interest shall so require.

35 Sec. 29. *NEW SECTION. INJUNCTION.* The commissioner

1 may, in the manner provided by law, maintain an action in
2 the name of the state for injunction or other process against
3 the person violating any provision of this Act.

4 Sec. 30. *NEW SECTION.* PENALTIES. Where no other penalty
5 is provided for in this Act, any person who violates any of
6 the provisions of this Act shall be guilty of a misdemeanor
7 and upon conviction shall be punished by a fine not to exceed
8 one hundred dollars or by imprisonment for a period not to
9 exceed thirty days or be punished by both such fine and
10 imprisonment.

11 Sec. 31. *NEW SECTION.* COMMUNICATIONS IN PROFES-
SIONAL

12 CONFIDENCE. No officer, director, trustee, partner or
13 employee of a health maintenance organization shall testify
14 as to nor make other public disclosure of any communication
15 made to a provider and deemed privileged under section six
16 hundred twenty-two point ten (622.10) of the Code, and which
17 communication has come into the knowledge or possession of
18 such officer, director, trustee, partner or employee by reason
19 of his employment with said health maintenance organization.
20 To the extent necessary to effectuate the examinations provided
21 in section twenty-five (25) of this Act only, the commissioner
22 or the commission of public health shall have the right to
23 examine medical or hospital records of a person receiving basic
24 health care services under the provisions of this Act but shall
25 not testify as to such confidential communications or make
26 other public disclosure thereof without the express consent of
27 said person or his legal representative, if he be deceased or
28 incompetent. The provisions of section six hundred twenty-two
29 point ten (622.10) of the Code respecting waiver shall apply
30 to this section.

31 A health maintenance organization is hereby prohibited
32 from releasing the names of its membership list of enrollees,
33 whether or not for value or consideration, except to the
34 extent necessary to effectuate the provisions of this Act.

35 Sec. 32. *NEW SECTION.* TAXATION. Payments received by

36 a health maintenance organization for health care services,
37 insurance, indemnity, or other benefits to which an enrollee
38 is entitled through a health maintenance organization
39 authorized under this Act and payments by a health mainte-
40 nance organization to providers for health care services,
41 to insurers, or corporations authorized under chapter five
42 hundred fourteen (514) of the Code for insurance, indemnity,
43 or other service benefits authorized under this Act are not

1 premiums received and taxable under the provisions of section
2 four hundred thirty-two point one (432.1) of the Code
3 for the first five years of the existence of the health
4 maintenance organization, its successors or assigns.
5 After the first five years, the payments received shall
6 be considered premiums received and shall be taxable
7 under the provisions of section four hundred thirty-two
8 point one (432.1) of the Code.

9 Sec. 33. *NEW SECTION.* CONSTRUCTION.

10 1. Except as otherwise provided in this Act, laws
11 regulating the insurance business in this state and the
12 operations of corporations authorized under chapter five
13 hundred fourteen (514) of the Code shall not be applicable
14 to any health maintenance organization granted a certificate
15 of authority under this Act with respect to its health
16 maintenance organization activities authorized and regulated
17 pursuant to this Act.

18 2. Solicitation of enrollees by a health maintenance
19 organization granted a certificate of authority or its
20 representatives shall not be construed to violate any pro-
21 vision of law prohibiting solicitation or advertising by
22 health professionals; it being further provided, however,
23 that no health maintenance organization shall, in solicit-
24 ing enrollees or in any advertising, identify by name any
25 physician or surgeon, osteopathic physician or surgeon,
26 dentist, optometrist, podiatrist, chiropractor with whom
27 the health maintenance organization has an agreement to
28 provide health care services.

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

34 Sec. 34. Section two hundred forty-nine A point four
35 (249A.4), subsection four (4), Code 1973, is amended to read

36 as follows

37 4. Have authority to contract with any corporation [or
38 corporations,] authorized to engage in this state in insuring
39 groups or individuals for all or part of the cost of medical,
40 hospital, or other health care or with any corporation [or
41 corporations] maintaining and operating a medical, hospital,
42 or health service prepayment plan [or plans] under the provisions
43 of chapter 514 *or with any health maintenance organization*
44 *authorized to operate in this state*, for any or all of the
45 benefits to which any recipients are entitled under this
46 chapter to be provided by such corporation [or corporations]
47 *or health maintenance organization on a prepaid individual*

1 or group basis.

