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SENATE FILE 362
BY COMMITTEE ON HUMAN RESOURCES

(SUCCESSOR TO SSB 275)

Passed Senate, Date ^(p.920) 3/31/93 Passed House, Date _____
Vote: Ayes 48 Nays 0 Vote: Ayes _____ Nays _____
Approved 5/3/93

A BILL FOR

1 An Act relating to small group rating practices and the
2 availability of health insurance coverage.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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VF 362

1 Section 1. Section 513B.2, subsections 10 and 16, Code
2 1993, are amended to read as follows:

3 10. a. "Health benefit plan" or "plan" means any hospital
4 or medical expense incurred policy or certificate, major
5 medical expense insurance, hospital or medical service plan
6 contract, or health maintenance organization subscriber
7 contract.

8 b. "Health benefit plan" does not include accident-only,
9 credit, dental, or disability income insurance, coverage
10 issued as a supplement to liability insurance, workers'
11 compensation or similar insurance, or automobile medical-
12 payment insurance.

13 c. "Health benefit plan" also does not include policies or
14 certificates of specified disease, hospital confinement
15 indemnity, or limited benefit health insurance if the carrier
16 offering such policies or certificates complies with all of
17 the following:

18 (1) The carrier files on or before March 1 of each year a
19 certification with the commissioner that contains the
20 following statement and information:

21 (a) A statement from the carrier certifying that policies
22 or certificates described in this paragraph "c" are being
23 offered and marketed as supplemental health insurance and not
24 as a substitute for hospital or medical expense insurance or
25 major medical expense insurance.

26 (b) A summary description of each policy or certificate
27 described in this paragraph "c" including the average annual
28 premium rates or range of premium rates in cases where
29 premiums vary by age, gender, or other factors, which are to
30 be charged for such policies and certificates in this state.

31 (2) If a policy or certificate described in this paragraph
32 "c" is offered for the first time in this state on or after
33 July 1, 1993, the carrier files with the commissioner the
34 information and statement required in subparagraph (1) at
35 least thirty days prior to the date such policy or certificate

1 is issued or delivered in this state.

2 16. "Small employer" means a person actively engaged in
3 business who, on at least fifty percent of the employer's
4 working days during the preceding year, employed ~~no more than~~
5 not less than two and not more than twenty-five full-time
6 equivalent eligible employees. In determining the number of
7 eligible employees, companies which are affiliated companies
8 or which are eligible to file a combined tax return for
9 purposes of state taxation are considered one employer.

10 Sec. 2. Section 513B.4, subsection 3, Code 1993, is
11 amended to read as follows:

12 3. For purposes of this section, a health benefit plan
13 that ~~utilizes~~ contains a restricted provider network provision
14 shall not be considered similar coverage to a health benefit
15 plan that does not ~~utilize~~ contain such a network provision,
16 ~~provided that utilization of the restricted provider if the~~
17 restriction of benefits to network providers results in
18 substantial differences in claims costs.

19 Sec. 3. NEW SECTION. 513B.4A EXEMPTION FROM PREMIUM RATE
20 RESTRICTIONS.

21 A Taft-Hartley trust or a carrier with the written
22 authorization of such a trust, may make a written request to
23 the commissioner for an exemption from the application of any
24 provisions of section 513B.4 with respect to a health benefit
25 plan provided to such a trust. The commissioner may grant an
26 exemption if the commissioner finds that application of
27 section 513B.4 with respect to the trust would have a
28 substantial adverse effect on the participants and
29 beneficiaries of such trust, and would require significant
30 modifications to one or more collective bargaining
31 arrangements under which the trust is established or
32 maintained. An exemption granted under this paragraph shall
33 not apply to an individual if the individual participates in a
34 trust as an associate member of an employee organization.

35 Sec. 4. Section 513B.5, Code 1993, is amended by adding

1 the following new subsections:

2 NEW SUBSECTION. 3. A small employer carrier may replace
3 an existing health benefit plan with a new health benefit
4 plan. The premium rate for the new plan shall be developed
5 pursuant to section 513B.4 and must reflect the claim
6 experience of the previously existing plan.

7 NEW SUBSECTION. 4. A small employer carrier shall not
8 discontinue the sale or active marketing of a particular class
9 of plan or plans, unless the carrier withdraws from all
10 marketing in this state directed at the small employer or has
11 obtained specific approval from the commissioner to do so.
12 The commissioner may approve the discontinuance upon a
13 demonstrated finding that the continued sale or active
14 marketing of a particular class of plan or plans will endanger
15 the solvency of the carrier or does not advance the purposes
16 of this section.

17 Sec. 5. Section 513B.10, subsection 1, Code 1993, is
18 amended to read as follows:

19 1. a. A Except as provided in section 513B.5, subsection
20 4, a small employer carrier, as a condition of transacting
21 business in this state with small employers, shall actively
22 offer to small employers at least two health benefit plans.
23 One health benefit plan offered by each small employer carrier
24 shall be a basic health benefit plan and one plan shall be a
25 standard health benefit plan.

26 b. (1) A small employer carrier shall issue a basic
27 health benefit plan ~~or a standard health benefit plan~~ to an
28 eligible a small employer that applies for either a plan if
29 the small employer is eligible for the plan pursuant to those
30 provisions set forth in section 514H.2, subsection 1, and
31 agrees to make the required premium payments and to satisfy
32 the other reasonable provisions of the health benefit plan not
33 inconsistent with this chapter.

34 (2) A small employer carrier shall issue a standard health
35 benefit plan to a small employer that applies for the plan and

1 agrees to make the required premium payments and satisfy the
2 other reasonable provisions of the health benefit plan not
3 inconsistent with this chapter.

4 (3) A small employer carrier establishing more than one
5 class of business shall ~~maintain-and-issue-to-eligible-small~~
6 ~~employers, in each class of business established, maintain and~~
7 ~~offer~~ at least one basic health benefit plan ~~and-at-least-one~~
8 ~~standard-health-benefit-plan-in-each-class-of-business~~
9 ~~established to a small employer, if the employer is determined~~
10 ~~to be eligible for the basic health benefit plan pursuant to~~
11 ~~the provisions set forth in section 514H.2, subsection 1, and~~
12 ~~at least one standard health benefit plan.~~ A small employer
13 carrier may apply reasonable criteria in determining whether
14 to accept a small employer provided all of the following
15 apply:

16 (a) The criteria are not intended to discourage or prevent
17 acceptance of small employers applying for a basic or standard
18 health benefit plan.

19 (b) The criteria are not related to the health status or
20 claims experience of the small employer.

21 (c) The criteria are applied consistently to all small
22 employers applying for coverage in the class of business.

23 (d) The small employer carrier provides for the acceptance
24 of all eligible small employers, as defined in section 513B.2,
25 into one or more classes of business.

26 The provisions of this subparagraph do not apply to a class
27 of business into which the small employer carrier is no longer
28 enrolling new insureds who are small employers.

29 ~~(3 4) For purposes of this lettered paragraph, a small~~
30 ~~employer is eligible if it employed at least two or more~~
31 ~~eligible employees within this state on at least fifty percent~~
32 ~~of its days of operation during the preceding calendar~~
33 ~~quarter.~~ The provisions of this lettered paragraph shall be
34 effective ~~one hundred eighty days after the commissioner's~~
35 upon a date as determined by the commissioner following the

1 commissioner's approval of the basic health benefit plan and
2 the standard health benefit plan.

