

HSB 148

COMMERCE AND REGULATION

Shey, Chair  
Hoffman  
Chioda

HOUSE FILE        SE/HF 568  
BY (PROPOSED COMMITTEE ON  
COMMERCE AND REGULATION  
BILL BY CHAIRPERSON HANSEN)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the Iowa individual health benefit reinsurance  
2 association and the Iowa comprehensive health insurance  
3 association, by changing the board of directors, membership,  
4 assessment, and premium tax offset related to the  
5 associations.

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

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1 Section 1. Section 513C.3, subsection 5, Code 2001, is  
2 amended to read as follows:

3 5. "Carrier" means any entity that provides individual  
4 health benefit plans in this state. For purposes of this  
5 chapter, carrier includes an insurance company, a group  
6 hospital or medical service corporation, a fraternal benefit  
7 society, a health maintenance organization, and any other  
8 entity providing an individual plan of health insurance or  
9 health benefits subject to state insurance regulation, except  
10 any entity establishing a plan under chapter 509A. "Carrier"  
11 does not include an organized delivery system.

12 Sec. 2. Section 513C.5, subsection 2, Code 2001, is  
13 amended to read as follows:

14 2. Notwithstanding subsection 1, the commissioner, with  
15 the concurrence of the board of the Iowa individual health  
16 benefit reinsurance association established ~~in-section-513C-10~~  
17 under chapter 514E, may by order reduce or eliminate the  
18 allowed rating bands provided under subsection 1, paragraphs  
19 "a", "b", "c", and "e", or otherwise limit or eliminate the  
20 use of experience rating. ~~The-commissioner-shall-also-develop~~  
21 ~~a-recommendation-for-the-elimination-of-age-as-a-rating~~  
22 ~~characteristic,-and-shall-submit-such-recommendation-by~~  
23 ~~January-87-1996-~~

24 Sec. 3. Section 513C.10, subsection 1, Code 2001, is  
25 amended to read as follows:

26 1. ~~A-nonprofit-corporation-is-established-to-be-known-as~~  
27 the The Iowa individual health benefit reinsurance association  
28 is established as a nonprofit corporation.

29 a. All persons that provide health benefit plans in this  
30 state including insurers providing accident and sickness  
31 insurance under chapter 509, 514, or 514A; fraternal benefit  
32 societies providing hospital, medical, or nursing benefits  
33 under chapter 512B; and health maintenance organizations,  
34 organized delivery systems, and all other entities providing  
35 health insurance or health benefits subject to state insurance

1 regulation, except any entity establishing a plan under  
2 chapter 509A, shall be members of this association.

3 b. The association shall be incorporated under chapter  
4 504A, shall operate under a plan of operation established and  
5 approved pursuant to chapter 504A, and shall exercise its  
6 powers through a the board of directors established under this  
7 section chapter 514E.

8 Sec. 4. Section 513C.10, subsections 2 through 5, Code  
9 2001, are amended by striking the subsections.

10 Sec. 5. Section 514E.2, subsections 1, 2, and 13, Code  
11 2001, are amended to read as follows:

12 1. ~~There-is-established-a-nonprofit-corporation-known-as~~  
13 the The Iowa comprehensive health insurance association which  
14 is established as a nonprofit corporation. The association  
15 shall assure that health insurance, as limited by sections  
16 514E.4 and 514E.5, is made available to each eligible Iowa  
17 resident and each federally eligible individual applying to  
18 the association for coverage. The association shall also be  
19 responsible for administering the Iowa individual health  
20 benefit reinsurance association pursuant to all of the terms  
21 and conditions contained in chapter 513C.

22 a. All carriers as defined in section 514E.1, subsection  
23 3, and all organized delivery systems licensed by the director  
24 of public health providing health insurance or health care  
25 services in Iowa shall be members of the association.

26 b. The association shall operate under a plan of operation  
27 established and approved under subsection 3 and shall exercise  
28 its powers through a board of directors established under this  
29 section.

