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HOUSE FILE 2465
BY COMMITTEE ON SMALL
BUSINESS AND COMMERCE

Place On Calendar

(Formerly House Study Bill 530)

Passed House, Date 3-19-86 (p.878) Passed Senate, Date 4-4-86 (p.1057)

Vote: Ayes 96 Nays 0 Vote: Ayes 45 Nays 0

Approved April 21, 1986 (p.1607)

A BILL FOR

1 An Act relating to the continuation of and conversion of accident
2 or health insurance benefits and providing an effective date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2465

1 Section 1. NEW SECTION. 509B.1 DEFINITIONS.

2 As used in this chapter, unless the context otherwise re-
3 quires:

4 1. "Accident or health insurance" means hospital, surgi-
5 cal, or major medical insurance, or a combination of these.

6 2. "Commissioner" means the state commissioner of
7 insurance.

8 3. "Group policy" means a group accident or health
9 insurance policy issued by an insurance company under chapter
10 509, a group accident or health contract issued by a health
11 service corporation under chapter 514, or a plan for health
12 care services provided by a health maintenance organization
13 under chapter 514B, or issued or provided by any similar
14 corporation or organization.

15 4. "Individual policy" or "converted policy" means an in-
16 dividual accident or health insurance policy issued by an in-
17 surance company under chapter 509, or an individual accident
18 or health services contract issued by a health service
19 corporation under chapter 514, or a plan for health care
20 services provided by a health maintenance organization under
21 chapter 514B, or provided by any similar corporation or
22 organization.

23 5. "Insurer" means the entity issuing a group policy or an
24 individual or converted policy.

25 6. "Insurance", "insures", and "insured" refer to coverage
26 under a group policy, individual policy, or converted policy
27 on a premium-paying basis, and do not include coverage
28 provided solely as an accrued liability or by reason of a
29 disability extension.

30 7. "Premium" includes any premium or payment or other
31 consideration payable for coverage under a group or individual
32 policy.

33 8. "Medicare" means Title XVIII of the United States
34 Social Security Act.

35 Sec. 2. NEW SECTION. 509B.2 PERSONS INCLUDED IN THIS

1 CHAPTER.

2 1. As used in this chapter, "termination of employment or
3 membership" includes but is not limited to termination because
4 of permanent or temporary layoff or approved leave of absence.
5 A provision in this chapter which relates to termination of
6 insurance under a group policy of an employee or member and
7 the employee's or member's covered dependents includes
8 termination of insurance with respect to the dependent spouse
9 or children of an employee or member whose insurance would
10 terminate because of dissolution or annulment of the marriage
11 of the employee or member, or would terminate because of death
12 of the employee or member.

13 2. A provision in this chapter which relates to an em-
14 ployee or member includes the dependent spouse or children if
15 termination occurs because of dissolution or annulment of a
16 marriage or death of an employee or member.

17 Sec. 3. NEW SECTION. 509B.3 CONTINUATION OF BENEFITS.

18 A group policy delivered or issued for delivery in this
19 state which insures employees or members for accident or
20 health insurance on an expense-incurred or service basis,
21 other than for specific diseases or for accidental injuries
22 only, shall provide that employees or members whose coverage
23 under the group policy would otherwise terminate because of
24 termination of employment or membership may continue their
25 accident or health insurance under that group policy, for
26 themselves and their eligible dependents, subject to all of
27 the group policy's terms and conditions applicable to those
28 forms of insurance and subject to all of the following condi-
29 tions:

30 1. Continuation shall only be available to an employee or
31 member if the employee or member was continuously insured un-
32 der the group policy, and for similar benefits under any group
33 policy which it replaced, during the entire three months'
34 period immediately preceding the termination.

35 2. Continuation shall not be available for a person who is

1 or could be covered by medicare. Continuation shall not be
2 available for a person who is or is eligible to be covered by
3 another group insured or uninsured arrangement which provides
4 accident or health coverage, unless the person was covered by
5 that other group policy immediately prior to the termination.

6 3. Continuation may exclude dental care, vision care, or
7 prescription drug benefits or other benefits provided under
8 the group policy which benefits are in addition to accident or
9 health benefits.

10 4. An employee or member who wishes continuation of
11 coverage must request continuation in writing to the employer
12 or group policyholder within the ten-day period following the
13 later of either of the following:

14 a. The date of the termination.

15 b. The date the employee is given notice of the right of
16 continuation as provided in section 509B.5 by either the em-
17 ployer or the group policyholder.

18 If proper notice is given, the employee or member is not
19 eligible to elect continuation more than thirty-one days after
20 the date of termination.

21 5. An employee or member electing continuation shall pay
22 monthly to the employer or group policyholder, in advance, the
23 amount of contribution required by the employer or group
24 policyholder, but not more than the group rate otherwise due
25 for the insurance being continued under the group policy. If
26 proper notice is given, the election of continuation by the
27 employee or member together with the first contribution
28 required to establish contributions on a monthly basis in
29 advance, shall be given to the employer or group policyholder
30 within thirty-one days of the date the group insurance would
31 otherwise terminate.

32 6. Continuation of insurance under the group policy for
33 any person shall terminate when the person becomes eligible
34 for medicare or another group insured or uninsured accident or
35 health arrangement, or earlier, when any of the following

1 first occurs:

2 a. Nine months after the date the employee's or member's
3 insurance under the policy would otherwise have terminated
4 because of termination of employment or membership.

5 b. At the end of the period for which contributions were
6 made if the employee or member fails to make timely payment of
7 a required contribution and if proper notice as provided in
8 section 509B.5, subsection 2.

9 c. If the person covered is a former spouse, upon the
10 former spouse's remarriage.

11 d. The date on which the group policy is terminated or, in
12 the case of an employee, the date the employer terminates
13 participation under the group policy. However, if this para-
14 graph applies and the coverage which would cease because of
15 the employer's termination is replaced by similar coverage
16 under a different group policy, all of the following apply:

17 (1) The employee, member, spouse, or eligible dependent
18 may become covered under the different group policy, for the
19 balance of the period that the employee or member would have
20 remained covered under the prior group policy had a termina-
21 tion of the group policy as specified in paragraph "d" not
22 occurred.

23 (2) The minimum level of benefits to be provided by the
24 different group policy shall be the applicable level of bene-
25 fits of the prior group policy, reduced by any benefits pay-
26 able under the prior group policy.

27 (3) The prior group policy shall continue to provide bene-
28 fits to the extent of its accrued liabilities and extensions
29 of benefits as if the prior group policy had not been replaced
30 by the different group policy.

31 7. A notification of the continuation privilege shall be
32 included with or in each certificate of coverage and as
33 otherwise provided in section 509B.5 and shall contain the
34 time limits for requesting the continued coverage.

35 8. The spouse of an employee or member, and any covered

1 dependent children of the employee or member, whose coverage
2 under the group policy would otherwise terminate because of
3 dissolution or annulment of marriage or death of the employee
4 or member shall have the same contribution and notice
5 responsibilities and privileges as provided under this chapter
6 to the employee or member upon termination of employment or
7 membership.

8 Sec. 4. NEW SECTION. 509B.4 CONVERSION OF GROUP POLI-
9 CIES.

10 A group policy delivered or issued for delivery in this
11 state which insures employees or members for accident or
12 health insurance on an expense-incurred or service basis,
13 other than for specific diseases or for accidental injuries
14 only, shall provide that an employee or member whose coverage
15 under the group policy has been terminated is entitled to have
16 a converted policy issued to the employee or member by the
17 insurer without evidence of insurability, subject to the
18 following:

19 1. A converted policy shall not be available to an em-
20 ployee or member if termination of insurance under the group
21 policy occurred because of any of the following:

22 (a) Termination of employment or termination of membership
23 and the employee or member was not entitled to continuation of
24 group coverage, or failed to elect continuation.

25 (b) Failure to make timely payment of required premium
26 after notice as required in section 509B.5, subsection 2.

27 (c) Any other reason, if the employee or member was not
28 continuously insured under the group policy, and for similar
29 benefits under any group policy which it replaced, during the
30 entire three months' period immediately preceding the termina-
31 tion.

32 (d) The group policy terminated or an employer's or group
33 policyholder's participation terminated, and the insurance is
34 replaced by similar coverage under another group policy within
35 thirty-one days of the date of termination.

1 2. If proper notice is given as required in section
2 509B.5, written application and the first premium payment for
3 the converted policy shall be made to the insurer not later
4 than thirty-one days after the termination. The converted
5 policy's effective date shall be the day following the
6 termination of insurance under the group policy.

7 3. The premium for the converted policy shall be
8 determined in accordance with the insurer's table of premium
9 rates applicable to the age and class of risk of each person
10 to be covered under that policy and to the type and amount of
11 insurance provided.

12 4. The converted policy shall cover the employee or member
13 and dependents who were covered by the group policy on the
14 date of termination of insurance. At the option of the
15 insurer, a separate converted policy may be issued to cover
16 any dependent.