3 Sec. 6. Section 513B.10, subsection 3, paragraph b, Code
4 1993, is amended to read as follows:

5 b. ~~The plan~~ A small employer carrier shall waive any time
6 period applicable to a preexisting condition exclusion or
7 limitation period with respect to particular services in a
8 health benefit plan for the period of time an individual was
9 previously covered by qualifying previous coverage that
10 provided benefits with respect to such service, provided that
11 the qualifying previous coverage was continuous to a date not
12 ~~less~~ more than ~~thirty~~ ninety days prior to the effective date
13 of the new coverage. The period of continuous coverage shall
14 not include any waiting period prior to the effective date of
15 the new coverage applied by the employer or the carrier. This
16 paragraph does not preclude application of any waiting period
17 applicable to all new enrollees under the health benefit plan.

18 Sec. 7. Section 513B.10, subsection 3, paragraph e, Code
19 1993, is amended by adding the following new subparagraph:

20 NEW SUBPARAGRAPH. (3) A small employer carrier may modify
21 a small employer's health benefit plan, other than a basic or
22 standard health benefit plan, provided the modifications apply
23 to all eligible employees and dependents of that small
24 employer.

25 Sec. 8. Section 513B.11, subsection 1, paragraphs a and c,
26 Code 1993, are amended to read as follows:

27 a. A Within ninety days after a plan of operation is
28 approved by the commissioner under section 513B.13, subsection
29 4, a small employer carrier authorized to transact the
30 business of insurance in this state shall notify the
31 commissioner at-the-time-of-authorization of the carrier's
32 intention to operate as a risk-assuming carrier or a
33 reinsuring carrier. A small employer carrier seeking to
34 operate as a risk-assuming carrier shall make an application
35 pursuant to section 513B.12.

1 c. The commissioner shall establish an application process
2 for small employer carriers seeking to change their status
3 pursuant to this subsection. If a small employer carrier has
4 been acquired by another such carrier, the commissioner may
5 waive or modify the time periods established in paragraph "b".

6 Sec. 9. Section 513B.13, subsection 3, paragraph b, Code
7 1993, is amended to read as follows:

8 b. In appointing the members of the board, the
9 commissioner shall include representatives of small employers
10 and small employer carriers and such other individuals as
11 determined to be qualified by the commissioner. At least five
12 of the members of the board shall be representatives of
13 reinsuring carriers and shall be selected from individuals
14 nominated by small employer carriers in this state pursuant to
15 procedures and guidelines provided by rule of the
16 commissioner.

17 Sec. 10. Section 513B.13, subsection 6, Code 1993, is
18 amended to read as follows:

19 6. The plan of operation shall do all of the following:

20 a. Establish procedures for the handling and accounting of
21 program assets and moneys, and for an annual fiscal reporting
22 to the commissioner.

23 b. Establish procedures for selecting an administering
24 carrier and setting forth the powers and duties of the
25 administering carrier.

26 c. Establish procedures for reinsuring risks in accordance
27 with the provisions of this section.

28 d. Establish procedures for collecting assessments from
29 reinsuring carriers to fund claims and administrative expenses
30 incurred or estimated to be incurred by the program.

31 e. Establish a methodology for applying the dollar
32 thresholds contained in this section for carriers that pay or
33 reimburse health care providers through capitation or a
34 salary.

35 f. Provide for any additional matters necessary to

1 implement and administer the program.

2 Sec. 11. NEW SECTION. 513B.17A RESTORATION OF TERMINATED
3 COVERAGE.

4 The commissioner may adopt rules to require small employer
5 carriers, as a condition of transacting business with small
6 employers in this state after July 1, 1993, to reissue a
7 health benefit plan to any small employer whose health benefit
8 plan is terminated or not renewed by a carrier after January
9 1, 1993, unless the carrier's termination is pursuant to
10 section 513B.5. The commissioner may prescribe such terms for
11 the reissuance of coverage as the commissioner finds are
12 reasonable and necessary to provide continuity of coverage to
13 such employers.

14 Sec. 12. Section 514H.12, subsection 2, paragraph b, Code
15 1993, is amended to read as follows:

16 b. The employer, employs-twenty-five-or-fewer on at least
17 fifty percent of the employer's working days during the
18 preceding year employed not less than two and not more than
19 twenty-five full-time equivalent employees.

20 Sec. 13. EMERGENCY RULES. Pursuant to section 11 of this
21 Act, the commissioner of insurance shall adopt administrative
22 rules under section 17A.4, subsection 2, and section 17A.5,
23 subsection 2, paragraph "b", to implement the provisions of
24 this Act and the rules shall become effective immediately upon
25 filing, unless a later effective date is specified in the
26 rules. Any rules adopted in accordance with the provisions of
27 this section shall also be published as notice of intended
28 action as provided in section 17A.4.

29 EXPLANATION

30 This bill amends certain provisions relating to small group
31 health care coverage and the availability and affordability of
32 such coverage.

33 The bill amends several sections in chapter 513B relating
34 to small group rating practices and the availability of health
35 insurance coverage. The definition of "health benefit plan"

1 is expanded to include major medical expense insurance, but
2 excludes policies or certificates of specified disease,
3 hospital confinement indemnity, or limited benefit health
4 insurance, so long as the insurance carrier files a statement
5 with the commissioner that such coverage is being offered as
6 supplemental health insurance with a description of the policy
7 or certificate. New section 513B.4A is created to provide
8 that a Taft-Hartley trust or a carrier with a written
9 authorization of such a trust may request an exemption from
10 the commissioner from the application of section 513B.4, which
11 relates to restrictions on premium rates. Section 513B.5 is
12 amended by providing that a small employer carrier that
13 replaces an existing policy with a new plan is to blend the
14 experience of the previously existing policy with the new
15 policy, and that a small employer carrier discontinuing the
16 sale of a particular class of policy or policies must withdraw
17 from all marketing in Iowa directed toward small employers or
18 obtain approval from the commissioner.

19 Section 513B.10 is amended to provide that a small employer
20 carrier is to waive any applicable time period relating to a
21 preexisting condition exclusion or limitation for the period
22 of time an individual was previously covered by qualifying
23 coverage, provided that the coverage was continuous to a date
24 not more than 90 days prior to the effective date of the new
25 coverage. Previously, qualifying coverage had to be
26 continuous to a date not less than 30 days prior to such
27 effective date.

28 Section 513B.11 is amended to provide that the commissioner
29 may waive the time periods established for a carrier which
30 intends to act as a risk-assuming carrier in the case of a
31 small employer carrier which is acquired by another carrier
32 seeking to act as a risk-assuming carrier. Section 513B.13 is
33 amended to require that the board supervising the small
34 employer carrier reinsurance program is to establish a
35 methodology for applying the dollar thresholds established

1 under chapter 513B for carriers which reimburse health care
2 providers through capitation or a salary.

3 New section 513B.17A is created which authorizes the
4 commissioner to adopt rules requiring small employer carriers,
5 as a condition of transacting business with small employers in
6 this state after July 1, 1993, to reissue a health benefit
7 plan to a small employer whose plan is terminated or not
8 renewed after January 1, 1993.

9 Section 514H.12 is amended to provide that the definition
10 of "small employer" includes employers who employ on at least
11 50 percent of the employer's working days not less than two
12 nor more than 25 full-time equivalent eligible employees.

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SENATE FILE 362

S-3236

1 Amend Senate File 362 as follows:

2 1. Page 1, by inserting before line 1, the
3 following:

4 "Section 1. Section 513B.1, Code 1993, is amended
5 to read as follows:

6 513B.1 TITLE -- PURPOSE.

7 1. This chapter subchapter shall be known and may
8 be cited as the "Model Small Group Rating Law".

9 2. The intent of this chapter subchapter is to
10 promote the availability of health insurance coverage
11 to small employers, to prevent abusive rating
12 practices, to require disclosure of rating practices
13 to purchasers, to establish rules for continuity of
14 coverage for employers and covered individuals, and to
15 improve the efficiency and fairness of the small group
16 health insurance marketplace.