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

4 509A.6 CONTRACT WITH INSURANCE CARRIER. The govern-
5 body may contract with a nonprofit corporation operating under
6 the provisions of this chapter or chapter 514 or with any
7 insurance company having a certificate of authority to transact
8 an insurance business in this state with respect of a group
9 insurance plan, which may include life, accident, health,
10 hospitalization and disability insurance during period of
11 active service of such employees, with the right of any
12 employee to continue such life insurance in force after
13 termination of active service at such employee's sole expense;
14 [and] may contract with a nonprofit corporation operating under
15 and governed by the provisions of this chapter or chapter
16 514 with respect of any hospital or medical service plan;
17 and may contract with a health maintenance organization
18 authorized to operate in this state with respect to health
19 maintenance organization activities.

20 Sec. 36. EFFECTIVE DATE. The provisions of this Act shall
21 become effective January 1, 1974.

22 EXPLANATION

23 Under this bill, any person may apply for and obtain a
24 certificate of authority from the Commissioner of Insurance
25 to establish and operate a health maintenance organization
26 in compliance with the provisions of the bill. The health
27 maintenance organization must, at a minimum, be able to pro-
28 vide or arrange for the provision of medical services and
29 hospital care for a fixed prepaid sum which is unaffected
30 by the actual amount or type of services which the individual
31 actually receives. Other health care services which may be
32 provided by a health maintenance organization either on a
33 prepaid basis or through the payment of indemnity or service
34 benefits include "all services for the purpose of preventing,
35 alleviating, curing, or healing human illness or injury."

1 The flexibility provided in the bill to health maintenance
2 organizations in piecing together the package of coverage
3 through direct and indirect services and indemnity benefits
4 is meant to enable health maintenance organizations to meet
5 health care needs in a wide variety of circumstances and
6 through various organizational structures.

7 The latitude given in the bill to the Commissioner of
8 Insurance in regulating the establishment and operation of
9 health maintenance organizations corresponds to the goal of
10 the bill. In determining to what extent fiscal reserves
11 should be required of a health maintenance organization, the
12 Commissioner may consider among other criteria: the number
13 of enrollees to be served; the restrictions on indemnity
14 benefits to be offered by the health maintenance organization;
15 the contracts entered into between the health maintenance
16 organization and insurance companies or health service
17 prepayment corporations for indemnity against the cost of
18 services not available through a health maintenance
19 organization.

20 Key sections of the bill override existing legal barriers
21 to the formation and development of health maintenance orga-
22 nizations, including:

23 1. The law requiring incorporation under Chapter 514 of
24 the Code which is in itself restrictive.

25 2. Insurance laws which are inappropriate to the preventa-
26 tive aspect of health maintenance.

27 3. Laws which prohibit solicitation or advertising by
28 health professionals.

29 4. The legal doctrine that a lay-controlled corporation
30 providing health care services to the public through physicians
31 employed by it is engaging in the practice of medicine without
32 a license to do so.

33 The bill provides for regulation of agents who engage in
34 solicitation of enrollees for health maintenance organiza-
35 tions, requires that the Commissioner of Public Health make

1 all determinations with regard to quality of care review,
2 and provides that insurance companies and health service pre-
3 payment corporations are exempt from existing laws only with
4 respect to their health maintenance organization activities
5 authorized under the bill.

6 The bill also authorizes the Commissioner of Social Services
7 to contract with health maintenance organizations for the
8 provision of health care services to Medicaid recipients.

H—70

1 Amend Senate File 25 as passed by the Senate and
2 reprinted, as follows:

3 1. Page 11A, lines 18 and 19, by striking the
4 words "for various categories of enrollees".

5 2. Page 11A, line 20, by inserting after the word
6 "health" the following: ", age or sex".

Filed - *withdrawn 2/22*
February 20, 1973

By O'HALLORAN of Black Hawk

H—69

1 Amend Senate File 25, as amended and passed by the
2 Senate and reprinted, page 2B, line 45, by striking
3 all after the word "illness", and inserting in lieu
4 thereof the following: ", injury, or physical disabili-
5 ty."