17 5. The insurer is not required to issue a converted policy
18 covering any person if the person is or is eligible to be
19 covered by medicare. The insurer is not required to issue a
20 converted policy covering any person if both paragraphs "a"
21 and "b" apply:

22 a. If any of the following apply:

23 (1) The person is covered for similar benefits by another
24 individual policy.

25 (2) The person is or is eligible to be covered for similar
26 benefits under any arrangement of coverage for individuals in
27 an employer group, whether insured or uninsured.

28 (3) The person is or is eligible to be covered for similar
29 benefits under any other state or federal law.

30 b. The benefits provided under sources of the kind
31 referred to in paragraph "a", subparagraph (1), for the
32 person, or the benefits provided or available under sources of
33 the kind referred to in paragraph "a", subparagraphs (2) and
34 (3), for the person, together with the converted policy's
35 benefits, would result in overinsurance according to the

1 insurer's standards for overinsurance.

2 6. A converted policy may provide that the insurer may at
3 any time request information of a person covered as to whether
4 the person is covered for similar benefits described in
5 subsection 5, paragraph "a", subparagraph (1) or is or is
6 eligible to be covered for similar benefits described in
7 subsection 5, paragraph "a", subparagraphs (2) and (3). The
8 converted policy may provide that as of any premium due date
9 the insurer may refuse to renew the policy or the coverage of
10 any insured person for any of the following reasons:

11 a. Either those similar benefits for which the person is
12 or is eligible to be covered, together with the converted
13 policy's benefits, would result in overinsurance according to
14 the insurer's standards for overinsurance, or the policyholder
15 of the converted policy fails to provide the requested
16 information.

17 b. Fraud or material misrepresentation in applying for any
18 benefits under the converted policy.

19 c. Eligibility of the insured person for coverage under
20 medicare or under any other state or federal law providing for
21 benefits similar to those provided by the converted policy.

22 d. Other reasons approved by the commissioner of
23 insurance.

24 7. An insurer is not required to issue a converted policy
25 providing benefits in excess of the accident and health
26 insurance under the group policy from which conversion is
27 made.

28 8. The converted policy shall not exclude, as a
29 preexisting condition, any condition covered by the group
30 policy. However, the converted policy may provide for a
31 reduction of its accident and health benefits by the amount of
32 the benefits payable under the group policy after the
33 individual's insurance terminates under the group policy. The
34 converted policy may also provide that during the first policy
35 year, the benefits payable under the converted policy,

1 together with the benefits payable under the group policy
2 after its termination, shall not exceed those that would have
3 been payable had the individual's insurance under the group
4 policy remained in force and effect.

5 9. Subject to the other provisions of this chapter, if the
6 group insurance policy from which conversion is made insures
7 the employee or member for basic hospital and surgical
8 insurance, the employee or member may exercise the option of
9 obtaining a converted policy providing coverage on an expense-
10 incurred basis under any of the following plans:

11 a. Plan A which covers all of the following:

12 (1) Hospital room and board daily expense benefits in a
13 maximum dollar amount approximating the average semi-private
14 rate charged in the Polk county metropolitan area of this
15 state for a maximum duration of seventy days.

16 (2) Miscellaneous hospital expense benefits up to a
17 maximum amount of ten times the hospital room and board daily
18 expense benefits.

19 (3) Surgical expense benefits according to a surgical
20 procedures schedule consistent with those customarily offered
21 by the insurer under group or individual health insurance
22 policies and providing a maximum benefit of eight hundred
23 dollars.

24 b. Plan B.

25 The same as plan A, except that the maximum hospital room
26 and board daily expense benefits is seventy-five percent of
27 the corresponding plan A maximum and the surgical schedule
28 maximum is six hundred dollars.

29 c. Plan C.

30 The same as plan A, except that the maximum hospital room
31 and board daily expense benefit is fifty percent of the
32 corresponding plan A maximum and the surgical schedule maximum
33 is four hundred dollars.

34 The maximum dollar amount for plan A's hospital room and
35 board daily expense benefits shall be determined by the

1 commissioner of insurance and may be redetermined by the
2 commissioner from time to time as to converted policies issued
3 subsequent to the redetermination. The redetermination shall
4 not be made more often than once in three years. The plan A
5 maximum, and the corresponding maximums in plans B and C,
6 shall be rounded to the nearest multiple of ten dollars and
7 that rounding may be to the next higher or lower multiple of
8 ten dollars, if otherwise exactly midway between.

9 10. Subject to the other provisions and conditions of this
10 chapter, if the group policy from which conversion is made
11 insures the employee or member for major medical expense
12 insurance, the employee or member may obtain a converted
13 policy providing catastrophic or major medical coverage under
14 a plan meeting the following requirements:

15 a. A maximum benefit at least equal to, at the option of
16 the insurer, either of the following benefits:

17 (1) A maximum payment per covered person for all covered
18 medical expenses incurred during that person's lifetime, equal
19 to the smaller of the maximum benefit provided under the group
20 policy or two hundred fifty thousand dollars.

21 (2) A maximum payment for each unrelated injury or
22 sickness equal to the smaller of the maximum benefit provided
23 under the group policy, or two hundred fifty thousand dollars.

24 b. Payment of benefits at the rate of eighty percent of
25 covered medical expenses which are in excess of the deductible
26 until twenty percent of the expenses in a benefit period
27 reaches one thousand dollars, after which benefits will be
28 paid at the rate of one hundred percent during the remainder
29 of the benefit period. Payment of benefits for outpatient
30 treatment of mental illness, if provided in the converted
31 policy, may be at a lesser rate but not less than fifty
32 percent.

33 c. A deductible for each benefit period which, at the
34 option of the insurer, shall be the sum of the benefits
35 deductible and one hundred dollars or the corresponding

1 deductible in the group policy. "Benefits deductible" means
2 the value of any benefits provided on an expense-incurred
3 basis which are provided with respect to covered medical
4 expenses by any other group or individual accident or health
5 insurance policy or medical practice or other prepayment plan,
6 or any other plan or program whether insured or uninsured, or
7 by reason of any state or federal law and if, pursuant to
8 subsection 11, the converted policy provides both basic
9 hospital and surgical coverage and major medical coverage, the
10 value of the basic benefits. If the maximum benefit is
11 determined by paragraph "a", subparagraph (2), the insurer may
12 require that the deductible be satisfied during a period of
13 not less than three months if the deductible is one hundred
14 dollars or less and not less than six months if the deductible
15 exceeds one hundred dollars.

16 d. The "benefit period" shall be each calendar year when
17 the maximum benefit is determined by paragraph "a", subpara-
18 graph (1) or twenty-four months when the maximum benefit is
19 determined by paragraph "a", subparagraph (2).

20 e. "Covered medical expenses" includes at least, in the
21 case of hospital room and board charges, the dollar amount in
22 plan A of subsection 9, paragraph "a" and at least twice that
23 amount for charges in an intensive care unit. Any surgical
24 procedures schedule shall be consistent with those customarily
25 offered by the insurer under group or individual health
26 insurance policies and shall provide at least a one thousand
27 two hundred dollar maximum benefit.

28 11. At the option of the insurer, the plans of benefits
29 set forth in subsections 9 and 10 may be provided under
30 separate policies, or may be provided by a policy of compre-
31 hensive medical expense benefits without first dollar
32 coverage. The comprehensive policy shall conform to the
33 requirements of subsection 10. However, an insurer electing
34 to provide such a policy shall make available a low deductible
35 option, not to exceed one hundred dollars, a high deductible

1 option between five hundred dollars and one thousand dollars,
2 and a third deductible option midway between the high and low
3 deductible options. Alternatively, this policy may provide
4 for deductible options equal to the greater of the benefits
5 deductible and the amounts specified in this subsection.

6 12. The insurer may, at its option, offer alternative
7 plans for group health and accident insurance conversion in
8 addition to those required by this chapter. If an insurer
9 customarily offers individual policies on a service basis,
10 that insurer may, in lieu of converted policies on an expense-
11 incurred basis, make available converted policies on a service
12 basis which, in the opinion of the commissioner, satisfy the
13 intent of this chapter.

14 13. If, under this chapter, coverage would be continued
15 under the group policy on an employee or member following
16 termination due to retirement prior to the time the employee
17 or member is or could be covered by medicare, the employee or
18 member may elect, in lieu of continuation of group insurance,
19 and notwithstanding subsection 1, paragraph "a", to have the
20 same conversion rights as would apply if a continued policy
21 were terminated at that time.

22 14. The converted policy may provide for reduction or ter-
23 mination of coverage of a person upon eligibility for coverage
24 under medicare or under any other state or federal law
25 providing for benefits similar to those provided by the
26 converted policy.