17 Sec. ____ . Section 513B.2, Code 1993, is amended by
18 adding the following new unnumbered paragraph before
19 subsection 1:

20 NEW UNNUMBERED PARAGRAPH. As used in this
21 subchapter, unless the context otherwise requires:"

22 2. Page 5, by striking lines 27 and 28, and
23 inserting the following:

24 "a. A Upon the approval of a plan of operation by
25 the commissioner under section 513B.13, subsection".

26 3. Page 5, line 33, by inserting after the words
27 "reinsuring carrier." the following: "The
28 notification shall be made as deemed appropriate by
29 the commissioner."

30 4. Page 7, by inserting after line 1 the
31 following:

32 "Sec. ____ . Section 513B.16, Code 1993, is amended
33 to read as follows:

34 513B.16 APPLICABILITY OF CERTAIN STATE LAWS.

35 The provisions of subchapter II of this chapter
36 ~~514H~~ shall not apply to basic health benefit plans and
37 standard health benefit plans as provided for in
38 subchapter I of this chapter, except for section
39 ~~514H:8~~ 513B.39.

40 Sec. ____ . Section 513B.17, Code 1993, is amended
41 by adding the following new subsection:

42 NEW SUBSECTION. 4. The commissioner may, with the
43 concurrence of the board of the Iowa small employer
44 health reinsurance program established in section
45 513B.13, extend the applicability of the provisions of
46 this chapter to employers employing up to fifty full-
47 time equivalent employees upon a finding that the
48 market for health insurance coverage for employer
49 groups employing between twenty-five and fifty
50 employees is constricted and not competitive, or upon

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Page 2

1 a finding that the purpose of this chapter will be
2 furthered by such extension. The extension of the
3 applicability of this chapter may exclude section
4 513B.13 relating to reinsurance. Upon the extension
5 of the applicability to employers employing up to
6 fifty full-time equivalent employees the definition of
7 "small employer" is deemed to include employers of up
8 to fifty full-time equivalent employees."

9 5. Page 7, by inserting after line 13, the
10 following:

11 "Sec. ____ . Section 514H.1, unnumbered paragraph 1,
12 Code 1993, is amended to read as follows:

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

15 Sec. ____ . Section 514H.9, Code 1993, is amended to
16 read as follows:

17 514H.9 PRESUMED ALLOWANCE OF COST-CONTAINMENT
18 PROCEDURES.

19 A cost-containment restriction otherwise imposed by
20 state law does not apply to a basic benefit coverage
21 policy or subscription contract unless the
22 commissioner finds after actuarial review that the
23 restricted cost-containment measure is not cost-
24 effective, and its exclusion is not in the best
25 interests of affordable health care coverage."

26 6. Page 7, by inserting after line 28 the
27 following:

28 "Sec. ____ . CODE EDITOR TRANSFERS.

29 1. The Code editor shall transfer sections 514H.1
30 through 514H.12 to be a new subchapter II of chapter
31 513B comprising new sections 513B.31 through 513B.43.

32 2. The Code editor shall designate sections 513B.1
33 through 513B.29 as new subchapter I.

34 3. The Code editor shall correct all internal
35 citations and references consistent with the transfer
36 of the Code sections as provided in this section."

37 7. By renumbering as necessary.

By RICHARD VARN

S-3236 FILED MARCH 24, 1993

Adopted
3/31/93

P. 920

3/31/93 Human Human Resource
4/12/93 Do Pass

SENATE FILE 362
BY COMMITTEE ON HUMAN RESOURCES

(SUCCESSOR TO SSB 275)

(AS AMENDED AND PASSED BY THE SENATE MARCH 31, 1993)

~~_____~~ - New Language by the Senate

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved May 3, 1992

A BILL FOR

1 An Act relating to small group rating practices and the
2 availability of health insurance coverage.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 362

1 Section 1. Section 513B.1, Code 1993, is amended to read
2 as follows:

3 513B.1 TITLE -- PURPOSE.

4 1. This chapter subchapter shall be known and may be cited
5 as the "Model Small Group Rating Law".

6 2. The intent of this chapter subchapter is to promote the
7 availability of health insurance coverage to small employers,
8 to prevent abusive rating practices, to require disclosure of
9 rating practices to purchasers, to establish rules for
10 continuity of coverage for employers and covered individuals,
11 and to improve the efficiency and fairness of the small group
12 health insurance marketplace.

13 Sec. 2. Section 513B.2, Code 1993, is amended by adding
14 the following new unnumbered paragraph before subsection 1:

15 NEW UNNUMBERED PARAGRAPH. As used in this subchapter,
16 unless the context otherwise requires:

17 Sec. 3. Section 513B.2, subsections 10 and 16, Code 1993,
18 are amended to read as follows:

19 10. a. "Health benefit plan" or "plan" means any hospital
20 or medical expense incurred policy or certificate, major
21 medical expense insurance, hospital or medical service plan
22 contract, or health maintenance organization subscriber
23 contract.

24 b. "Health benefit plan" does not include accident-only,
25 credit, dental, or disability income insurance, coverage
26 issued as a supplement to liability insurance, workers'
27 compensation or similar insurance, or automobile medical-
28 payment insurance.

29 c. "Health benefit plan" also does not include policies or
30 certificates of specified disease, hospital confinement
31 indemnity, or limited benefit health insurance if the carrier
32 offering such policies or certificates complies with all of
33 the following:

34 (1) The carrier files on or before March 1 of each year a
35 certification with the commissioner that contains the

1 following statement and information:

2 (a) A statement from the carrier certifying that policies
3 or certificates described in this paragraph "c" are being
4 offered and marketed as supplemental health insurance and not
5 as a substitute for hospital or medical expense insurance or
6 major medical expense insurance.

7 (b) A summary description of each policy or certificate
8 described in this paragraph "c" including the average annual
9 premium rates or range of premium rates in cases where
10 premiums vary by age, gender, or other factors, which are to
11 be charged for such policies and certificates in this state.

12 (2) If a policy or certificate described in this paragraph
13 "c" is offered for the first time in this state on or after
14 July 1, 1993, the carrier files with the commissioner the
15 information and statement required in subparagraph (1) at
16 least thirty days prior to the date such policy or certificate
17 is issued or delivered in this state.

18 16. "Small employer" means a person actively engaged in
19 business who, on at least fifty percent of the employer's
20 working days during the preceding year, employed no-more-than
21 not less than two and not more than twenty-five full-time
22 equivalent eligible employees. In determining the number of
23 eligible employees, companies which are affiliated companies
24 or which are eligible to file a combined tax return for
25 purposes of state taxation are considered one employer.

26 Sec. 4. Section 513B.4, subsection 3, Code 1993, is
27 amended to read as follows:

28 3. For purposes of this section, a health benefit plan
29 that ~~utilizes~~ contains a restricted ~~provider~~ network provision
30 shall not be considered similar coverage to a health benefit
31 plan that does not ~~utilize~~ contain such a network provision,
32 ~~provided-that-utilization-of-the-restricted-provider~~ if the
33 restriction of benefits to network providers results in
34 substantial differences in claims costs.

35 Sec. 5. NEW SECTION. 513B.4A EXEMPTION FROM PREMIUM RATE

1 RESTRICTIONS.

2 A Taft-Hartley trust or a carrier with the written
3 authorization of such a trust, may make a written request to
4 the commissioner for an exemption from the application of any
5 provisions of section 513B.4 with respect to a health benefit
6 plan provided to such a trust. The commissioner may grant an
7 exemption if the commissioner finds that application of
8 section 513B.4 with respect to the trust would have a
9 substantial adverse effect on the participants and
10 beneficiaries of such trust, and would require significant
11 modifications to one or more collective bargaining
12 arrangements under which the trust is established or
13 maintained. An exemption granted under this paragraph shall
14 not apply to an individual if the individual participates in a
15 trust as an associate member of an employee organization.

