

MAR 19 1981

BY COMMITTEE ON COMMERCE

Place On Calendar

(Formerly Study Bill 247)

*Inc. for S.F. 419 4/8/81*

Passed House, Date 4-6-81 (p.1071) Passed Senate, Date 4-21-81 (p.1338)

Vote: Ayes 97 Nays 0 Vote: Ayes 47 Nays 0

Approved May 4, 1981

### A BILL FOR

1 An Act requiring the commissioner of insurance to adopt  
2 rules relating to minimum standards for group medicare  
3 supplement contracts that are consistent with rules  
4 adopted with respect to individual medicare supplement  
5 contracts.

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

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768

HOUSE FILE 768

H-3428

1 Amend House File 768 as follows:  
2 1. Page 1, line 9, by inserting after the period  
3 the following new sentence: "Pursuant to the  
4 provisions of 17A.4 and 17A.5 of the Code, the  
5 commissioner shall adopt and put into effect  
6 emergency rules to establish minimum standards  
7 for individual and group medicare supplement  
8 policies and to adopt and put into effect emergency  
9 rules to establish credible anticipated minimum  
10 loss ratios for individual and group medicare  
11 supplement policies by July 1, 1981."  
12 2. Page 1, line 10, by striking the word  
13 "credible" and inserting in lieu thereof the word  
14 "creditable".

H-3428 FILED APRIL 1, 1981  
*4/5 4/6/81 (p.1070)*

BY BRUNER of Story

1 Section 1. Chapter 509, Code 1981, is amended by adding  
2 the following new section:

3 NEW SECTION. RULES. The commissioner of insurance shall  
4 issue rules establishing minimum standards for group medicare  
5 supplement policies and minimum standards for benefits under  
6 coverages contained in group medicare supplement policies.  
7 These rules shall be consistent with those rules established  
8 for individual medicare supplement policies pursuant to chapter  
3428 > 9 514D. The commissioner also shall establish by rule reasonable  
10 and credible anticipated minimum loss ratios for group medicare  
11 supplement policies. Rules issued by the commissioner shall  
12 give issuers of group medicare supplement policies a reasonable  
13 time to achieve compliance.

1522-14 Sec. 2. Section 514D.4, subsection 5, Code 1981, is amended  
15 to read as follows:

16 5. The commissioner may upon notice and hearing at any  
17 time after the initial filing or approval of any individual  
18 accident and sickness policy or subscriber contract form,  
19 withdraw approval or suspend further sale of the form if the  
20 benefits provided are unreasonable in relation to the premium  
21 charge. The commissioner shall establish reasonable and  
22 creditable anticipated minimum loss ratios for medicare  
23 supplement and other accident and sickness insurance policies.  
24 For purposes of establishing loss ratios, policies issued  
25 as a result of solicitations of individuals through the mails  
26 or by mass media advertising, including both print and  
27 broadcast advertising, shall be deemed to be individual  
28 policies, including any certificates issued under these  
29 policies.

30 EXPLANATION

31 This bill requires the insurance commissioner to establish  
32 minimum standards for group contracts that provide medicare  
33 supplement benefits, and to establish minimum standards for  
34 benefits under these contracts, and provides that these minimum  
35 standards and benefits must be consistent with minimum

1 standards and benefits for individual contracts regulated  
2 by chapter 514D. After the enactment of chapter 514D by the  
3 general assembly in 1980, which authorized the commissioner  
4 to establish standards and loss ratios for individual policies  
5 and subscriber contracts providing medicare supplement  
6 benefits, Congress enacted the so-called "Baucus Amendment"  
7 (42 U.S.C. sec. 1395). This law directs the federal government  
8 to impose standards for both individual and group medicare  
9 supplement policies or contracts in a state if the state does  
10 not impose by July 1, 1982 certain standards developed by  
11 the national association of insurance commissioners. Chapter  
12 514D applies to individual policies, but a similar provision  
13 applicable to group medicare supplement contracts is necessary  
14 to comply with the "Baucus Amendment". The purpose of the  
15 Act, therefore, is to adopt the necessary language required  
16 by the federal "Baucus Amendment" to avoid the imposition  
17 of federal regulation of group medicare supplement policies.  
18 The laws and rules must be in existence by January 1, 1982,  
19 to avoid the application of federal standards.