27 15. Subject to any preceding conditions, conversion
28 privileges are available to a surviving spouse at the death of
29 the employee or member, with respect to the spouse and
30 children whose coverage under the group policy terminates by
31 reason of the death, or to each surviving child whose coverage
32 under the group policy terminates by reason of death, or when
33 continuation of dependent's coverage is accepted following the
34 employee's or member's death, at the end of the continuation.
35 Subject to any preceding conditions, the conversion privilege

1 is available to the spouse of the employee or member upon
2 termination of coverage of the spouse, by reason of
3 dissolution or annulment of marriage or otherwise ceasing to
4 be a qualified family member under the group policy, while the
5 employee or member remains insured under the policy, or when
6 continuation of dependent's coverage is elected following the
7 dissolution or annulment of marriage, at the end of
8 continuation. This conversion privilege includes children
9 whose coverage under the group policy terminates at the same
10 time. Subject to any preceding conditions, the conversion
11 privilege is also available to a child solely with respect to
12 the child upon termination of coverage by reason of ceasing to
13 be a qualified family member under the group policy, if a
14 conversion privilege is not otherwise provided within this
15 section.

16 16. If the benefit levels in subsections 9 and 10 exceed
17 the benefit levels provided under the group policy, the
18 converted policy may offer benefits which are substantially
19 similar to those provided under the group policy in lieu of
20 those required in subsections 9 and 10.

21 17. The insurer may elect to provide group insurance
22 coverage in lieu of the issuance of a converted individual
23 policy.

24 18. A notification of the conversion privilege shall be
25 included with or in each certificate of coverage.

26 19. A converted policy which is delivered outside this
27 state may be on a form which could be delivered in such other
28 jurisdiction as a converted policy had the group policy been
29 issued in that jurisdiction.

30 Sec. 5. NEW SECTION. 509B.5 NOTICE OF TERMINATION OF
31 MEMBERSHIP OR MODIFICATION OF COVERAGE.

32 1. Employers or group policyholders shall notify all em-
33 ployees or members of their continuation and conversion rights
34 within ten days of termination of employment or membership.
35 The notice shall be in writing and delivered in person or

1 mailed to the person's last known address. However,
2 continuation and conversion rights shall not be denied because
3 of failure to provide proper notice. After receiving proper
4 notice the employee or member may request and shall receive
5 continuation or conversion coverage in accordance with this
6 chapter within ten days of the request, notwithstanding any
7 other time limitation provided by this chapter. Notification
8 as provided in this section supersedes section 515.80 as that
9 section relates to accident and health insurance.

10 2. If an employer or group policyholder terminates or sub-
11 stantially modifies an agreement to provide accident or health
12 insurance for employees or members or if accident or health
13 insurance for employees or members is terminated for failure
14 to pay premiums or for another reason, the employer or group
15 policyholder shall notify the employees or members, including
16 persons being continued under the policy's continuation
17 provisions, of the termination or substantial modification of
18 their coverage. The notice shall be in writing and delivered
19 in person to the entitled persons or mailed to their last
20 known addresses at least ten days prior to the termination or
21 substantial modification of the accident or health insurance
22 coverage. The employer or group policyholder is solely liable
23 for benefits, including extended benefits, other than extended
24 benefits for which the insurer is liable in accordance with
25 the provisions of the group policy, which would have been
26 payable had the accident or health insurance remained in force
27 or not been terminated or substantially modified during the
28 period of time following the termination or substantial modi-
29 fication until the person entitled to notice is given notice
30 by the employer or group policyholder as required by this
31 subsection.

32 3. The employer or group policyholder is also solely
33 liable for benefits, including extended benefits, which would
34 have been payable had the accident or health insurance been in
35 force and the employees or members been covered during the

1 period of time the employer or group policyholder failed to
2 implement the plan for accident or health insurance which the
3 employer or group policyholder had agreed to provide, until
4 the employer or group policyholder gives notice of its failure
5 or inability to provide the agreed plan. The notice shall be
6 in writing and delivered in person to the employees or members
7 or mailed to their last known addresses.

8 4. The employer or group policyholder is also solely
9 liable for benefits, including extended benefits, which would
10 have been payable had the accident or health insurance been in
11 force and the employees or members been covered by the
12 accident or health insurance during a period of time for which
13 the employer or group policyholder has collected contributions
14 through payroll, withholding, or otherwise, but has failed to
15 enroll the employees or members, unless the employer or group
16 policyholder has given actual notice that enrollment in the
17 plan will not become effective until a later date or until the
18 employee's or member's application for enrollment has been
19 approved.

20 Sec. 6. Section 509.3, subsection 4, Code 1985, is amended
21 by striking the subsection and inserting in lieu thereof the
22 following:

23 4. A provision that if the insurance on a person or in-
24 surance on a person and the person's dependents covered by the
25 policy ceases because of termination of employment or of
26 membership in the class, the person and the person's
27 dependents may continue their accident or health insurance
28 under the group policy and may subsequently apply for a
29 converted policy without evidence of insurability, as provided
30 in chapter 509B.

31 Sec. 7. Chapter 91B, Code 1985, is repealed.

32 Sec. 8. This Act is effective July 1, 1987.

33

EXPLANATION

34 This bill provides for continuing certain persons under
35 group accident and health insurance when their employment or

1 membership in a group ceases, subject to time limitations and
2 the availability of other coverages. It specifically covers
3 those persons whose group policies would terminate because of
4 termination of employment, including temporary or permanent
5 layoff from employment, or temporary leave of absence, or
6 because of dissolution of marriage, annulment, or death.

7 This bill also changes accident and health insurance con-
8 version laws.

9 The bill applies to private insurance carriers, health ser-
10 vice corporations (Blue Cross/Blue Shield), and health main-
11 tenance organizations. Present laws do not require health
12 service corporations or health maintenance organizations to
13 offer continuation or conversion privileges, although they may
14 voluntarily choose to do so. This bill covers the services of
15 all providers authorized under chapters 509, 514, and 514B.

16 The bill is effective July 1, 1987.

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HOUSE FILE 2465

H-5452

1 Amend House File 2465 as follows:

2 1. Page 14, by inserting after line 19 the
3 following:

4 "Sec. ____ . Section 91A.2, subsection 4, paragraph
5 d, Code Supplement 1985, is amended to read as
6 follows:

7 d. Expenses incurred and recoverable under a
8 health benefit plan ~~as defined in and as provided in~~
9 ~~chapter 91B.~~

10 Sec. ____ . Section 91A.2, Code Supplement 1985, is
11 amended by adding the following new subsection:

12 NEW SUBSECTION. 7. "Health benefit plan" means a
13 plan or agreement provided by an employer for
14 employees for the provision of or payment for care and
15 treatment of sickness or injury."

16 2. Renumber as necessary.

H-5452 FILED MARCH 18, 1986 BY BRAMMER of Linn

Adopted 3/19 (p. 898)

HOUSE FILE 2465

H-5462

1 Amend House File 2465 as follows:

2 1. Page 1, line 17, by striking the words and
3 figure "under chapter 509".

4 2. Page 1, line 19, by striking the words and
5 figure "under chapter 514".

6 3. Page 1, lines 20 and 21, by striking the words
7 and figure "under chapter 514B".

8 4. Page 2, line 8, by striking the word
9 "dependent" and inserting the following: "surviving
10 or former".

11 5. Page 2, line 14, by striking the word
12 "dependent" and inserting the following: "surviving
13 or former".

14 6. Page 5, line 3, by striking the word
15 "marraige" and inserting the word "marriage".

H-5462 FILED MARCH 18, 1986 BY BRAMMER of Linn

Adopted 3/19 (p. 897)

Am. Comm. 3/24 No. Pass 3/24 (p. 905)

HOUSE FILE 2465
BY COMMITTEE ON SMALL
BUSINESS AND COMMERCE

(As Amended and Passed by the House March 19, 1986)

Passed House, Date 3-19-86 (p. 898) Passed Senate, Date 4-4-86 (p. 105?)
Vote: Ayes 96 Nays 0 Vote: Ayes 45 Nays 0
Approved April 21, 1986 (p. 1607)

A BILL FOR

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2 or health insurance benefits and providing an effective date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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House Amendments _____
Language Deleted *

1 Section 1. NEW SECTION. 509B.1 DEFINITIONS.

2 As used in this chapter, unless the context otherwise re-
3 quires:

4 1. "Accident or health insurance" means hospital, surgi-
5 cal, or major medical insurance, or a combination of these.

6 2. "Commissioner" means the state commissioner of
7 insurance.

8 3. "Group policy" means a group accident or health
9 insurance policy issued by an insurance company under chapter
10 509, a group accident or health contract issued by a health
11 service corporation under chapter 514, or a plan for health
12 care services provided by a health maintenance organization
13 under chapter 514B, or issued or provided by any similar
14 corporation or organization.

15 4. "Individual policy" or "converted policy" means an in-
16 dividual accident or health insurance policy issued by an in-
*17 surance company, or an individual accident or health services
*18 contract issued by a health service corporation, or a plan for
19 health care services provided by a health maintenance
*20 organization, or provided by any similar corporation or
21 organization.