16 Sec. 6. Section 513B.5, Code 1993, is amended by adding
17 the following new subsections:

18 NEW SUBSECTION. 3. A small employer carrier may replace
19 an existing health benefit plan with a new health benefit
20 plan. The premium rate for the new plan shall be developed
21 pursuant to section 513B.4 and must reflect the claim
22 experience of the previously existing plan.

23 NEW SUBSECTION. 4. A small employer carrier shall not
24 discontinue the sale or active marketing of a particular class
25 of plan or plans, unless the carrier withdraws from all
26 marketing in this state directed at the small employer or has
27 obtained specific approval from the commissioner to do so.
28 The commissioner may approve the discontinuance upon a
29 demonstrated finding that the continued sale or active
30 marketing of a particular class of plan or plans will endanger
31 the solvency of the carrier or does not advance the purposes
32 of this section.

33 Sec. 7. Section 513B.10, subsection 1, Code 1993, is
34 amended to read as follows:

35 1. a. A Except as provided in section 513B.5, subsection

1 4, a small employer carrier, as a condition of transacting
2 business in this state with small employers, shall actively
3 offer to small employers at least two health benefit plans.
4 One health benefit plan offered by each small employer carrier
5 shall be a basic health benefit plan and one plan shall be a
6 standard health benefit plan.

7 b. (1) A small employer carrier shall issue a basic
8 health benefit plan ~~or a standard health benefit plan~~ to an
9 eligible a small employer that applies for either a plan if
10 the small employer is eligible for the plan pursuant to those
11 provisions set forth in section 514H.2, subsection 1, and
12 agrees to make the required premium payments and to satisfy
13 the other reasonable provisions of the health benefit plan not
14 inconsistent with this chapter.

15 (2) A small employer carrier shall issue a standard health
16 benefit plan to a small employer that applies for the plan and
17 agrees to make the required premium payments and satisfy the
18 other reasonable provisions of the health benefit plan not
19 inconsistent with this chapter.

20 (3) A small employer carrier establishing more than one
21 class of business shall ~~maintain and issue to eligible small~~
22 employers, in each class of business established, maintain and
23 offer at least one basic health benefit plan and at least one
24 standard health benefit plan in each class of business
25 established to a small employer, if the employer is determined
26 to be eligible for the basic health benefit plan pursuant to
27 the provisions set forth in section 514H.2, subsection 1, and
28 at least one standard health benefit plan. A small employer
29 carrier may apply reasonable criteria in determining whether
30 to accept a small employer provided all of the following
31 apply:

32 (a) The criteria are not intended to discourage or prevent
33 acceptance of small employers applying for a basic or standard
34 health benefit plan.

35 (b) The criteria are not related to the health status or

1 claims experience of the small employer.

2 (c) The criteria are applied consistently to all small
3 employers applying for coverage in the class of business.

4 (d) The small employer carrier provides for the acceptance
5 of all eligible small employers, as defined in section 513B.2,
6 into one or more classes of business.

7 The provisions of this subparagraph do not apply to a class
8 of business into which the small employer carrier is no longer
9 enrolling new insureds who are small employers.

10 ~~(3 4) For purposes of this lettered paragraph, a small~~
11 ~~employer is eligible if it employed at least two or more~~
12 ~~eligible employees within this state on at least fifty percent~~
13 ~~of its days of operation during the preceding calendar~~
14 ~~quarter. The provisions of this lettered paragraph shall be~~
15 ~~effective one hundred eighty days after the commissioner's~~
16 ~~upon a date as determined by the commissioner following the~~
17 ~~commissioner's approval of the basic health benefit plan and~~
18 the standard health benefit plan.

19 Sec. 8. Section 513B.10, subsection 3, paragraph b, Code
20 1993, is amended to read as follows:

21 b. ~~The plan~~ A small employer carrier shall waive any time
22 period applicable to a preexisting condition exclusion or
23 limitation period with respect to particular services in a
24 health benefit plan for the period of time an individual was
25 previously covered by qualifying previous coverage that
26 provided benefits with respect to such service, provided that
27 the qualifying previous coverage was continuous to a date not
28 ~~less~~ more than ~~thirty~~ ninety days prior to the effective date
29 of the new coverage. The period of continuous coverage shall
30 not include any waiting period prior to the effective date of
31 the new coverage applied by the employer or the carrier. This
32 paragraph does not preclude application of any waiting period
33 applicable to all new enrollees under the health benefit plan.

34 Sec. 9. Section 513B.10, subsection 3, paragraph e, Code
35 1993, is amended by adding the following new subparagraph:

1 NEW SUBPARAGRAPH. (3) A small employer carrier may modify
2 a small employer's health benefit plan, other than a basic or
3 standard health benefit plan, provided the modifications apply
4 to all eligible employees and dependents of that small
5 employer.

6 Sec. 10. Section 513B.11, subsection 1, paragraphs a and
7 c, Code 1993, are amended to read as follows:

8 a. A Upon the approval of a plan of operation by the
9 commissioner under section 513B.13, subsection 4, a small
10 employer carrier authorized to transact the business of
11 insurance in this state shall notify the commissioner at-the
12 time-of-authorization of the carrier's intention to operate as
13 a risk-assuming carrier or a reinsuring carrier. The
14 notification shall be made as deemed appropriate by the
15 commissioner. A small employer carrier seeking to operate as
16 a risk-assuming carrier shall make an application pursuant to
17 section 513B.12.

18 c. The commissioner shall establish an application process
19 for small employer carriers seeking to change their status
20 pursuant to this subsection. If a small employer carrier has
21 been acquired by another such carrier, the commissioner may
22 waive or modify the time periods established in paragraph "b".

23 Sec. 11. Section 513B.13, subsection 3, paragraph b, Code
24 1993, is amended to read as follows:

25 b. In appointing the members of the board, the
26 commissioner shall include representatives of small employers
27 and small employer carriers and such other individuals as
28 determined to be qualified by the commissioner. At least five
29 of the members of the board shall be representatives of
30 reinsuring carriers and shall be selected from individuals
31 nominated by small employer carriers in this state pursuant to
32 procedures and guidelines provided by rule of the
33 commissioner.

34 Sec. 12. Section 513B.13, subsection 6, Code 1993, is
35 amended to read as follows:

- 1 6. The plan of operation shall do all of the following:
- 2 a. Establish procedures for the handling and accounting of
- 3 program assets and moneys, and for an annual fiscal reporting
- 4 to the commissioner.
- 5 b. Establish procedures for selecting an administering
- 6 carrier and setting forth the powers and duties of the
- 7 administering carrier.
- 8 c. Establish procedures for reinsuring risks in accordance
- 9 with the provisions of this section.
- 10 d. Establish procedures for collecting assessments from
- 11 reinsuring carriers to fund claims and administrative expenses
- 12 incurred or estimated to be incurred by the program.
- 13 e. Establish a methodology for applying the dollar
- 14 thresholds contained in this section for carriers that pay or
- 15 reimburse health care providers through capitation or a
- 16 salary.
- 17 f. Provide for any additional matters necessary to
- 18 implement and administer the program.

19 Sec. 13. Section 513B.16, Code 1993, is amended to read as

20 follows:

21 513B.16 APPLICABILITY OF CERTAIN STATE LAWS.

22 The provisions of subchapter II of this chapter 514H shall

23 not apply to basic health benefit plans and standard health

24 benefit plans as provided for in subchapter I of this chapter,

25 except for section 514H-8 513B.39.