30 2. The board of directors of the association shall consist  
31 ~~of-four~~ of all of the following:

32 a. Four members who shall be representatives of the four  
33 largest domestic carriers of individual health insurance in  
34 the state as of the calendar year ending December 31, 2000,  
35 based on earned premium standards.

1 b. Three members who shall be representatives of the three  
2 largest carriers of health insurance in the state, based on  
3 earned premium standards, excluding Medicare supplement  
4 coverage premiums, that are not otherwise represented.

5 c. Four members selected by the members of the  
6 association, two of whom shall be representatives from  
7 corporations operating pursuant to chapter 514 on July 1,  
8 1989, or any successors in interest, and two of whom shall be  
9 representatives of organized delivery systems or insurers  
10 providing coverage pursuant to chapter 509 or 514A~~;~~-four.

11 d. Four public members selected by the governor~~;~~-the.

12 e. The commissioner or the commissioner's designee from  
13 the division of insurance~~;~~-and-two.

14 f. Two members of the general assembly, one of whom shall  
15 be appointed by the speaker of the house and one of whom shall  
16 be appointed by the president of the senate, after  
17 consultation with the majority leader and the minority leader  
18 of the senate, who shall be ex officio, and nonvoting members.

19 PARAGRAPH DIVIDED. The composition of the board of  
20 directors shall be in compliance with sections 69.16 and  
21 69.16A. The governor's appointees shall be chosen from a  
22 broad cross-section of the residents of this state.

23 Members of the board may be reimbursed from the moneys of  
24 the association for expenses incurred by them as members, but  
25 shall not be otherwise compensated by the association for  
26 their services.

27 13. A member who, after July 1, ~~1986~~ 2001, has paid one or  
28 more assessments levied under this chapter or chapter 513C may  
29 take a credit against the premium taxes, or similar taxes,  
30 upon revenues or income of the member that are imposed by the  
31 state on health insurance premiums pursuant to chapter 432 or  
32 payments subject to taxation under section 514B.31, up to the  
33 amount of twenty percent of those taxes due, for each of the  
34 five calendar years following the year for which an assessment  
35 was paid, or until the aggregate of those assessments has been

1 offset by credits against those taxes if this occurs first.  
2 If a member ceases doing business, all uncredited assessments  
3 may be credited against its premium tax liability for the year  
4 it ceases doing business.

5 EXPLANATION

6 This bill amends sections of Code chapters 513C and 514E,  
7 dealing with the Iowa individual health benefit reinsurance  
8 association and the Iowa comprehensive health insurance  
9 association, respectively.

10 The bill amends Code section 513C.10 to exclude from  
11 membership in the Iowa individual health benefit reinsurance  
12 association entities that establish plans under Code chapter  
13 509A, the chapter that addresses group insurance for public  
14 employees. The bill also amends the definition of "carrier"  
15 in Code section 513C.3 to exclude the same entities from the  
16 definition.

17 The bill also amends Code section 513C.10 to provide that  
18 the board of directors governing the Iowa individual health  
19 benefit reinsurance association is established under Code  
20 chapter 514E, rather than under Code section 513C.10, and also  
21 divides existing language into paragraphs. A similar change  
22 is made to Code section 513C.5 regarding the reference to Code  
23 chapter 514E. Code section 513C.5 also deletes a reference to  
24 a study that the commissioner has completed.

25 The bill deletes subsections of Code section 513C.10 that  
26 address the board of directors for the Iowa individual health  
27 benefit reinsurance association.

28 The bill amends Code section 514E.2 to provide that the  
29 Iowa comprehensive health insurance association shall be  
30 responsible for administering the Iowa individual health  
31 benefit reinsurance association pursuant to all of the terms  
32 and conditions contained in Code chapter 513C. The bill also  
33 divides existing language into paragraphs.