22 5. "Insurer" means the entity issuing a group policy or an
23 individual or converted policy.

24 6. "Insurance", "insures", and "insured" refer to coverage
25 under a group policy, individual policy, or converted policy
26 on a premium-paying basis, and do not include coverage
27 provided solely as an accrued liability or by reason of a
28 disability extension.

29 7. "Premium" includes any premium or payment or other
30 consideration payable for coverage under a group or individual
31 policy.

32 8. "Medicare" means Title XVIII of the United States
33 Social Security Act.

34 Sec. 2. NEW SECTION. 509B.2 PERSONS INCLUDED IN THIS
35 CHAPTER.

1 1. As used in this chapter, "termination of employment or
2 membership" includes but is not limited to termination because
3 of permanent or temporary layoff or approved leave of absence.
4 A provision in this chapter which relates to termination of
5 insurance under a group policy of an employee or member and
6 the employee's or member's covered dependents includes
7 termination of insurance with respect to the surviving or
8 former spouse or children of an employee or member whose
9 insurance would terminate because of dissolution or annulment
10 of the marriage of the employee or member, or would terminate
11 because of death of the employee or member.

12 2. A provision in this chapter which relates to an em-
13 ployee or member includes the surviving or former spouse or
14 children if termination occurs because of dissolution or
15 annulment of a marriage or death of an employee or member.

16 Sec. 3. NEW SECTION. 509B.3 CONTINUATION OF BENEFITS.

17 A group policy delivered or issued for delivery in this
18 state which insures employees or members for accident or
19 health insurance on an expense-incurred or service basis,
20 other than for specific diseases or for accidental injuries
21 only, shall provide that employees or members whose coverage
22 under the group policy would otherwise terminate because of
23 termination of employment or membership may continue their
24 accident or health insurance under that group policy, for
25 themselves and their eligible dependents, subject to all of
26 the group policy's terms and conditions applicable to those
27 forms of insurance and subject to all of the following condi-
28 tions:

29 1. Continuation shall only be available to an employee or
30 member if the employee or member was continuously insured un-
31 der the group policy, and for similar benefits under any group
32 policy which it replaced, during the entire three months'
33 period immediately preceding the termination.

34 2. Continuation shall not be available for a person who is
35 or could be covered by medicare. Continuation shall not be

1 available for a person who is or is eligible to be covered by
2 another group insured or uninsured arrangement which provides
3 accident or health coverage, unless the person was covered by
4 that other group policy immediately prior to the termination.

5 3. Continuation may exclude dental care, vision care, or
6 prescription drug benefits or other benefits provided under
7 the group policy which benefits are in addition to accident or
8 health benefits.

9 4. An employee or member who wishes continuation of
10 coverage must request continuation in writing to the employer
11 or group policyholder within the ten-day period following the
12 later of either of the following:

13 a. The date of the termination.

14 b. The date the employee is given notice of the right of
15 continuation as provided in section 509B.5 by either the em-
16 ployer or the group policyholder.

17 If proper notice is given, the employee or member is not
18 eligible to elect continuation more than thirty-one days after
19 the date of termination.

20 5. An employee or member electing continuation shall pay
21 monthly to the employer or group policyholder, in advance, the
22 amount of contribution required by the employer or group
23 policyholder, but not more than the group rate otherwise due
24 for the insurance being continued under the group policy. If
25 proper notice is given, the election of continuation by the
26 employee or member together with the first contribution
27 required to establish contributions on a monthly basis in
28 advance, shall be given to the employer or group policyholder
29 within thirty-one days of the date the group insurance would
30 otherwise terminate.

31 6. Continuation of insurance under the group policy for
32 any person shall terminate when the person becomes eligible
33 for medicare or another group insured or uninsured accident or
34 health arrangement, or earlier, when any of the following
35 first occurs:

1 a. Nine months after the date the employee's or member's
2 insurance under the policy would otherwise have terminated
3 because of termination of employment or membership.

4 b. At the end of the period for which contributions were
5 made if the employee or member fails to make timely payment of
6 a required contribution and if proper notice as provided in
7 section 509B.5, subsection 2.

8 c. If the person covered is a former spouse, upon the
9 former spouse's remarriage.

10 d. The date on which the group policy is terminated or, in
11 the case of an employee, the date the employer terminates
12 participation under the group policy. However, if this para-
13 graph applies and the coverage which would cease because of
14 the employer's termination is replaced by similar coverage
15 under a different group policy, all of the following apply:

16 (1) The employee, member, spouse, or eligible dependent
17 may become covered under the different group policy, for the
18 balance of the period that the employee or member would have
19 remained covered under the prior group policy had a termina-
20 tion of the group policy as specified in paragraph "d" not
21 occurred.

22 (2) The minimum level of benefits to be provided by the
23 different group policy shall be the applicable level of bene-
24 fits of the prior group policy, reduced by any benefits pay-
25 able under the prior group policy.

26 (3) The prior group policy shall continue to provide bene-
27 fits to the extent of its accrued liabilities and extensions
28 of benefits as if the prior group policy had not been replaced
29 by the different group policy.

30 7. A notification of the continuation privilege shall be
31 included with or in each certificate of coverage and as
32 otherwise provided in section 509B.5 and shall contain the
33 time limits for requesting the continued coverage.

34 8. The spouse of an employee or member, and any covered
35 dependent children of the employee or member, whose coverage

1 under the group policy would otherwise terminate because of
2 dissolution or annulment of marriage or death of the employee
3 or member shall have the same contribution and notice
4 responsibilities and privileges as provided under this chapter
5 to the employee or member upon termination of employment or
6 membership.

7 Sec. 4. NEW SECTION. 509B.4 CONVERSION OF GROUP POLI-
8 CIES.

9 A group policy delivered or issued for delivery in this
10 state which insures employees or members for accident or
11 health insurance on an expense-incurred or service basis,
12 other than for specific diseases or for accidental injuries
13 only, shall provide that an employee or member whose coverage
14 under the group policy has been terminated is entitled to have
15 a converted policy issued to the employee or member by the
16 insurer without evidence of insurability, subject to the
17 following:

18 1. A converted policy shall not be available to an em-
19 ployee or member if termination of insurance under the group
20 policy occurred because of any of the following:

21 (a) Termination of employment or termination of membership
22 and the employee or member was not entitled to continuation of
23 group coverage, or failed to elect continuation.

24 (b) Failure to make timely payment of required premium
25 after notice as required in section 509B.5, subsection 2.

26 (c) Any other reason, if the employee or member was not
27 continuously insured under the group policy, and for similar
28 benefits under any group policy which it replaced, during the
29 entire three months' period immediately preceding the termina-
30 tion.

31 (d) The group policy terminated or an employer's or group
32 policyholder's participation terminated, and the insurance is
33 replaced by similar coverage under another group policy within
34 thirty-one days of the date of termination.

35 2. If proper notice is given as required in section

1 509B.5, written application and the first premium payment for
2 the converted policy shall be made to the insurer not later
3 than thirty-one days after the termination. The converted
4 policy's effective date shall be the day following the
5 termination of insurance under the group policy.

6 3. The premium for the converted policy shall be
7 determined in accordance with the insurer's table of premium
8 rates applicable to the age and class of risk of each person
9 to be covered under that policy and to the type and amount of
10 insurance provided.

11 4. The converted policy shall cover the employee or member
12 and dependents who were covered by the group policy on the
13 date of termination of insurance. At the option of the
14 insurer, a separate converted policy may be issued to cover
15 any dependent.

16 5. The insurer is not required to issue a converted policy
17 covering any person if the person is or is eligible to be
18 covered by medicare. The insurer is not required to issue a
19 converted policy covering any person if both paragraphs "a"
20 and "b" apply:

21 a. If any of the following apply:

22 (1) The person is covered for similar benefits by another
23 individual policy.

24 (2) The person is or is eligible to be covered for similar
25 benefits under any arrangement of coverage for individuals in
26 an employer group, whether insured or uninsured.

27 (3) The person is or is eligible to be covered for similar
28 benefits under any other state or federal law.

29 b. The benefits provided under sources of the kind
30 referred to in paragraph "a", subparagraph (1), for the
31 person, or the benefits provided or available under sources of
32 the kind referred to in paragraph "a", subparagraphs (2) and
33 (3), for the person, together with the converted policy's
34 benefits, would result in overinsurance according to the
35 insurer's standards for overinsurance.

1 6. A converted policy may provide that the insurer may at
2 any time request information of a person covered as to whether
3 the person is covered for similar benefits described in
4 subsection 5, paragraph "a", subparagraph (1) or is or is
5 eligible to be covered for similar benefits described in
6 subsection 5, paragraph "a", subparagraphs (2) and (3). The
7 converted policy may provide that as of any premium due date
8 the insurer may refuse to renew the policy or the coverage of
9 any insured person for any of the following reasons:

10 a. Either those similar benefits for which the person is
11 or is eligible to be covered, together with the converted
12 policy's benefits, would result in overinsurance according to
13 the insurer's standards for overinsurance, or the policyholder
14 of the converted policy fails to provide the requested
15 information.