26 Sec. 14. Section 513B.17, Code 1993, is amended by adding

27 the following new subsection:

28 NEW SUBSECTION. 4. The commissioner may, with the

29 concurrence of the board of the Iowa small employer health

30 reinsurance program established in section 513B.13, extend the

31 applicability of the provisions of this chapter to employers

32 employing up to fifty full-time equivalent employees upon a

33 finding that the market for health insurance coverage for

34 employer groups employing between twenty-five and fifty

35 employees is constricted and not competitive, or upon a

1 finding that the purpose of this chapter will be furthered by
2 such extension. The extension of the applicability of this
3 chapter may exclude section 513B.13 relating to reinsurance.
4 Upon the extension of the applicability to employers employing
5 up to fifty full-time equivalent employees the definition of
6 "small employer" is deemed to include employers of up to fifty
7 full-time equivalent employees.

8 Sec. 15. NEW SECTION. 513B.17A RESTORATION OF TERMINATED
9 COVERAGE.

10 The commissioner may adopt rules to require small employer
11 carriers, as a condition of transacting business with small
12 employers in this state after July 1, 1993, to reissue a
13 health benefit plan to any small employer whose health benefit
14 plan is terminated or not renewed by a carrier after January
15 1, 1993, unless the carrier's termination is pursuant to
16 section 513B.5. The commissioner may prescribe such terms for
17 the reissuance of coverage as the commissioner finds are
18 reasonable and necessary to provide continuity of coverage to
19 such employers.

20 Sec. 16. Section 514H.1, unnumbered paragraph 1, Code
21 1993, is amended to read as follows:

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

24 Sec. 17. Section 514H.9, Code 1993, is amended to read as
25 follows:

26 514H.9 PRESUMED ALLOWANCE OF COST-CONTAINMENT PROCEDURES.

27 A cost-containment restriction otherwise imposed by state
28 law does not apply to a basic benefit coverage policy or
29 subscription contract unless the commissioner finds after
30 actuarial review that the restricted cost-containment measure
31 is not cost-effective, and its exclusion is not in the best
32 interests of affordable health care coverage.

33 Sec. 18. Section 514H.12, subsection 2, paragraph b, Code
34 1993, is amended to read as follows:

35 b. The employer, employs-twenty-five-or-fewer on at least

1 fifty percent of the employer's working days during the
2 preceding year employed not less than two and not more than
3 twenty-five full-time equivalent employees.

4 Sec. 19. EMERGENCY RULES. Pursuant to section 11 of this
5 Act, the commissioner of insurance shall adopt administrative
6 rules under section 17A.4, subsection 2, and section 17A.5,
7 subsection 2, paragraph "b", to implement the provisions of
8 this Act and the rules shall become effective immediately upon
9 filing, unless a later effective date is specified in the
10 rules. Any rules adopted in accordance with the provisions of
11 this section shall also be published as notice of intended
12 action as provided in section 17A.4.

13 Sec. 20. CODE EDITOR TRANSFERS.

14 1. The Code editor shall transfer sections 514H.1 through
15 514H.12 to be a new subchapter II of chapter 513B comprising
16 new sections 513B.31 through 513B.43.

17 2. The Code editor shall designate sections 513B.1 through
18 513B.29 as new subchapter I.

19 3. The Code editor shall correct all internal citations
20 and references consistent with the transfer of the Code
21 sections as provided in this section.

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VARN, CH.
SZYMONIAK
KRAMER

SSB 275
HUMAN RESOURCES

SENATE FILE 362
BY (PROPOSED COMMITTEE ON HUMAN
RESOURCES BILL BY CHAIR-
PERSON SZYMONIAK)

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

A BILL FOR

1 An Act relating to small group rating practices and the
2 availability of health insurance coverage.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 513B.2, subsections 10 and 16, Code
2 1993, are amended to read as follows:

3 10. a. "Health benefit plan" or "plan" means any hospital
4 or medical expense incurred policy or certificate, major
5 medical expense insurance, hospital or medical service plan
6 contract, or health maintenance organization subscriber
7 contract.

8 b. "Health benefit plan" does not include accident-only,
9 credit, dental, or disability income insurance, coverage
10 issued as a supplement to liability insurance, workers'
11 compensation or similar insurance, or automobile medical-
12 payment insurance.

13 c. "Health benefit plan" also does not include policies or
14 certificates of specified disease, hospital confinement
15 indemnity, or limited benefit health insurance if the carrier
16 offering such policies or certificates complies with all of
17 the following:

18 (1) The carrier files on or before March 1 of each year a
19 certification with the commissioner that contains the
20 following statement and information:

21 (a) A statement from the carrier certifying that policies
22 or certificates described in this paragraph "c" are being
23 offered and marketed as supplemental health insurance and not
24 as a substitute for hospital or medical expense insurance or
25 major medical expense insurance.

26 (b) A summary description of each policy or certificate
27 described in this paragraph "c" including the average annual
28 premium rates or range of premium rates in cases where
29 premiums vary by age, gender, or other factors, which are to
30 be charged for such policies and certificates in this state.

31 (2) If a policy or certificate described in this paragraph
32 "c" is offered for the first time in this state on or after
33 July 1, 1993, the carrier files with the commissioner the
34 information and statement required in subparagraph (1) at
35 least thirty days prior to the date such policy or certificate

1 is issued or delivered in this state.

2 16. "Small employer" means a person actively engaged in
3 business who, on at least fifty percent of the employer's
4 working days during the preceding year, employed no-more-than
5 not less than two and not more than twenty-five full-time
6 equivalent eligible employees. In determining the number of
7 eligible employees, companies which are affiliated companies
8 or which are eligible to file a combined tax return for
9 purposes of state taxation are considered one employer.

10 Sec. 2. Section 513B.4, subsection 3, Code 1993, is
11 amended to read as follows:

12 3. For purposes of this section, a health benefit plan
13 that ~~utilizes~~ contains a restricted provider network provision
14 shall not be considered similar coverage to a health benefit
15 plan that does not ~~utilize~~ contain such a network provision,
16 ~~provided-that-utilization-of-the-restricted-provider~~ if the
17 restriction of benefits to network providers results in
18 substantial differences in claims costs.

19 Sec. 3. NEW SECTION. 513B.4A EXEMPTION FROM PREMIUM RATE
20 RESTRICTIONS.

21 A Taft Hartley trust or a carrier with the written
22 authorization of such a trust, may make a written request to
23 the commissioner for an exemption from the application of any
24 provisions of section 513B.4 with respect to a health benefit
25 plan provided to such a trust. The commissioner may grant an
26 exemption if the commissioner finds that application of
27 section 513B.4 with respect to the trust would have a
28 substantial adverse effect on the participants and
29 beneficiaries of such trust, and would require significant
30 modifications to one or more collective bargaining
31 arrangements under which the trust is established or
32 maintained. An exemption granted under this paragraph shall
33 not apply to an individual if the individual participates in a
34 trust as an associate member of an employee organization.

35 Sec. 4. Section 513B.5, Code 1993, is amended by adding

1 the following new subsections:

2 NEW SUBSECTION. 3. A small employer carrier may replace
3 an existing health benefit plan with a new health benefit
4 plan. The premium rate for the new plan shall be developed
5 pursuant to section 513B.4 and must reflect the claim
6 experience of the previously existing plan.

7 NEW SUBSECTION. 4. A small employer carrier shall not
8 discontinue the sale or active marketing of a particular class
9 of plan or plans, unless the carrier withdraws from all
10 marketing in this state directed at the small employer or has
11 obtained specific approval from the commissioner to do so.
12 The commissioner may approve the discontinuance upon a
13 demonstrated finding that the continued sale or active
14 marketing of a particular class of plan or plans will endanger
15 the solvency of the carrier or does not advance the purposes
16 of this section.