20 The bill would take effect July 1 following enactment.

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S-3523

1 Amend House File 768 as follows:

2 1. Page 1, line 14, by striking the words and  
3 figures "subsection 5, Code 1981, is" and inserting  
4 in lieu thereof the words and figures "subsections  
5 1 and 5, Code 1981, are".

6 2. Page 1, by inserting after line 15 the follow-  
7 ing:

8 "1. The commissioner shall issue rules to establish  
9 minimum standards for benefits under each of the  
10 following categories of coverage contained in policies  
11 of individual accident and sickness insurance or  
12 subscriber contracts:

- 13 a. Basic hospital expense coverage.
- 14 b. Basic medical-surgical expense coverage.
- 15 c. Hospital confinement indemnity coverage.
- 16 d. Major medical expense coverage.
- 17 e. Disability income protection coverage.
- 18 f. Accident only coverage.
- 19 g. Specified disease or specified accident  
20 coverage.
- 21 h. Medicare supplement coverage which shall include  
22 a co-pay prescription drug benefit available at the  
23 option of the insured.

24 i. Limited benefit health coverage."

25 3. Page 1, by inserting after line 29 the  
26 following:

27 "Sec. \_\_\_\_ Chapter 514D, Code 1981, is amended  
28 by adding the following new section as section 514D.9:  
29 NEW SECTION. 514D.9. CO-PAY PRESCRIPTION BENEFITS.

30 1. As used in this section:

31 a. "Medical practitioner" means a medical  
32 practitioner as defined in section 155.3, subsection  
33 11.

34 b. "Prescription" means a written order issued  
35 by a medical practitioner to a pharmacist for the  
36 dispensing of a self-administered prescription drug  
37 or insulin.

38 c. "Self-administered prescription drug" means  
39 a prescription drug as defined in section 155.3,  
40 subsection 10, which is to be administered by the  
41 individual for whom the drug is prescribed.

42 2. Rules adopted by the commissioner under section  
43 514D.4 with respect to the optional co-pay prescription  
44 drug benefit under the medicare supplement coverage  
45 shall provide for the payment by the issuer of the  
46 contract of all or a portion of the total cost to  
47 the insured of self-administered prescription drugs  
48 or insulin, and may authorize the insurer to impose  
49 a deductible in an amount not to exceed three dollars  
50 with respect to any one purchase of a drug or insulin."

S-3523 FILED

BY ROBERT M. CARR

APRIL 21, 1981

RULED NOT GERMANE (p. 1337)

HOUSE FILE 768

AN ACT

REQUIRING THE COMMISSIONER OF INSURANCE TO ADOPT RULES RELATING TO MINIMUM STANDARDS FOR GROUP MEDICARE SUPPLEMENT CONTRACTS THAT ARE CONSISTENT WITH RULES ADOPTED WITH RESPECT TO INDIVIDUAL MEDICARE SUPPLEMENT CONTRACTS.

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

Section 1. Chapter 509, Code 1981, is amended by adding the following new section:

NEW SECTION. RULES. The commissioner of insurance shall issue rules establishing minimum standards for group medicare supplement policies and minimum standards for benefits under coverages contained in group medicare supplement policies. These rules shall be consistent with those rules established for individual medicare supplement policies pursuant to chapter 514D. The commissioner also shall establish by rule reasonable and credible anticipated minimum loss ratios for group medicare supplement policies. Rules issued by the commissioner shall give issuers of group medicare supplement policies a reasonable time to achieve compliance.

Sec. 2. Section 514D.4, subsection 5, Code 1981, is amended to read as follows:

5. The commissioner may upon notice and hearing at any time after the initial filing or approval of any individual accident and sickness policy or subscriber contract form, withdraw approval or suspend further sale of the form if the benefits provided are unreasonable in relation to the premium charge. The commissioner shall establish reasonable and creditable anticipated minimum loss ratios for medicare supplement and other accident and sickness insurance policies.

For purposes of establishing loss ratios, policies issued as a result of solicitations of individuals through the mails or by mass media advertising, including both print and broadcast advertising, shall be deemed to be individual policies, including any certificates issued under these policies.

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DELWYN STROMER  
Speaker of the House

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TERRY E. BRANSTAD  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 768, Sixty-ninth General Assembly.

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PAT H. HARPER  
Chief Clerk of the House

Approved 5/4, 1981

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ROBERT D. RAY  
Governor