16 b. Fraud or material misrepresentation in applying for any
17 benefits under the converted policy.

18 c. Eligibility of the insured person for coverage under
19 medicare or under any other state or federal law providing for
20 benefits similar to those provided by the converted policy.

21 d. Other reasons approved by the commissioner of
22 insurance.

23 7. An insurer is not required to issue a converted policy
24 providing benefits in excess of the accident and health
25 insurance under the group policy from which conversion is
26 made.

27 8. The converted policy shall not exclude, as a
28 preexisting condition, any condition covered by the group
29 policy. However, the converted policy may provide for a
30 reduction of its accident and health benefits by the amount of
31 the benefits payable under the group policy after the
32 individual's insurance terminates under the group policy. The
33 converted policy may also provide that during the first policy
34 year, the benefits payable under the converted policy,
35 together with the benefits payable under the group policy

1 after its termination, shall not exceed those that would have
2 been payable had the individual's insurance under the group
3 policy remained in force and effect.

4 9. Subject to the other provisions of this chapter, if the
5 group insurance policy from which conversion is made insures
6 the employee or member for basic hospital and surgical
7 insurance, the employee or member may exercise the option of
8 obtaining a converted policy providing coverage on an expense-
9 incurred basis under any of the following plans:

10 a. Plan A which covers all of the following:

11 (1) Hospital room and board daily expense benefits in a
12 maximum dollar amount approximating the average semi-private
13 rate charged in the Polk county metropolitan area of this
14 state for a maximum duration of seventy days.

15 (2) Miscellaneous hospital expense benefits up to a
16 maximum amount of ten times the hospital room and board daily
17 expense benefits.

18 (3) Surgical expense benefits according to a surgical
19 procedures schedule consistent with those customarily offered
20 by the insurer under group or individual health insurance
21 policies and providing a maximum benefit of eight hundred
22 dollars.

23 b. Plan B.

24 The same as plan A, except that the maximum hospital room
25 and board daily expense benefits is seventy-five percent of
26 the corresponding plan A maximum and the surgical schedule
27 maximum is six hundred dollars.

28 c. Plan C.

29 The same as plan A, except that the maximum hospital room
30 and board daily expense benefit is fifty percent of the
31 corresponding plan A maximum and the surgical schedule maximum
32 is four hundred dollars.

33 The maximum dollar amount for plan A's hospital room and
34 board daily expense benefits shall be determined by the
35 commissioner of insurance and may be redetermined by the

1 commissioner from time to time as to converted policies issued
2 subsequent to the redetermination. The redetermination shall
3 not be made more often than once in three years. The plan A
4 maximum, and the corresponding maximums in plans B and C,
5 shall be rounded to the nearest multiple of ten dollars and
6 that rounding may be to the next higher or lower multiple of
7 ten dollars, if otherwise exactly midway between.

8 10. Subject to the other provisions and conditions of this
9 chapter, if the group policy from which conversion is made
10 insures the employee or member for major medical expense
11 insurance, the employee or member may obtain a converted
12 policy providing catastrophic or major medical coverage under
13 a plan meeting the following requirements:

14 a. A maximum benefit at least equal to, at the option of
15 the insurer, either of the following benefits:

16 (1) A maximum payment per covered person for all covered
17 medical expenses incurred during that person's lifetime, equal
18 to the smaller of the maximum benefit provided under the group
19 policy or two hundred fifty thousand dollars.

20 (2) A maximum payment for each unrelated injury or
21 sickness equal to the smaller of the maximum benefit provided
22 under the group policy, or two hundred fifty thousand dollars.

23 b. Payment of benefits at the rate of eighty percent of
24 covered medical expenses which are in excess of the deductible
25 until twenty percent of the expenses in a benefit period
26 reaches one thousand dollars, after which benefits will be
27 paid at the rate of one hundred percent during the remainder
28 of the benefit period. Payment of benefits for outpatient
29 treatment of mental illness, if provided in the converted
30 policy, may be at a lesser rate but not less than fifty
31 percent.

32 c. A deductible for each benefit period which, at the
33 option of the insurer, shall be the sum of the benefits
34 deductible and one hundred dollars or the corresponding
35 deductible in the group policy. "Benefits deductible" means

1 the value of any benefits provided on an expense-incurred
2 basis which are provided with respect to covered medical
3 expenses by any other group or individual accident or health
4 insurance policy or medical practice or other prepayment plan,
5 or any other plan or program whether insured or uninsured, or
6 by reason of any state or federal law and if, pursuant to
7 subsection 11, the converted policy provides both basic
8 hospital and surgical coverage and major medical coverage, the
9 value of the basic benefits. If the maximum benefit is
10 determined by paragraph "a", subparagraph (2), the insurer may
11 require that the deductible be satisfied during a period of
12 not less than three months if the deductible is one hundred
13 dollars or less and not less than six months if the deductible
14 exceeds one hundred dollars.

15 d. The "benefit period" shall be each calendar year when
16 the maximum benefit is determined by paragraph "a", subpara-
17 graph (1) or twenty-four months when the maximum benefit is
18 determined by paragraph "a", subparagraph (2).

19 e. "Covered medical expenses" includes at least, in the
20 case of hospital room and board charges, the dollar amount in
21 plan A of subsection 9, paragraph "a" and at least twice that
22 amount for charges in an intensive care unit. Any surgical
23 procedures schedule shall be consistent with those customarily
24 offered by the insurer under group or individual health
25 insurance policies and shall provide at least a one thousand
26 two hundred dollar maximum benefit.

27 11. At the option of the insurer, the plans of benefits
28 set forth in subsections 9 and 10 may be provided under
29 separate policies, or may be provided by a policy of compre-
30 hensive medical expense benefits without first dollar
31 coverage. The comprehensive policy shall conform to the
32 requirements of subsection 10. However, an insurer electing
33 to provide such a policy shall make available a low deductible
34 option, not to exceed one hundred dollars, a high deductible
35 option between five hundred dollars and one thousand dollars,

1 and a third deductible option midway between the high and low
2 deductible options. Alternatively, this policy may provide
3 for deductible options equal to the greater of the benefits
4 deductible and the amounts specified in this subsection.

5 12. The insurer may, at its option, offer alternative
6 plans for group health and accident insurance conversion in
7 addition to those required by this chapter. If an insurer
8 customarily offers individual policies on a service basis,
9 that insurer may, in lieu of converted policies on an expense-
10 incurred basis, make available converted policies on a service
11 basis which, in the opinion of the commissioner, satisfy the
12 intent of this chapter.

13 13. If, under this chapter, coverage would be continued
14 under the group policy on an employee or member following
15 termination due to retirement prior to the time the employee
16 or member is or could be covered by medicare, the employee or
17 member may elect, in lieu of continuation of group insurance,
18 and notwithstanding subsection 1, paragraph "a", to have the
19 same conversion rights as would apply if a continued policy
20 were terminated at that time.

21 14. The converted policy may provide for reduction or ter-
22 mination of coverage of a person upon eligibility for coverage
23 under medicare or under any other state or federal law
24 providing for benefits similar to those provided by the
25 converted policy.

26 15. Subject to any preceding conditions, conversion
27 privileges are available to a surviving spouse at the death of
28 the employee or member, with respect to the spouse and
29 children whose coverage under the group policy terminates by
30 reason of the death, or to each surviving child whose coverage
31 under the group policy terminates by reason of death, or when
32 continuation of dependent's coverage is accepted following the
33 employee's or member's death, at the end of the continuation.
34 Subject to any preceding conditions, the conversion privilege
35 is available to the spouse of the employee or member upon

1 termination of coverage of the spouse, by reason of
2 dissolution or annulment of marriage or otherwise ceasing to
3 be a qualified family member under the group policy, while the
4 employee or member remains insured under the policy, or when
5 continuation of dependent's coverage is elected following the
6 dissolution or annulment of marriage, at the end of
7 continuation. This conversion privilege includes children
8 whose coverage under the group policy terminates at the same
9 time. Subject to any preceding conditions, the conversion
10 privilege is also available to a child solely with respect to
11 the child upon termination of coverage by reason of ceasing to
12 be a qualified family member under the group policy, if a
13 conversion privilege is not otherwise provided within this
14 section.

15 16. If the benefit levels in subsections 9 and 10 exceed
16 the benefit levels provided under the group policy, the
17 converted policy may offer benefits which are substantially
18 similar to those provided under the group policy in lieu of
19 those required in subsections 9 and 10.

20 17. The insurer may elect to provide group insurance
21 coverage in lieu of the issuance of a converted individual
22 policy.

23 18. A notification of the conversion privilege shall be
24 included with or in each certificate of coverage.