17 Sec. 5. Section 513B.10, subsection 1, Code 1993, is
18 amended to read as follows:

19 1. a. A Except as provided in section 513B.5, subsection
20 4, a small employer carrier, as a condition of transacting
21 business in this state with small employers, shall actively
22 offer to small employers at least two health benefit plans.
23 One health benefit plan offered by each small employer carrier
24 shall be a basic health benefit plan and one plan shall be a
25 standard health benefit plan.

26 b. (1) A small employer carrier shall issue a basic
27 health benefit plan ~~or-a-standard-health-benefit-plan~~ to an
28 ~~eligible~~ a small employer that applies for either a plan if
29 the small employer is eligible for the plan pursuant to those
30 provisions set forth in section 514H.2, subsection 1, and
31 agrees to make the required premium payments and to satisfy
32 the other reasonable provisions of the health benefit plan not
33 inconsistent with this chapter.

34 (2) A small employer carrier shall issue a standard health
35 benefit plan to a small employer that applies for the plan and

1 agrees to make the required premium payments and satisfy the
 2 other reasonable provisions of the health benefit plan not
 3 inconsistent with this chapter.

4 (3) A small employer carrier establishing more than one
 5 class of business shall ~~maintain-and-issue-to-eligible-small~~
 6 ~~employers,~~ in each class of business established, maintain and
 7 offer at least one basic health benefit plan ~~and-at-least-one~~
 8 ~~standard-health-benefit-plan-in-each-class-of-business~~
 9 established to a small employer, if the employer is determined
 10 to be eligible for the basic health benefit plan pursuant to
 11 the provisions set forth in section 514H.2, subsection 1, and
 12 at least one standard health benefit plan. A small employer
 13 carrier may apply reasonable criteria in determining whether
 14 to accept a small employer provided all of the following
 15 apply:

16 (a) The criteria are not intended to discourage or prevent
 17 acceptance of small employers applying for a basic or standard
 18 health benefit plan.

19 (b) The criteria are not related to the health status or
 20 claims experience of the small employer.

21 (c) The criteria are applied consistently to all small
 22 employers applying for coverage in the class of business.

23 (d) The small employer carrier provides for the acceptance
 24 of all eligible small employers, as defined in section 513B.2,
 25 into one or more classes of business.

26 The provisions of this subparagraph do not apply to a class
 27 of business into which the small employer carrier is no longer
 28 enrolling new insureds who are small employers.

29 (3 4) ~~For purposes of this lettered paragraph, a small~~
 30 ~~employer is eligible if it employed at least two or more~~
 31 ~~eligible employees within this state on at least fifty percent~~
 32 ~~of its days of operation during the preceding calendar~~
 33 ~~quarter.~~ The provisions of this lettered paragraph shall be
 34 effective one hundred eighty days after the commissioner's
 35 upon a date as determined by the commissioner following the

1 commissioner's approval of the basic health benefit plan and
2 the standard health benefit plan.

3 Sec. 6. Section 513B.10, subsection 3, paragraph b, Code
4 1993, is amended to read as follows:

5 b. ~~The plan~~ A small employer carrier shall waive any time
6 period applicable to a preexisting condition exclusion or
7 limitation period with respect to particular services in a
8 health benefit plan for the period of time an individual was
9 previously covered by qualifying previous coverage that
10 provided benefits with respect to such service, provided that
11 the qualifying previous coverage was continuous to a date not
12 ~~less more than thirty ninety~~ days prior to the effective date
13 of the new coverage. The period of continuous coverage shall
14 not include any waiting period prior to the effective date of
15 the new coverage applied by the employer or the carrier. This
16 paragraph does not preclude application of any waiting period
17 applicable to all new enrollees under the health benefit plan.

18 Sec. 7. Section 513B.10, subsection 3, paragraph e, Code
19 1993, is amended by adding the following new subparagraph:

20 NEW SUBPARAGRAPH. (3) A small employer carrier may modify
21 a small employer's health benefit plan, other than a basic or
22 standard health benefit plan, provided the modifications apply
23 to all eligible employees and dependents of that small
24 employer.

25 Sec. 8. Section 513B.11, subsection 1, paragraphs a and c,
26 Code 1993, are amended to read as follows:

27 a. A Within ninety days after a plan of operation is
28 approved by the commissioner under section 513B.13, subsection
29 4, a small employer carrier authorized to transact the
30 business of insurance in this state shall notify the
31 commissioner ~~at-the-time-of-authorization~~ of the carrier's
32 intention to operate as a risk-assuming carrier or a
33 reinsuring carrier. A small employer carrier seeking to
34 operate as a risk-assuming carrier shall make an application
35 pursuant to section 513B.12.

1 c. The commissioner shall establish an application process
2 for small employer carriers seeking to change their status
3 pursuant to this subsection. If a small employer carrier has
4 been acquired by another such carrier, the commissioner may
5 waive or modify the time periods established in paragraph "b".

6 Sec. 9. Section 513B.13, subsection 3, paragraph b, Code
7 1993, is amended to read as follows:

8 b. In appointing the members of the board, the
9 commissioner shall include representatives of small employers
10 and small employer carriers and such other individuals as
11 determined to be qualified by the commissioner. At least five
12 of the members of the board shall be representatives of
13 reinsuring carriers and shall be selected from individuals
14 nominated by small employer carriers in this state pursuant to
15 procedures and guidelines provided by rule of the
16 commissioner.

17 Sec. 10. Section 513B.13, subsection 6, Code 1993, is
18 amended to read as follows:

19 6. The plan of operation shall do all of the following:

20 a. Establish procedures for the handling and accounting of
21 program assets and moneys, and for an annual fiscal reporting
22 to the commissioner.

23 b. Establish procedures for selecting an administering
24 carrier and setting forth the powers and duties of the
25 administering carrier.

26 c. Establish procedures for reinsuring risks in accordance
27 with the provisions of this section.

28 d. Establish procedures for collecting assessments from
29 reinsuring carriers to fund claims and administrative expenses
30 incurred or estimated to be incurred by the program.

31 e. Establish a methodology for applying the dollar
32 thresholds contained in this section for carriers that pay or
33 reimburse health care providers through capitation or a
34 salary.

35 f. Provide for any additional matters necessary to

1 implement and administer the program.

2 Sec. 11. NEW SECTION. 513B.17A RESTORATION OF TERMINATED
3 COVERAGE.

4 The commissioner may adopt rules to require small employer
5 carriers, as a condition of transacting business with small
6 employers in this state after July 1, 1993, to reissue a
7 health benefit plan to any small employer whose health benefit
8 plan is terminated or not renewed by a carrier after January
9 1, 1993, unless the carrier's termination is pursuant to
10 section 513B.5. The commissioner may prescribe such terms for
11 the reissuance of coverage as the commissioner finds are
12 reasonable and necessary to provide continuity of coverage to
13 such employers.

14 Sec. 12. Section 514H.12, subsection 2, paragraph b, Code
15 1993, is amended to read as follows:

16 b. The employer, employs-twenty-five-or-fewer on at least
17 fifty percent of the employer's working days during the
18 preceding year employed not less than two and not more than
19 twenty-five full-time equivalent employees.

20 Sec. 13. EMERGENCY RULES. Pursuant to section 11 of this
21 Act, the commissioner of insurance shall adopt administrative
22 rules under section 17A.4, subsection 2, and section 17A.5,
23 subsection 2, paragraph "b", to implement the provisions of
24 this Act and the rules shall become effective immediately upon
25 filing, unless a later effective date is specified in the
26 rules. Any rules adopted in accordance with the provisions of
27 this section shall also be published as notice of intended
28 action as provided in section 17A.4.