34 The bill also amends Code section 514E.2 regarding the  
35 composition of the board of directors of the Iowa individual

1 health benefit reinsurance association, resulting in a merger  
 2 of the boards of the Iowa comprehensive health insurance  
 3 association and the Iowa individual health benefit reinsurance  
 4 association. The bill adds as member representatives the four  
 5 largest domestic carriers of the individual health insurance  
 6 in the state as of the calendar year ending December 31, 2000,  
 7 measured by an earned premium standard, and representatives of  
 8 the three largest carriers of health insurance in the state,  
 9 measured by an earned premium standard, excluding Medicare  
 10 supplement coverage premiums, that are not otherwise  
 11 represented. These are the same groups deleted under Code  
 12 section 513C.10 as the board of directors for the Iowa  
 13 individual health benefit reinsurance association. The bill  
 14 also divides existing language into paragraphs.

15 The bill also amends Code section 514E.2 to provide that a  
 16 credit against the premium taxes, or similar taxes, is  
 17 available to members who have paid one or more assessments  
 18 levied under Code chapter 514E or Code chapter 513C after July  
 19 1, 2001, rather than just under Code chapter 514E.

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3/3/01 Referred to W. & Mearns

MAR 9 2001  
Place On Calendar

WIT...  
1-15-02

HOUSE FILE 568  
BY COMMITTEE ON COMMERCE  
AND REGULATION

(SUCCESSOR TO HSB 148)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
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HF 568

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6 hospital or medical service corporation, a fraternal benefit  
7 society, a health maintenance organization, and any other  
8 entity providing an individual plan of health insurance or  
9 health benefits subject to state insurance regulation, except  
10 any entity establishing a plan under chapter 509A. "Carrier"  
11 does not include an organized delivery system.

12 Sec. 2. Section 513C.5, subsection 2, Code 2001, is  
13 amended to read as follows:

14 2. Notwithstanding subsection 1, the commissioner, with  
15 the concurrence of the board of the Iowa individual health  
16 benefit reinsurance association established ~~in section 513C.10~~  
17 under chapter 514E, may by order reduce or eliminate the  
18 allowed rating bands provided under subsection 1, paragraphs  
19 "a", "b", "c", and "e", or otherwise limit or eliminate the  
20 use of experience rating. ~~The commissioner shall also develop~~  
21 ~~a recommendation for the elimination of age as a rating~~  
22 ~~characteristic, and shall submit such recommendation by~~  
23 ~~January 8, 1996.~~

24 Sec. 3. Section 513C.8, Code 2001, is amended to read as  
25 follows:

26 513C.8 HEALTH BENEFIT PLAN STANDARDS.

27 The commissioner shall adopt by rule the form and level of  
28 coverage of the basic health benefit plan and the standard  
29 health benefit plan for the individual market which shall  
30 provide benefits substantially similar to those as provided  
31 for under chapter 513B with respect to small group coverage,  
32 but which shall be appropriately adjusted every three years to  
33 reflect the current state of the individual market.

34 Sec. 4. Section 513C.10, subsection 1, Code 2001, is  
35 amended to read as follows:



1 ~~1. A-nonprofit-corporation-is-established-to-be-known-as~~  
2 the The Iowa individual health benefit reinsurance association  
3 is established as a nonprofit corporation.

4 a. All persons that provide health benefit plans in this  
5 state including insurers providing accident and sickness  
6 insurance under chapter 509, 514, or 514A; fraternal benefit  
7 societies providing hospital, medical, or nursing benefits  
8 under chapter 512B; and health maintenance organizations,  
9 organized delivery systems, and all other entities providing  
10 health insurance or health benefits subject to state insurance  
11 regulation, except any entity establishing a plan under  
12 chapter 509A, shall be members of this association.

13 b. The association shall be incorporated under chapter  
14 504A, shall operate under a plan of operation established and  
15 approved pursuant to chapter 504A, and shall exercise its  
16 powers through a the board of directors established under ~~this~~  
17 section chapter 514E.