25 19. A converted policy which is delivered outside this
26 state may be on a form which could be delivered in such other
27 jurisdiction as a converted policy had the group policy been
28 issued in that jurisdiction.

29 Sec. 5. NEW SECTION. 509B.5 NOTICE OF TERMINATION OF
30 MEMBERSHIP OR MODIFICATION OF COVERAGE.

31 1. Employers or group policyholders shall notify all em-
32 ployees or members of their continuation and conversion rights
33 within ten days of termination of employment or membership.
34 The notice shall be in writing and delivered in person or
35 mailed to the person's last known address. However,

1 continuation and conversion rights shall not be denied because
2 of failure to provide proper notice. After receiving proper
3 notice the employee or member may request and shall receive
4 continuation or conversion coverage in accordance with this
5 chapter within ten days of the request, notwithstanding any
6 other time limitation provided by this chapter. Notification
7 as provided in this section supersedes section 515.80 as that
8 section relates to accident and health insurance.

9 2. If an employer or group policyholder terminates or sub-
10 stantially modifies an agreement to provide accident or health
11 insurance for employees or members or if accident or health
12 insurance for employees or members is terminated for failure
13 to pay premiums or for another reason, the employer or group
14 policyholder shall notify the employees or members, including
15 persons being continued under the policy's continuation
16 provisions, of the termination or substantial modification of
17 their coverage. The notice shall be in writing and delivered
18 in person to the entitled persons or mailed to their last
19 known addresses at least ten days prior to the termination or
20 substantial modification of the accident or health insurance
21 coverage. The employer or group policyholder is solely liable
22 for benefits, including extended benefits, other than extended
23 benefits for which the insurer is liable in accordance with
24 the provisions of the group policy, which would have been
25 payable had the accident or health insurance remained in force
26 or not been terminated or substantially modified during the
27 period of time following the termination or substantial modi-
28 fication until the person entitled to notice is given notice
29 by the employer or group policyholder as required by this
30 subsection.

31 3. The employer or group policyholder is also solely
32 liable for benefits, including extended benefits, which would
33 have been payable had the accident or health insurance been in
34 force and the employees or members been covered during the
35 period of time the employer or group policyholder failed to

1 implement the plan for accident or health insurance which the
2 employer or group policyholder had agreed to provide, until
3 the employer or group policyholder gives notice of its failure
4 or inability to provide the agreed plan. The notice shall be
5 in writing and delivered in person to the employees or members
6 or mailed to their last known addresses.

7 4. The employer or group policyholder is also solely
8 liable for benefits, including extended benefits, which would
9 have been payable had the accident or health insurance been in
10 force and the employees or members been covered by the
11 accident or health insurance during a period of time for which
12 the employer or group policyholder has collected contributions
13 through payroll, withholding, or otherwise, but has failed to
14 enroll the employees or members, unless the employer or group
15 policyholder has given actual notice that enrollment in the
16 plan will not become effective until a later date or until the
17 employee's or member's application for enrollment has been
18 approved.

19 Sec. 6. Section 91A.2, subsection 4, paragraph d, Code
20 Supplement 1985, is amended to read as follows:

21 d. Expenses incurred and recoverable under a health
22 benefit plan as-defined-in-and-as-provided-in-chapter-91B.

23 Sec. 7. Section 91A.2, Code Supplement 1985, is amended by
24 adding the following new subsection:

25 NEW SUBSECTION. 7. "Health benefit plan" means a plan or
26 agreement provided by an employer for employees for the
27 provision of or payment for care and treatment of sickness or
28 injury.

29 Sec. 8. Section 509.3, subsection 4, Code 1985, is amended
30 by striking the subsection and inserting in lieu thereof the
31 following:

32 4. A provision that if the insurance on a person or in-
33 surance on a person and the person's dependents covered by the
34 policy ceases because of termination of employment or of
35 membership in the class, the person and the person's

1 dependents may continue their accident or health insurance
2 under the group policy and may subsequently apply for a
3 converted policy without evidence of insurability, as provided
4 in chapter 509B.

5 Sec. 9. Chapter 91B, Code 1985, is repealed.

6 Sec. 10. This Act is effective July 1, 1987.

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Brammer, Chair
Swartz
Hatch
Hummel
Kremer

HSB 530

SMALL BUSINESS AND COMMERCE

SENATE/HOUSE FILE 2465
BY (PROPOSED COMMITTEE ON COM-
MERCE BILL BY THE INSURANCE
GUARANTY FUND AND RISK SHAR-
ING STUDY COMMITTEE)

Study Bill 530

Small Business and Commerce: Brammer, Chair; Hatch, Hummel, Kremer and Swartz.

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act permitting an individual who is covered by a group health
2 plan to continue coverage under the plan for up to twelve
3 months.

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

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1 Section 1. Section 509.3, Code 1985, is amended by adding
2 the following new subsection 3 and renumbering the subsequent
3 subsections:

4 NEW SUBSECTION. 3. A provision that if the insurance on a
5 person or insurance on a person and the person's dependents
6 covered by the policy would cease because of termination of
7 employment or membership in the class or classes eligible for
8 coverage under the policy, the person may continue coverage
9 under the group plan for the person or the person and the
10 person's dependents for up to twelve months from that date of
11 the termination of employment or membership. To continue
12 coverage under this subsection, the person making the election
13 shall provide written notice of the election and payment of
14 the first premium within thirty days of receiving written
15 notification from the group carrier of the person's
16 eligibility to continue coverage after employment or
17 membership in the group is terminated. Unless there is a
18 written agreement to the contrary, the person is liable for
19 the full premium under the group if the person elects to
20 continue coverage.

21 The continuation provision shall also be available in
22 either of the following cases:

23 a. Upon the death of the employee or member, to the
24 surviving spouse with respect to such of the spouse and
25 children as are then covered by the group policy, and to a
26 child solely with respect to the child upon the child's
27 attaining the limiting age of coverage under the group policy
28 while covered as a dependent under the policy.

29 b. Upon the divorce or annulment of the marriage of the
30 employee or member, to the divorced spouse, or former spouse
31 in the event of annulment, of the employee or member.

32 The continuation rights under this subsection are in
33 addition to and not in lieu of any coverage rights a person
34 may have under this subsection.

35 Sec. 2. NEW SECTION. 514.24 CONTINUATION POLICIES RE-

1 QUIRED.

2 The requirements of section 509.3, subsection 3, regarding
3 continuation rights under group accident and health plans also
4 apply to group contracts written pursuant to this chapter.

5 Sec. 3. NEW SECTION. 514B.33 CONTINUATION POLICIES RE-
6 QUIRED.

7 The requirements of section 509.3, subsection 3, regarding
8 continuation rights under group accident and health plans also
9 apply to group contracts written pursuant to this chapter.

10

EXPLANATION

11 This bill provides that a person whose group accident and
12 health coverage would be terminated because of termination of
13 the person's employment or membership in a class eligible for
14 coverage under the policy, may elect to continue the person's
15 or the person's and the person's dependents' coverage under
16 the group for up to twelve months. The person must make an
17 election in writing to continue the coverage. The
18 continuation rights also may be exercised by a surviving
19 spouse or a former or divorced spouse. The rights are in
20 addition to mandatory conversion rights. The rights also
21 apply to group contracts with a mutual service corporation or
22 a health maintenance organization.

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HOUSE FILE 2465

AN ACT

RELATING TO THE CONTINUATION OF AND CONVERSION OF ACCIDENT OR HEALTH INSURANCE BENEFITS AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. NEW SECTION. 509B.1 DEFINITIONS.

As used in this chapter, unless the context otherwise requires:

1. "Accident or health insurance" means hospital, surgical, or major medical insurance, or a combination of these.
2. "Commissioner" means the state commissioner of insurance.
3. "Group policy" means a group accident or health insurance policy issued by an insurance company under chapter 509, a group accident or health contract issued by a health service corporation under chapter 514, or a plan for health care services provided by a health maintenance organization under chapter 514B, or issued or provided by any similar corporation or organization.
4. "Individual policy" or "converted policy" means an individual accident or health insurance policy issued by an insurance company, or an individual accident or health services contract issued by a health service corporation, or a plan for health care services provided by a health maintenance organization, or provided by any similar corporation or organization.

5. "Insurer" means the entity issuing a group policy or an individual or converted policy.

6. "Insurance", "insures", and "insured" refer to coverage under a group policy, individual policy, or converted policy on a premium-paying basis, and do not include coverage provided solely as an accrued liability or by reason of a disability extension.

7. "Premium" includes any premium or payment or other consideration payable for coverage under a group or individual policy.

8. "Medicare" means Title XVIII of the United States Social Security Act.

Sec. 2. NEW SECTION. 509B.2 PERSONS INCLUDED IN THIS CHAPTER.