Filed
February 20, 1973

*Adopted
2/21*
By MONROE of Des Moines

H-83

1 Amend H-70 to Senate File 25, by O'Halloran,
2 by striking lines 3 and 4 and by striking from
3 line 6 the following: "age".

Filed *withdrawn 2/22*
February 21, 1973

By HILL of Polk

SENATE FILE 25

H-84

1 Amend the Oakley amendment H 60, to Senate File
2 25, line 7, by adding after the word "located" the
3 following: " , but if the health maintenance organ-
4 ization's principal place of business is outside
5 this state, the hearing shall be held at such place
6 in this state as the commissioner may designate".

Filed *adopted 2/22*
February 21, 1973

By OAKLEY of Clinton

SENATE FILE 25

H-85

1 Amend Senate File 25, as passed by the Senate and
2 reprinted, as follows:
3 Page 19, line 19, by inserting after the period
4 the following new sentence: "If the health mainten-
5 ance organization's principal place of business is
6 outside this state, the review shall be by the
7 district court of Polk County."

Filed *adopted 2/22*
February 21, 1973

By OAKLEY of Clinton

SENATE FILE 25

H-86

1 Amend Senate File 25, as passed by the Senate and
2 reprinted, page 5A, line 35, by inserting after the
3 first word "health" the following: "and the affected
4 regional health planning council, as authorized by
5 Public Law 89-749 (42 U.S.C. 246 (b) 2b), for their
6 nonbinding consultation and advice".

Offered and adopted
February 21, 1973

By CUSAK of Scott

REPORT OF THE CONFERENCE COMMITTEE

ON SENATE FILE 25

Senate adopted 5/10
House " 5/11

To the President of the Senate and the Speaker of the House of Representatives:

We, the undersigned members of the conference committee appointed to consider the difference between the Senate and the House of Representatives on Senate File 25, a bill for an act to authorize the establishment and continuing regulation of health maintenance organizations and to provide penalties, respectfully submit the following recommendation:

1. That the Senate recede from its amendments to the House Amendment to Senate File 25.
2. That the House recede from amendment number 7 and amendment number 14 of the House Amendment to Senate File 25.
3. That Senate File 25 as passed and reprinted by the Senate be further amended as follows:

Page 9, by striking lines 26 through 30, inclusive, and inserting in lieu thereof the following:

"Sec. 8. NEW SECTION. GOVERNING BODY. The governing body of any health maintenance organization shall be a legal entity separate from the governing body of any other legal entity and may include providers, other individuals, or both, but it shall establish a mechanism to allow a reasonable representation of enrollees to participate in matters of policy and operation as members of the governing body. The commissioner shall establish guidelines to implement this section.

On the part of the Senate:

W. R. Rabedeaux, Chairman
James E. Briles
Ray Taylor
Berl E. Priebe
Charles P. Miller

On the part of the House:

Joan Lipsky, Chairman
W. R. Monroe
Thomas J. Higgins
Glenn F. Brockett
C. Raymond Fisher

H-51

- 1 Amend Senate File 25, as passed by the Senate
2 and reprinted, as follows:
3 1. Page 2A, by striking everything after the
4 word "Code" in line 27 and all of lines 28 through 33
5 and inserting in lieu thereof a period.
6 2. Page 3A, by striking from lines 1 and 2 the
7 second word "organization" and inserting in lieu
8 thereof the word "person".
9 3. Page 3A, by striking from lines 4 and 5 the
10 words "members enrolled with the organization" and
11 inserting in lieu thereof the word "enrollees".
12 4. Page 5A, by striking from line 35 the words
13 "and the Iowa comprehensive health planning council".
14 5. Page 20A, line 22, by striking the word
15 "commission" and inserting in lieu thereof the word
16 "commissioner".
17 6. Page 21A, by striking in lines 22 and 23 the
18 words "; it being further provided, however, that no"
19 and inserting in lieu thereof the words ". Upon a
20 prospective enrollee's request, a list of locations
21 of services and a list of providers who have current
22 agreements with the health maintenance organizations
23 shall be made available. No".
24 7. Page 21A, by striking in lines 23 and 24 the
25 words "in soliciting enrollees or".