18 Sec. 5. Section 513C.10, subsections 2 through 5, Code  
19 2001, are amended by striking the subsections.

20 Sec. 6. Section 513C.10, subsection 6, Code 2001, is  
21 amended to read as follows:

22 6. Rates for basic and standard coverages as provided in  
23 this chapter shall be determined by each carrier or organized  
24 delivery system as the product of a basic and standard factor  
25 and the lowest rate available for issuance by that carrier or  
26 organized delivery system adjusted for rating characteristics  
27 and benefits. Basic and standard factors shall be established  
28 annually by the Iowa individual health benefit reinsurance  
29 association board with the approval of the commissioner.  
30 Multiple basic and standard factors for a distinct grouping of  
31 basic and standard policies may be established. A basic and  
32 standard factor is limited to a minimum value defined as the  
33 ratio of the average of the lowest rate available for issuance  
34 and the maximum rate allowable by law divided by the lowest  
35 rate available for issuance. A basic and standard factor is

1 limited to a maximum value defined as the ratio of the maximum  
2 rate allowable by law divided by the lowest rate available for  
3 issuance. The maximum rate allowable by law and the lowest  
4 rate available for issuance is determined based on the rate  
5 restrictions under this chapter. For policies written after  
6 January 1, 2002, rates for the basic and standard coverages as  
7 provided in this chapter shall be calculated using the basic  
8 and standard factors and shall be no lower than the maximum  
9 rate allowable by law. However, to maintain assessable loss  
10 assessments at or below one percent of total health insurance  
11 premiums or payments as determined in accordance with  
12 subsection 10, the Iowa individual health benefit reinsurance  
13 association board with the approval of the commissioner may  
14 increase the value for any basic and standard factor greater  
15 than the maximum value and.

16 The Iowa individual health benefit reinsurance association  
17 may, with the approval of the commissioner, may increase cost  
18 sharing provisions including, but not limited to, basic and  
19 standard plan deductibles, coinsurance, or copayments.

20 Sec. 7. Section 514E.2, subsections 1, 2, and 13, Code  
21 2001, are amended to read as follows:

22 1. ~~There-is-established-a-nonprofit-corporation-known-as~~  
23 the The Iowa comprehensive health insurance association which  
24 is established as a nonprofit corporation. The association  
25 shall assure that health insurance, as limited by sections  
26 514E.4 and 514E.5, is made available to each eligible Iowa  
27 resident and each federally eligible individual applying to  
28 the association for coverage. The association shall also be  
29 responsible for administering the Iowa individual health  
30 benefit reinsurance association pursuant to all of the terms  
31 and conditions contained in chapter 513C.

32 a. All carriers as defined in section 514E.1, subsection  
33 3, and all organized delivery systems licensed by the director  
34 of public health providing health insurance or health care  
35 services in Iowa shall be members of the association.

1 b. The association shall operate under a plan of operation  
2 established and approved under subsection 3 and shall exercise  
3 its powers through a board of directors established under this  
4 section.

5 2. The board of directors of the association shall consist  
6 of-four of all of the following:

7 a. Four members who shall be representatives of the four  
8 largest domestic carriers of individual health insurance in  
9 the state as of the calendar year ending December 31, 2000,  
10 based on earned premium standards.

11 b. Three members who shall be representatives of the three  
12 largest carriers of health insurance in the state, based on  
13 earned premium standards, excluding Medicare supplement  
14 coverage premiums, that are not otherwise represented.

15 c. Four members selected by the members of the  
16 association, two of whom shall be representatives from  
17 corporations operating pursuant to chapter 514 on July 1,  
18 1989, or any successors in interest, and two of whom shall be  
19 representatives of organized delivery systems or insurers  
20 providing coverage pursuant to chapter 509 or 514A~~7-four.~~

21 d. Four public members selected by the governor~~7-the.~~

22 e. The commissioner or the commissioner's designee from  
23 the division of insurance~~7-and-two.~~

24 f. Two members of the general assembly, one of whom shall  
25 be appointed by the speaker of the house and one of whom shall  
26 be appointed by the president of the senate, after  
27 consultation with the majority leader and the minority leader  
28 of the senate, who shall be ex officio, and nonvoting members.

29 PARAGRAPH DIVIDED. The composition of the board of  
30 directors shall be in compliance with sections 69.16 and  
31 69.16A. The governor's appointees shall be chosen from a  
32 broad cross-section of the residents of this state.