29 EXPLANATION

30 This bill amends certain provisions relating to small group
31 health care coverage and the availability and affordability of
32 such coverage.

33 The bill amends several sections in chapter 513B relating
34 to small group rating practices and the availability of health
35 insurance coverage. The definition of "health benefit plan"

1 is expanded to include major medical expense insurance, but
2 excludes policies or certificates of specified disease,
3 hospital confinement indemnity, or limited benefit health
4 insurance, so long as the insurance carrier files a statement
5 with the commissioner that such coverage is being offered as
6 supplemental health insurance with a description of the policy
7 or certificate. New section 513B.4A is created to provide
8 that a Taft Hartley trust or a carrier with a written
9 authorization of such a trust may request an exemption from
10 the commissioner from the application of section 513B.4, which
11 relates to restrictions on premium rates. Section 513B.5 is
12 amended by providing that a small employer carrier that
13 replaces an existing policy with a new plan is to blend the
14 experience of the previously existing policy with the new
15 policy, and that a small employer carrier discontinuing the
16 sale of a particular class of policy or policies must withdraw
17 from all marketing in Iowa directed toward small employers or
18 obtain approval from the commissioner.

19 Section 513B.10 is amended to provide that a small employer
20 carrier is to waive any applicable time period relating to a
21 preexisting condition exclusion or limitation for the period
22 of time an individual was previously covered by qualifying
23 coverage, provided that the coverage was continuous to a date
24 not more than 90 days prior to the effective date of the new
25 coverage. Previously, qualifying coverage had to be
26 continuous to a date not less than 30 days prior to such
27 effective date.

28 Section 513B.11 is amended to provide that the commissioner
29 may waive the time periods established for a carrier which
30 intends to act as a risk-assuming carrier in the case of a
31 small employer carrier which is acquired by another carrier
32 seeking to act as a risk-assuming carrier. Section 513B.13 is
33 amended to require that the board supervising the small
34 employer carrier reinsurance program is to establish a
35 methodology for applying the dollar thresholds established

1 under chapter 513B for carriers which reimburse health care
2 providers through capitation or a salary.

3 New section 513B.17A is created which authorizes the
4 commissioner to adopt rules requiring small employer carriers,
5 as a condition of transacting business with small employers in
6 this state after July 1, 1993, to reissue a health benefit
7 plan to a small employer whose plan is terminated or not
8 renewed after January 1, 1993.

9 Section 514H.12 is amended to provide that the definition
10 of "small employer" includes employers who employ on at least
11 50 percent of the employer's working days not less than two
12 nor more than 25 full-time equivalent eligible employees.

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SENATE FILE 362

AN ACT
RELATING TO SMALL GROUP RATING PRACTICES AND THE AVAILABILITY
OF HEALTH INSURANCE COVERAGE.

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

Section 1. Section 513B.1, Code 1993, is amended to read as follows:

513B.1 TITLE -- PURPOSE.

1. This chapter subchapter shall be known and may be cited as the "Model Small Group Rating Law".

2. The intent of this chapter subchapter is to promote the availability of health insurance coverage to small employers, to prevent abusive rating practices, to require disclosure of rating practices to purchasers, to establish rules for continuity of coverage for employers and covered individuals, and to improve the efficiency and fairness of the small group health insurance marketplace.

Sec. 2. Section 513B.2, Code 1993, is amended by adding the following new unnumbered paragraph before subsection 1:
NEW UNNUMBERED PARAGRAPH. As used in this subchapter, unless the context otherwise requires:

Sec. 3. Section 513B.2, subsections 10 and 16, Code 1993, are amended to read as follows:

10. a. "Health benefit plan" or "plan" means any hospital or medical expense incurred policy or certificate, major

medical expense insurance, hospital or medical service plan contract, or health maintenance organization subscriber contract.

b. "Health benefit plan" does not include accident-only, credit, dental, or disability income insurance, coverage issued as a supplement to liability insurance, workers' compensation or similar insurance, or automobile medical-payment insurance.

c. "Health benefit plan" also does not include policies or certificates of specified disease, hospital confinement indemnity, or limited benefit health insurance if the carrier offering such policies or certificates complies with all of the following:

(1) The carrier files on or before March 1 of each year a certification with the commissioner that contains the following statement and information:

(a) A statement from the carrier certifying that policies or certificates described in this paragraph "c" are being offered and marketed as supplemental health insurance and not as a substitute for hospital or medical expense insurance or major medical expense insurance.

(b) A summary description of each policy or certificate described in this paragraph "c" including the average annual premium rates or range of premium rates in cases where premiums vary by age, gender, or other factors, which are to be charged for such policies and certificates in this state.

(2) If a policy or certificate described in this paragraph "c" is offered for the first time in this state on or after July 1, 1993, the carrier files with the commissioner the information and statement required in subparagraph (1) at least thirty days prior to the date such policy or certificate is issued or delivered in this state.

16. "Small employer" means a person actively engaged in business who, on at least fifty percent of the employer's working days during the preceding year, employed no-more-than

not less than two and not more than twenty-five full-time equivalent eligible employees. In determining the number of eligible employees, companies which are affiliated companies or which are eligible to file a combined tax return for purposes of state taxation are considered one employer.

Sec. 4. Section 513B.4, subsection 3, Code 1993, is amended to read as follows:

3. For purposes of this section, a health benefit plan that utilizes contains a restricted provider network provision shall not be considered similar coverage to a health benefit plan that does not utilize contain such a network provision, provided-that-utilization-of-the-restricted-provider if the restriction of benefits to network providers results in substantial differences in claims costs.

Sec. 5. NEW SECTION. 513B.4A EXEMPTION FROM PREMIUM RATE RESTRICTIONS.

A Taft-Hartley trust or a carrier with the written authorization of such a trust, may make a written request to the commissioner for an exemption from the application of any provisions of section 513B.4 with respect to a health benefit plan provided to such a trust. The commissioner may grant an exemption if the commissioner finds that application of section 513B.4 with respect to the trust would have a substantial adverse effect on the participants and beneficiaries of such trust, and would require significant modifications to one or more collective bargaining arrangements under which the trust is established or maintained. An exemption granted under this paragraph shall not apply to an individual if the individual participates in a trust as an associate member of an employee organization.

Sec. 6. Section 513B.5, Code 1993, is amended by adding the following new subsections:

NEW SUBSECTION. 3. A small employer carrier may replace an existing health benefit plan with a new health benefit plan. The premium rate for the new plan shall be developed

pursuant to section 513B.4 and must reflect the claim experience of the previously existing plan.

NEW SUBSECTION. 4. A small employer carrier shall not discontinue the sale or active marketing of a particular class of plan or plans, unless the carrier withdraws from all marketing in this state directed at the small employer or has obtained specific approval from the commissioner to do so. The commissioner may approve the discontinuance upon a demonstrated finding that the continued sale or active marketing of a particular class of plan or plans will endanger the solvency of the carrier or does not advance the purposes of this section.

Sec. 7. Section 513B.10, subsection 1, Code 1993, is amended to read as follows:

1. a. A Except as provided in section 513B.5, subsection 4, a small employer carrier, as a condition of transacting business in this state with small employers, shall actively offer to small employers at least two health benefit plans. One health benefit plan offered by each small employer carrier shall be a basic health benefit plan and one plan shall be a standard health benefit plan.

b. (1) A small employer carrier shall issue a basic health benefit plan or-a-standard-health-benefit-plan to an eligible a small employer that applies for either a plan if the small employer is eligible for the plan pursuant to those provisions set forth in section 514H.2, subsection 1, and agrees to make the required premium payments and to satisfy the other reasonable provisions of the health benefit plan not inconsistent with this chapter.