Filed
February 14, 1973

adopted 2/21

By COMMITTEE ON HUMAN RESOURCES
LIPSKY of Linn, Chairman

H-60

- 1 Amend Senate File 25 as passed by the Senate
2 and reprinted, as follows:
3 1. Page 18, line 15, by inserting after the
4 word "notice", the following:
5 "and which shall be held in the county where
6 the health maintenance organization's principal
7 place of business is located".
8 2. Page 19, line 17, by striking the words
9 "Polk county" and inserting in lieu thereof the
10 following:
11 "the county where the health maintenance
12 organization's principal place of business is
13 located,".
14 3. Page 21A, line 26, by inserting after the
15 word "chiropractor" the following:
16 "or professional corporation".

*Lost
2/22*

*Adopted
2/22*

*Adopted
or
amended
2/22*

Filed
February 15, 1973

By OAKLEY of Clinton

H-80

- 1 Amend the Oakley amendment H 60 to Senate File 25,
2 line 16, by inserting after the word "corporation" the
3 following: ", as defined by chapter four hundred
4 ninety-six C (496C) of the Code,".

Filed - *Adopted 2/22*
February 21, 1973

By OAKLEY of Clinton

HOUSE CLIP SHEET

Thursday, February 22, 1973

SENATE FILE 25

H-82

1 Amend Senate File 25, as passed by the Senate
2 and reprinted, as follows:
3 Page 7, by striking lines 16 through 18 inc-
4 lusive and inserting in lieu thereof the words
5 "charges which:
6 a. The governing body determines would provide
7 comprehensive medical care at the most reasonable
8 cost to enrollees, or
9 b. Might be required to be paid by persons on
10 whose behalf the federal government contracts with
11 the health maintenance organization for health care
12 services."

EXPLANATION

Senate File 25 as passed by the Senate prohibits governing bodies of HMO's from adopting any plans which include deductibles or coinsurance EXCEPT for enrollees covered by government contracts with HMO's WHEN such contracts require deductibles or co-payments.

In setting a flexible framework for the development of HMO's, the Legislature should not close the options in matching available medical services to medical needs.

There can be good arguments for and against the use of deductibles and co-payments. They have been used in the plans for existing and successful HMO's and the option should be left open.

Filed and lost
February 21, 1973

By EGENES of Story
ROORDA of Jasper
HUSAK of Tama
JUNKER of Woodbury
DOYLE of Woodbury
TOFTE of Winneshiek
DRAKE of Muscatine
GRIFFEE of Chickasaw
DUNLAP of Story

H-65

1 Amend Senate File 25 as passed by the Senate
2 and reprinted, as follows:
3 On page 12A, by striking lines 1 through 4
4 and inserting in lieu thereof the following:
5 "1. Financial statements of the organization
6 including a balance sheet as of the end of the
7 preceding calendar year and statement of profit and
8 loss, statement of changes in equity, and a
9 statement of changes in financial position for the
10 year then ended, all prepared in accordance with
11 generally accepted accounting principles and
12 certified by an independent certified public
13 accountant or an independent public accountant."

Filed *withdrawn 2/22*
February 19, 1973

By HUSAK of Tama

H-72

1 Amend Senate File 25, as passed by the Senate and
2 reprinted, as follows:
3 Page 9, by striking all of lines 26 through 30 and
4 inserting in lieu thereof the following:
5 "Sec. 8. NEW SECTION. GOVERNING BODY. Every health
6 maintenance organization shall have a governing body
7 separate and apart from the governing body of any other
8 legal entity. The governing body of any health mainten-
9 ance organization may include providers, other individ-
10 uals, or both. At any time the health maintenance org-
11 anization has more than one thousand enrollees, it shall
12 include on its governing body a number of such subscrib-
13 ers who shall be reasonably representative of all en-
14 rollees, provided that no enrollee member of the gov-
15 erning body shall be the child, parent or spouse of any
16 professional person involved in health care delivery, or
17 have any other direct or official relationship to any
18 profession involved in health care delivery. The comm-
19 issioner shall establish guidelines to implement this
20 section."