1. As used in this chapter, "termination of employment or membership" includes but is not limited to termination because of permanent or temporary layoff or approved leave of absence. A provision in this chapter which relates to termination of insurance under a group policy of an employee or member and the employee's or member's covered dependents includes termination of insurance with respect to the surviving or former spouse or children of an employee or member whose insurance would terminate because of dissolution or annulment of the marriage of the employee or member, or would terminate because of death of the employee or member.

2. A provision in this chapter which relates to an employee or member includes the surviving or former spouse or children if termination occurs because of dissolution or annulment of a marriage or death of an employee or member.

Sec. 3. NEW SECTION. 509B.3 CONTINUATION OF BENEFITS.

A group policy delivered or issued for delivery in this state which insures employees or members for accident or health insurance on an expense-incurred or service basis, other than for specific diseases or for accidental injuries only, shall provide that employees or members whose coverage under the group policy would otherwise terminate because of

termination of employment or membership may continue their accident or health insurance under that group policy, for themselves and their eligible dependents, subject to all of the group policy's terms and conditions applicable to those forms of insurance and subject to all of the following conditions:

1. Continuation shall only be available to an employee or member if the employee or member was continuously insured under the group policy, and for similar benefits under any group policy which it replaced, during the entire three months' period immediately preceding the termination.

2. Continuation shall not be available for a person who is or could be covered by medicare. Continuation shall not be available for a person who is or is eligible to be covered by another group insured or uninsured arrangement which provides accident or health coverage, unless the person was covered by that other group policy immediately prior to the termination.

3. Continuation may exclude dental care, vision care, or prescription drug benefits or other benefits provided under the group policy which benefits are in addition to accident or health benefits.

4. An employee or member who wishes continuation of coverage must request continuation in writing to the employer or group policyholder within the ten-day period following the later of either of the following:

- a. The date of the termination.
- b. The date the employee is given notice of the right of continuation as provided in section 509B.5 by either the employer or the group policyholder.

If proper notice is given, the employee or member is not eligible to elect continuation more than thirty-one days after the date of termination.

5. An employee or member electing continuation shall pay monthly to the employer or group policyholder, in advance, the amount of contribution required by the employer or group policyholder, but not more than the group rate otherwise due

for the insurance being continued under the group policy. If proper notice is given, the election of continuation by the employee or member together with the first contribution required to establish contributions on a monthly basis in advance, shall be given to the employer or group policyholder within thirty-one days of the date the group insurance would otherwise terminate.

6. Continuation of insurance under the group policy for any person shall terminate when the person becomes eligible for medicare or another group insured or uninsured accident or health arrangement, or earlier, when any of the following first occurs:

- a. Nine months after the date the employee's or member's insurance under the policy would otherwise have terminated because of termination of employment or membership.
- b. At the end of the period for which contributions were made if the employee or member fails to make timely payment of a required contribution and if proper notice as provided in section 509B.5, subsection 2.

c. If the person covered is a former spouse, upon the former spouse's remarriage.

d. The date on which the group policy is terminated or, in the case of an employee, the date the employer terminates participation under the group policy. However, if this paragraph applies and the coverage which would cease because of the employer's termination is replaced by similar coverage under a different group policy, all of the following apply:

(1) The employee, member, spouse, or eligible dependent may become covered under the different group policy, for the balance of the period that the employee or member would have remained covered under the prior group policy had a termination of the group policy as specified in paragraph "d" not occurred.

(2) The minimum level of benefits to be provided by the different group policy shall be the applicable level of benefits of the prior group policy, reduced by any benefits payable under the prior group policy.

(3) The prior group policy shall continue to provide benefits to the extent of its accrued liabilities and extensions of benefits as if the prior group policy had not been replaced by the different group policy.

7. A notification of the continuation privilege shall be included with or in each certificate of coverage and as otherwise provided in section 509B.5 and shall contain the time limits for requesting the continued coverage.

8. The spouse of an employee or member, and any covered dependent children of the employee or member, whose coverage under the group policy would otherwise terminate because of dissolution or annulment of marriage or death of the employee or member shall have the same contribution and notice responsibilities and privileges as provided under this chapter to the employee or member upon termination of employment or membership.

Sec. 4. NEW SECTION. 509B.4 CONVERSION OF GROUP POLICIES.

A group policy delivered or issued for delivery in this state which insures employees or members for accident or health insurance on an expense-incurred or service basis, other than for specific diseases or for accidental injuries only, shall provide that an employee or member whose coverage under the group policy has been terminated is entitled to have a converted policy issued to the employee or member by the insurer without evidence of insurability, subject to the following:

1. A converted policy shall not be available to an employee or member if termination of insurance under the group policy occurred because of any of the following:

(a) Termination of employment or termination of membership and the employee or member was not entitled to continuation of group coverage, or failed to elect continuation.

(b) Failure to make timely payment of required premium after notice as required in section 509B.5, subsection 2.

(c) Any other reason, if the employee or member was not continuously insured under the group policy, and for similar benefits under any group policy which it replaced, during the entire three months' period immediately preceding the termination.

(d) The group policy terminated or an employer's or group policyholder's participation terminated, and the insurance is replaced by similar coverage under another group policy within thirty-one days of the date of termination.

2. If proper notice is given as required in section 509B.5, written application and the first premium payment for the converted policy shall be made to the insurer not later than thirty-one days after the termination. The converted policy's effective date shall be the day following the termination of insurance under the group policy.

3. The premium for the converted policy shall be determined in accordance with the insurer's table of premium rates applicable to the age and class of risk of each person to be covered under that policy and to the type and amount of insurance provided.

4. The converted policy shall cover the employee or member and dependents who were covered by the group policy on the date of termination of insurance. At the option of the insurer, a separate converted policy may be issued to cover any dependent.

5. The insurer is not required to issue a converted policy covering any person if the person is or is eligible to be covered by medicare. The insurer is not required to issue a converted policy covering any person if both paragraphs "a" and "b" apply:

a. If any of the following apply:

(1) The person is covered for similar benefits by another individual policy.

(2) The person is or is eligible to be covered for similar benefits under any arrangement of coverage for individuals in an employer group, whether insured or uninsured.

(3) The person is or is eligible to be covered for similar benefits under any other state or federal law.

b. The benefits provided under sources of the kind referred to in paragraph "a", subparagraph (1), for the person, or the benefits provided or available under sources of the kind referred to in paragraph "a", subparagraphs (2) and (3), for the person, together with the converted policy's benefits, would result in overinsurance according to the insurer's standards for overinsurance.

6. A converted policy may provide that the insurer may at any time request information of a person covered as to whether the person is covered for similar benefits described in subsection 5, paragraph "a", subparagraph (1) or is or is eligible to be covered for similar benefits described in subsection 5, paragraph "a", subparagraphs (2) and (3). The converted policy may provide that as of any premium due date the insurer may refuse to renew the policy or the coverage of any insured person for any of the following reasons:

a. Either those similar benefits for which the person is or is eligible to be covered, together with the converted policy's benefits, would result in overinsurance according to the insurer's standards for overinsurance, or the policyholder of the converted policy fails to provide the requested information.

b. Fraud or material misrepresentation in applying for any benefits under the converted policy.

c. Eligibility of the insured person for coverage under medicare or under any other state or federal law providing for benefits similar to those provided by the converted policy.

d. Other reasons approved by the commissioner of insurance.

7. An insurer is not required to issue a converted policy providing benefits in excess of the accident and health insurance under the group policy from which conversion is made.

8. The converted policy shall not exclude, as a preexisting condition, any condition covered by the group policy. However, the converted policy may provide for a reduction of its accident and health benefits by the amount of the benefits payable under the group policy after the individual's insurance terminates under the group policy. The converted policy may also provide that during the first policy year, the benefits payable under the converted policy, together with the benefits payable under the group policy after its termination, shall not exceed those that would have been payable had the individual's insurance under the group policy remained in force and effect.

9. Subject to the other provisions of this chapter, if the group insurance policy from which conversion is made insures the employee or member for basic hospital and surgical insurance, the employee or member may exercise the option of obtaining a converted policy providing coverage on an expense-incurred basis under any of the following plans:

a. Plan A which covers all of the following:

(1) Hospital room and board daily expense benefits in a maximum dollar amount approximating the average semi-private rate charged in the Folk county metropolitan area of this state for a maximum duration of seventy days.

(2) Miscellaneous hospital expense benefits up to a maximum amount of ten times the hospital room and board daily expense benefits.

(3) Surgical expense benefits according to a surgical procedures schedule consistent with those customarily offered by the insurer under group or individual health insurance policies and providing a maximum benefit of eight hundred dollars.

b. Plan B.

The same as plan A, except that the maximum hospital room and board daily expense benefits is seventy-five percent of the corresponding plan A maximum and the surgical schedule maximum is six hundred dollars.

c. Plan C.

The same as plan A, except that the maximum hospital room and board daily expense benefit is fifty percent of the corresponding plan A maximum and the surgical schedule maximum is four hundred dollars.