(2) A small employer carrier shall issue a standard health benefit plan to a small employer that applies for the plan and agrees to make the required premium payments and satisfy the other reasonable provisions of the health benefit plan not inconsistent with this chapter.

(3) A small employer carrier establishing more than one class of business shall maintain and issue to eligible small employers, in each class of business established, maintain and offer at least one basic health benefit plan and at least one standard health benefit plan in each class of business established to a small employer, if the employer is determined to be eligible for the basic health benefit plan pursuant to the provisions set forth in section 514H.2, subsection 1, and at least one standard health benefit plan. A small employer carrier may apply reasonable criteria in determining whether to accept a small employer provided all of the following apply:

(a) The criteria are not intended to discourage or prevent acceptance of small employers applying for a basic or standard health benefit plan.

(b) The criteria are not related to the health status or claims experience of the small employer.

(c) The criteria are applied consistently to all small employers applying for coverage in the class of business.

(d) The small employer carrier provides for the acceptance of all eligible small employers, as defined in section 513B.2, into one or more classes of business.

The provisions of this subparagraph do not apply to a class of business into which the small employer carrier is no longer enrolling new insureds who are small employers.

(3 4) For purposes of this lettered paragraph, a small employer is eligible if it employed at least two or more eligible employees within this state on at least fifty percent of its days of operation during the preceding calendar quarter. The provisions of this lettered paragraph shall be effective one hundred eighty days after the commissioner's upon a date as determined by the commissioner following the commissioner's approval of the basic health benefit plan and the standard health benefit plan.

Sec. 8. Section 513B.10, subsection 3, paragraph b, Code 1993, is amended to read as follows:

b. The plan A small employer carrier shall waive any time period applicable to a preexisting condition exclusion or limitation period with respect to particular services in a health benefit plan for the period of time an individual was previously covered by qualifying previous coverage that provided benefits with respect to such service, provided that the qualifying previous coverage was continuous to a date not less more than thirty ninety days prior to the effective date of the new coverage. The period of continuous coverage shall not include any waiting period prior to the effective date of the new coverage applied by the employer or the carrier. This paragraph does not preclude application of any waiting period applicable to all new enrollees under the health benefit plan.

Sec. 9. Section 513B.10, subsection 3, paragraph e, Code 1993, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A small employer carrier may modify a small employer's health benefit plan, other than a basic or standard health benefit plan, provided the modifications apply to all eligible employees and dependents of that small employer.

Sec. 10. Section 513B.11, subsection 1, paragraphs a and c, Code 1993, are amended to read as follows:

a. A Upon the approval of a plan of operation by the commissioner under section 513B.13, subsection 4, a small employer carrier authorized to transact the business of insurance in this state shall notify the commissioner at the time of authorization of the carrier's intention to operate as a risk-assuming carrier or a reinsuring carrier. The notification shall be made as deemed appropriate by the commissioner. A small employer carrier seeking to operate as a risk-assuming carrier shall make an application pursuant to section 513B.12.

c. The commissioner shall establish an application process for small employer carriers seeking to change their status pursuant to this subsection. If a small employer carrier has been acquired by another such carrier, the commissioner may waive or modify the time periods established in paragraph "b".

Sec. 11. Section 513B.13, subsection 3, paragraph b, Code 1993, is amended to read as follows:

b. In appointing the members of the board, the commissioner shall include representatives of small employers and small employer carriers and such other individuals as determined to be qualified by the commissioner. At least five of the members of the board shall be representatives of reinsuring carriers and shall be selected from individuals nominated by small employer carriers in this state pursuant to procedures and guidelines provided by rule of the commissioner.

Sec. 12. Section 513B.13, subsection 6, Code 1993, is amended to read as follows:

6. The plan of operation shall do all of the following:
- a. Establish procedures for the handling and accounting of program assets and moneys, and for an annual fiscal reporting to the commissioner.
 - b. Establish procedures for selecting an administering carrier and setting forth the powers and duties of the administering carrier.
 - c. Establish procedures for reinsuring risks in accordance with the provisions of this section.
 - d. Establish procedures for collecting assessments from reinsuring carriers to fund claims and administrative expenses incurred or estimated to be incurred by the program.
 - e. Establish a methodology for applying the dollar thresholds contained in this section for carriers that pay or reimburse health care providers through capitation or a salary.

f. Provide for any additional matters necessary to implement and administer the program.

Sec. 13. Section 513B.16, Code 1993, is amended to read as follows:

513B.16 APPLICABILITY OF CERTAIN STATE LAWS.

The provisions of subchapter II of this chapter 514H shall not apply to basic health benefit plans and standard health benefit plans as provided for in subchapter I of this chapter, except for section ~~514H:0~~ 513B.39.

Sec. 14. Section 513B.17, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 4. The commissioner may, with the concurrence of the board of the Iowa small employer health reinsurance program established in section 513B.13, extend the applicability of the provisions of this chapter to employers employing up to fifty full-time equivalent employees upon a finding that the market for health insurance coverage for employer groups employing between twenty-five and fifty employees is constricted and not competitive, or upon a finding that the purpose of this chapter will be furthered by such extension. The extension of the applicability of this chapter may exclude section 513B.13 relating to reinsurance. Upon the extension of the applicability to employers employing up to fifty full-time equivalent employees the definition of "small employer" is deemed to include employers of up to fifty full-time equivalent employees.

Sec. 15. NEW SECTION. 513B.17A RESTORATION OF TERMINATED COVERAGE.

The commissioner may adopt rules to require small employer carriers, as a condition of transacting business with small employers in this state after July 1, 1993, to reissue a health benefit plan to any small employer whose health benefit plan is terminated or not renewed by a carrier after January 1, 1993, unless the carrier's termination is pursuant to section 513B.5. The commissioner may prescribe such terms for

the reissuance of coverage as the commissioner finds are reasonable and necessary to provide continuity of coverage to such employers.

Sec. 16. Section 514H.1, unnumbered paragraph 1, Code 1993, is amended to read as follows:

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

Sec. 17. Section 514H.9, Code 1993, is amended to read as follows:

514H.9 PRESUMED ALLOWANCE OF COST-CONTAINMENT PROCEDURES.

A cost-containment restriction otherwise imposed by state law does not apply to a basic benefit coverage policy or subscription contract unless the commissioner finds after actuarial review that the restricted cost-containment measure is not cost-effective, and its exclusion is not in the best interests of affordable health care coverage.

Sec. 18. Section 514H.12, subsection 2, paragraph b, Code 1993, is amended to read as follows:

b. The employer, employs twenty-five or fewer on at least fifty percent of the employer's working days during the preceding year employed not less than two and not more than twenty-five full-time equivalent employees.

Sec. 19. EMERGENCY RULES. Pursuant to section 11 of this Act, the commissioner of insurance shall adopt administrative rules under section 17A.4, subsection 2, and section 17A.5, subsection 2, paragraph "b", to implement the provisions of this Act and the rules shall become effective immediately upon filing, unless a later effective date is specified in the rules. Any rules adopted in accordance with the provisions of this section shall also be published as notice of intended action as provided in section 17A.4.

Sec. 20. CODE EDITOR TRANSFERS.

1. The Code editor shall transfer sections 514H.1 through 514H.12 to be a new subchapter II of chapter 513B comprising new sections 513B.31 through 513B.43.

2. The Code editor shall designate sections 513B.1 through 513B.29 as new subchapter I.

3. The Code editor shall correct all internal citations and references consistent with the transfer of the Code sections as provided in this section.

LEONARD L. BOSWELL
President of the Senate

HAROLD VAN MAANEN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 362, Seventy-fifth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved May 3, 1993

TERRY E. BRANSTAD
Governor