Filed
February 20, 1973 *Amend. as amended Adopted 2/21*

By HIGGINS of Scott

-78

1 Amend H-72 to Senate File 25, by Higgins, filed on
2 February 20, 1973, lines 11 through 14, by striking
3 the words "it shall include on its governing body a
4 number of such subscribers who shall be reasonably
5 representative of all enrollees" and inserting in lieu
6 thereof the words "not less than one-third of the
7 membership of the governing body shall be composed of
8 these enrollees".

Filed
February 20, 1973 *Adopted 2/21*

By CONNORS of Polk

H-81

1 Amend Senate File 25 as passed by the Senate
2 and reprinted, as follows:
3 On page 12A, by striking lines 1 through 4
4 and inserting in lieu thereof the following:
5 "1. Financial statements of the organization
6 including a balance sheet as of the end of the
7 preceding calendar year and statement of profit and
8 loss for the year then ended, certified by a
9 certified public accountant or an independent
10 public accountant."

Filed - *adopted 2/22*
February 21, 1973

By HUSAK of Tama

H-87

1 Amend Senate File 25, as passed by the Senate
2 and reprinted, as follows:
3 1. Page 21A, by inserting in line 2 a period
4 after the word "Code".
5 2. Page 21A, by striking all of lines 3 through
6 8.

Filed - *adopted 2/22*
February 21, 1973

By STANLEY of Muscatine
McCORMICK of Delaware
MONROE of Des Moines
BITTLE of Polk

H-88

1 Amend the Higgins amendment H-72 to Senate
2 File 25 as passed by the Senate and reprinted by
3 striking lines 3 through 20 and inserting in lieu
4 thereof the following:
5 Page 9, by adding after line 30 the following:
6 "The governing body of a health maintenance organiza-
7 tion shall be separate and apart from the governing
8 body of any other legal entity. The governing body
9 of a health maintenance organization may include
10 providers, other individuals, or both."

Offered and lost
February 21, 1973

By LIPSKY of Linn

H-95

1 Amend Senate File 25, as passed by the Senate and
2 reprinted, as follows:
3 1. Page 11A, line 20, by inserting after the word
4 "health" the words "or sex".

Filed - *adopted 2/22*
February 21, 1973

By O'HALLORAN of Black Hawk
HILL of Polk

FISCAL NOTE
SENATE FILE 25

Date prepared February 22, 1973

Requested by Representative Harold Fischer.

Prepared in regard to S.F. 25 - An Act to authorize the establishment and continuing regulation of health maintenance organizations and to provide penalties. Following is the fiscal effect in dollars of the legislative proposal as required by House Rule 48.

The following is the estimated first year additional cost to the State for the implementation of this Act.

Department of Health	
Salaries & Wages	
Resource & Program Planner III	\$12,500
Stenographer II	5,000
Fringe benefits	<u>1,750</u>
	19,250
Travel	1,500
Equipment	1,100
Office supplies	200
Printing	300
Consultant fees	<u>2,550</u>
	24,900
Insurance Department of Iowa	
Salaries & Wages	
Senior Insurance Analyst	1,315
Chief Examiner	1,763
Life Actuary	1,522
Commissioner & First Deputy	<u>1,000</u>
	5,600
Clerical and printing costs	<u>3,000</u>
	8,600
Total	<u>\$33,500</u>

It is anticipated that these costs will decrease after the first year during which rules, procedures and forms will have to be developed.

Following is the fiscal effect in dollars of the legislative proposal as required by House Rule 48.

The salary and wages estimate for the Insurance Department represents only a portion of each individual's time. The Insurance Department stated that no additional personnel over and above the number already requested in their budget would be needed. It is also estimated by the Insurance Department that the anticipated additional workload from HMO's would be an extremely small percentage of the total volume of the Department's work.

The additional cost to the State will be partially offset by the fees which are established by section 23 of this Act.

The expense of examinations which are required by section 25 of this Act will be reimbursed by the organization being examined.

Source: State Department of Health
Insurance Department of Iowa

Filed
February 22, 1973

GERRY D. RANKIN
Legislative Fiscal Director