33 Members of the board may be reimbursed from the moneys of  
34 the association for expenses incurred by them as members, but  
35 shall not be otherwise compensated by the association for

1 their services.

2 13. A member who, after July 1, ~~1986~~ 2001, has paid one or  
3 more assessments levied under this chapter or chapter 513C may  
4 take a credit against the premium taxes, or similar taxes,  
5 upon revenues or income of the member that are imposed by the  
6 state on health insurance premiums pursuant to chapter 432 or  
7 payments subject to taxation under section 514B.31, up to the  
8 amount of twenty percent of those taxes due, for each of the  
9 five calendar years following the year for which an assessment  
10 was paid, or until the aggregate of those assessments has been  
11 offset by credits against those taxes if this occurs first.  
12 If a member ceases doing business, all uncredited assessments  
13 may be credited against its premium tax liability for the year  
14 it ceases doing business.

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EXPLANATION

16 This bill amends sections of Code chapters 513C and 514E,  
17 dealing with the Iowa individual health benefit reinsurance  
18 association and the Iowa comprehensive health insurance  
19 association, respectively.

20 The bill amends Code section 513C.8 to provide that the  
21 insurance commissioner will adjust the health plan standards  
22 every three years to reflect the current state of the  
23 individual market.

24 The bill amends Code section 513C.10 to exclude from  
25 membership in the Iowa individual health benefit reinsurance  
26 association entities that establish plans under Code chapter  
27 509A, the chapter that addresses group insurance for public  
28 employees. The bill also amends the definition of "carrier"  
29 in Code section 513C.3 to exclude the same entities from the  
30 definition.

31 The bill also amends Code section 513C.10 to provide that  
32 the board of directors governing the Iowa individual health  
33 benefit reinsurance association is established under Code  
34 chapter 514E, rather than under Code section 513C.10, and also  
35 divides existing language into paragraphs. A similar change

1 is made to Code section 513C.5 regarding the reference to Code  
2 chapter 514E. Code section 513C.5 also deletes a reference to  
3 a study that the commissioner has completed.

4 The bill deletes subsections of Code section 513C.10 that  
5 address the board of directors for the Iowa individual health  
6 benefit reinsurance association.

7 The bill amends Code section 513C.10 to provide that for  
8 policies written after January 1, 2002, rates for the basic  
9 and standard coverages shall be no lower than the maximum rate  
10 allowable by law. In addition, the Iowa individual health  
11 benefit reinsurance association may increase cost sharing  
12 provisions with the approval of the commissioner.

13 The bill amends Code section 514E.2 to provide that the  
14 Iowa comprehensive health insurance association shall be  
15 responsible for administering the Iowa individual health  
16 benefit reinsurance association pursuant to all of the terms  
17 and conditions contained in Code chapter 513C. The bill also  
18 divides existing language into paragraphs.

19 The bill also amends Code section 514E.2 regarding the  
20 composition of the board of directors of the Iowa individual  
21 health benefit reinsurance association, resulting in a merger  
22 of the boards of the Iowa comprehensive health insurance  
23 association and the Iowa individual health benefit reinsurance  
24 association. The bill adds as member representatives the four  
25 largest domestic carriers of the individual health insurance  
26 in the state as of the calendar year ending December 31, 2000,  
27 measured by an earned premium standard, and representatives of  
28 the three largest carriers of health insurance in the state,  
29 measured by an earned premium standard, excluding Medicare  
30 supplement coverage premiums, that are not otherwise  
31 represented. These are the same groups deleted under Code  
32 section 513C.10 as the board of directors for the Iowa  
33 individual health benefit reinsurance association. The bill  
34 also divides existing language into paragraphs.

35 The bill also amends Code section 514E.2 to provide that a

1 credit against the premium taxes, or similar taxes, is  
2 available to members who have paid one or more assessments  
3 levied under Code chapter 514E or Code chapter 513C after July  
4 1, 2001, rather than just under Code chapter 514E.

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