The maximum dollar amount for plan A's hospital room and board daily expense benefits shall be determined by the commissioner of insurance and may be redetermined by the commissioner from time to time as to converted policies issued subsequent to the redetermination. The redetermination shall not be made more often than once in three years. The plan A maximum, and the corresponding maximums in plans B and C, shall be rounded to the nearest multiple of ten dollars and that rounding may be to the next higher or lower multiple of ten dollars, if otherwise exactly midway between.

10. Subject to the other provisions and conditions of this chapter, if the group policy from which conversion is made insures the employee or member for major medical expense insurance, the employee or member may obtain a converted policy providing catastrophic or major medical coverage under a plan meeting the following requirements:

a. A maximum benefit at least equal to, at the option of the insurer, either of the following benefits:

(1) A maximum payment per covered person for all covered medical expenses incurred during that person's lifetime, equal to the smaller of the maximum benefit provided under the group policy or two hundred fifty thousand dollars.

(2) A maximum payment for each unrelated injury or sickness equal to the smaller of the maximum benefit provided under the group policy, or two hundred fifty thousand dollars.

b. Payment of benefits at the rate of eighty percent of covered medical expenses which are in excess of the deductible until twenty percent of the expenses in a benefit period reaches one thousand dollars, after which benefits will be paid at the rate of one hundred percent during the remainder of the benefit period. Payment of benefits for outpatient treatment of mental illness, if provided in the converted

policy, may be at a lesser rate but not less than fifty percent.

c. A deductible for each benefit period which, at the option of the insurer, shall be the sum of the benefits deductible and one hundred dollars or the corresponding deductible in the group policy. "Benefits deductible" means the value of any benefits provided on an expense-incurred basis which are provided with respect to covered medical expenses by any other group or individual accident or health insurance policy or medical practice or other prepayment plan, or any other plan or program whether insured or uninsured, or by reason of any state or federal law and if, pursuant to subsection 11, the converted policy provides both basic hospital and surgical coverage and major medical coverage, the value of the basic benefits. If the maximum benefit is determined by paragraph "a", subparagraph (2), the insurer may require that the deductible be satisfied during a period of not less than three months if the deductible is one hundred dollars or less and not less than six months if the deductible exceeds one hundred dollars.

d. The "benefit period" shall be each calendar year when the maximum benefit is determined by paragraph "a", subparagraph (1) or twenty-four months when the maximum benefit is determined by paragraph "a", subparagraph (2).

e. "Covered medical expenses" includes at least, in the case of hospital room and board charges, the dollar amount in plan A of subsection 9, paragraph "a" and at least twice that amount for charges in an intensive care unit. Any surgical procedures schedule shall be consistent with those customarily offered by the insurer under group or individual health insurance policies and shall provide at least a one thousand two hundred dollar maximum benefit.

11. At the option of the insurer, the plans of benefits set forth in subsections 9 and 10 may be provided under separate policies, or may be provided by a policy of comprehensive medical expense benefits without first dollar

coverage. The comprehensive policy shall conform to the requirements of subsection 10. However, an insurer electing to provide such a policy shall make available a low deductible option, not to exceed one hundred dollars, a high deductible option between five hundred dollars and one thousand dollars, and a third deductible option midway between the high and low deductible options. Alternatively, this policy may provide for deductible options equal to the greater of the benefits deductible and the amounts specified in this subsection.

12. The insurer may, at its option, offer alternative plans for group health and accident insurance conversion in addition to those required by this chapter. If an insurer customarily offers individual policies on a service basis, that insurer may, in lieu of converted policies on an expense-incurred basis, make available converted policies on a service basis which, in the opinion of the commissioner, satisfy the intent of this chapter.

13. If, under this chapter, coverage would be continued under the group policy on an employee or member following termination due to retirement prior to the time the employee or member is or could be covered by medicare, the employee or member may elect, in lieu of continuation of group insurance, and notwithstanding subsection 1, paragraph "a", to have the same conversion rights as would apply if a continued policy were terminated at that time.

14. The converted policy may provide for reduction or termination of coverage of a person upon eligibility for coverage under medicare or under any other state or federal law providing for benefits similar to those provided by the converted policy.

15. Subject to any preceding conditions, conversion privileges are available to a surviving spouse at the death of the employee or member, with respect to the spouse and children whose coverage under the group policy terminates by reason of the death, or to each surviving child whose coverage under the group policy terminates by reason of death, or when

continuation of dependent's coverage is accepted following the employee's or member's death, at the end of the continuation. Subject to any preceding conditions, the conversion privilege is available to the spouse of the employee or member upon termination of coverage of the spouse, by reason of dissolution or annulment of marriage or otherwise ceasing to be a qualified family member under the group policy, while the employee or member remains insured under the policy, or when continuation of dependent's coverage is elected following the dissolution or annulment of marriage, at the end of continuation. This conversion privilege includes children whose coverage under the group policy terminates at the same time. Subject to any preceding conditions, the conversion privilege is also available to a child solely with respect to the child upon termination of coverage by reason of ceasing to be a qualified family member under the group policy, if a conversion privilege is not otherwise provided within this section.

16. If the benefit levels in subsections 9 and 10 exceed the benefit levels provided under the group policy, the converted policy may offer benefits which are substantially similar to those provided under the group policy in lieu of those required in subsections 9 and 10.

17. The insurer may elect to provide group insurance coverage in lieu of the issuance of a converted individual policy.

18. A notification of the conversion privilege shall be included with or in each certificate of coverage.

19. A converted policy which is delivered outside this state may be on a form which could be delivered in such other jurisdiction as a converted policy had the group policy been issued in that jurisdiction.

Sec. 5. NEW SECTION. 509B.5 NOTICE OF TERMINATION OF MEMBERSHIP OR MODIFICATION OF COVERAGE.

1. Employers or group policyholders shall notify all employees or members of their continuation and conversion rights

within ten days of termination of employment or membership. The notice shall be in writing and delivered in person or mailed to the person's last known address. However, continuation and conversion rights shall not be denied because of failure to provide proper notice. After receiving proper notice the employee or member may request and shall receive continuation or conversion coverage in accordance with this chapter within ten days of the request, notwithstanding any other time limitation provided by this chapter. Notification as provided in this section supersedes section 515.80 as that section relates to accident and health insurance.

2. If an employer or group policyholder terminates or substantially modifies an agreement to provide accident or health insurance for employees or members or if accident or health insurance for employees or members is terminated for failure to pay premiums or for another reason, the employer or group policyholder shall notify the employees or members, including persons being continued under the policy's continuation provisions, of the termination or substantial modification of their coverage. The notice shall be in writing and delivered in person to the entitled persons or mailed to their last known addresses at least ten days prior to the termination or substantial modification of the accident or health insurance coverage. The employer or group policyholder is solely liable for benefits, including extended benefits, other than extended benefits for which the insurer is liable in accordance with the provisions of the group policy, which would have been payable had the accident or health insurance remained in force or not been terminated or substantially modified during the period of time following the termination or substantial modification until the person entitled to notice is given notice by the employer or group policyholder as required by this subsection.

3. The employer or group policyholder is also solely liable for benefits, including extended benefits, which would have been payable had the accident or health insurance been in

force and the employees or members been covered during the period of time the employer or group policyholder failed to implement the plan for accident or health insurance which the employer or group policyholder had agreed to provide, until the employer or group policyholder gives notice of its failure or inability to provide the agreed plan. The notice shall be in writing and delivered in person to the employees or members or mailed to their last known addresses.

4. The employer or group policyholder is also solely liable for benefits, including extended benefits, which would have been payable had the accident or health insurance been in force and the employees or members been covered by the accident or health insurance during a period of time for which the employer or group policyholder has collected contributions through payroll, withholding, or otherwise, but has failed to enroll the employees or members, unless the employer or group policyholder has given actual notice that enrollment in the plan will not become effective until a later date or until the employee's or member's application for enrollment has been approved.

Sec. 6. Section 91A.2, subsection 4, paragraph d, Code Supplement 1985, is amended to read as follows:

d. Expenses incurred and recoverable under a health benefit plan ~~as defined in and as provided in chapter 91B.~~

Sec. 7. Section 91A.2, Code Supplement 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 7. "Health benefit plan" means a plan or agreement provided by an employer for employees for the provision of or payment for care and treatment of sickness or injury.

Sec. 8. Section 509.3, subsection 4, Code 1985, is amended by striking the subsection and inserting in lieu thereof the following:

4. A provision that if the insurance on a person or insurance on a person and the person's dependents covered by the policy ceases because of termination of employment or of

membership in the class, the person and the person's dependents may continue their accident or health insurance under the group policy and may subsequently apply for a converted policy without evidence of insurability, as provided in chapter 509B.

Sec. 9. Chapter 91B, Code 1985, is repealed.

Sec. 10. This Act is effective July 1, 1987.

DONALD D. AVENSON
Speaker of the House

ROBERT T. ANDERSON
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2465, Seventy-first General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved April 21, 1986

TERRY E. BRANSTAD
Governor