

MAR 8 2004
Place On Calendar

Withdrawn
4/5/07

HOUSE FILE 2487
BY COMMITTEE ON COMMERCE,
REGULATION AND LABOR

(SUCCESSOR TO HSB 643)

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

A BILL FOR

1 An Act relating to individual health insurance program
2 modification; restructuring and modification of eligibility,
3 benefits, tax offsets, and other terms related to the
4 operation of the Iowa comprehensive health insurance
5 association; phaseout of guaranteed basic and standard
6 individual insurance plans; and coverage of federal Trade
7 Adjustment Act recipients under the Iowa comprehensive health
8 insurance Act; and providing effective dates.

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

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HF 2487

1 Section 1. Section 513C.3, subsection 15, Code Supplement
2 2003, is amended by adding the following new unnumbered
3 paragraph:

4 NEW UNNUMBERED PARAGRAPH. For purposes of this subsection,
5 an association policy under chapter 514E is not considered
6 "qualifying existing coverage" or "qualifying previous
7 coverage".

8 Sec. 2. Section 513C.7, subsections 1, 2, and 5, Code
9 Supplement 2003, are amended by striking the subsections.

10 Sec. 3. Section 513C.8, Code 2003, is amended to read as
11 follows:

12 513C.8 HEALTH BENEFIT PLAN STANDARDS.

13 The commissioner board of directors of the Iowa
14 comprehensive health insurance association, with the approval
15 of the commissioner, shall adopt ~~by-rule~~ the form and level of
16 coverage of the basic health benefit plan and the standard
17 health benefit plan for the individual market which shall
18 provide benefits substantially similar to ~~those-as-provided~~
19 ~~for-under-chapter-513B-with-respect-to-small-group-coverage,~~
20 ~~but-which-shall-be-appropriately-adjusted-at-least-every-three~~
21 ~~years-to-reflect~~ the current state of the individual market.

22 Sec. 4. Section 513C.10, subsection 1, paragraph a, Code
23 Supplement 2003, is amended to read as follows:

24 a. All persons that provide health benefit plans in this
25 state including insurers providing accident and sickness
26 insurance under chapter 509, 514, or 514A, whether on an
27 individual or group basis; fraternal benefit societies
28 providing hospital, medical, or nursing benefits under chapter
29 512B; and health maintenance organizations, organized delivery
30 systems, ~~and-all~~ other entities providing health insurance or
31 health benefits subject to state insurance regulation, and all
32 other insurers as designated by the board of directors of the
33 Iowa comprehensive health insurance association with the
34 approval of the commissioner shall be members of the
35 association.

1 Sec. 5. Section 513C.10, subsection 4, Code Supplement
2 2003, is amended to read as follows:

3 4. The board shall develop procedures and assessment
4 mechanisms and make assessments and distributions as required
5 to equalize the individual carrier and organized delivery
6 system gains or losses so that each carrier or organized
7 delivery system receives the same ratio of paid claims to
8 ninety percent of earned premiums as the aggregate of all
9 basic and standard plans insured by all carriers and organized
10 delivery systems in the state.

11 Sec. 6. Section 514E.1, subsection 2, Code Supplement
12 2003, is amended to read as follows:

13 2. "Association policy" means an individual or group
14 policy issued by the association that provides the coverage
15 ~~specified in section 514E.4~~ as set forth in the benefit plans
16 adopted by the association's board of directors and approved
17 by the commissioner.

18 Sec. 7. Section 514E.1, subsections 7, 8, and 12, Code
19 Supplement 2003, are amended by striking the subsections.

20 Sec. 8. Section 514E.1, subsection 9, Code Supplement
21 2003, is amended by adding the following new paragraph:

22 NEW PARAGRAPH. f. Who has been confirmed eligible under
23 the federal Trade Adjustment Act of 2002, Pub. L. No. 107-
24 210, as a recipient under that Act, by the department of
25 workforce development and the federal internal revenue
26 service.

27 Sec. 9. Section 514E.1, subsection 13, Code Supplement
28 2003, is amended to read as follows:

29 13. "Health care services" means services, the coverage of
30 which is authorized under chapter 509, chapter 514, chapter
31 514A, or chapter 514B as limited by ~~sections 514E.4 and 514E.5~~
32 benefit plans established by the association's board of
33 directors with the approval of the commissioner, and includes
34 services for the purposes of preventing, alleviating, curing,
35 or healing human illness, injury or physical disability.

1 Sec. 10. Section 514E.2, subsection 1, unnumbered
2 paragraph 1, Code Supplement 2003, is amended to read as
3 follows:

4 The Iowa comprehensive health insurance association is
5 established as a nonprofit corporation. The association shall
6 assure that ~~health insurance, as limited by sections 514E.4~~
7 ~~and 514E.5, is~~ benefit plans as authorized in section 514E.1,
8 subsection 2, for an association policy, are made available to
9 each eligible Iowa resident and each federally eligible
10 individual applying to the association for coverage. The
11 association shall also be responsible for administering the
12 Iowa individual health benefit reinsurance association
13 pursuant to all of the terms and conditions contained in
14 chapter 513C.

15 Sec. 11. Section 514E.2, subsection 1, paragraph a, Code
16 Supplement 2003, is amended to read as follows:

17 a. All carriers ~~as defined in section 514E.1, subsection~~
18 ~~3,~~ and all organized delivery systems licensed by the director
19 of public health providing health insurance or health care
20 services in Iowa and all other insurers designated by the
21 association's board of directors and approved by the
22 commissioner shall be members of the association.

23 Sec. 12. Section 514E.2, subsection 6, Code Supplement
24 2003, is amended by striking the subsection and inserting in
25 lieu thereof the following:

26 6. Rates for coverages issued by the association shall
27 reflect rating characteristics used in the individual
28 insurance market. The rates for a given classification shall
29 not be more than one hundred fifty percent of the average
30 premium or payment rate for the classification charged by the
31 five carriers with the largest health insurance premium or
32 payment volume in the state during the preceding calendar
33 year. In determining the average rate of the five largest
34 carriers, the rates or payments charged by the carriers shall
35 be actuarially adjusted to determine the rate or payment that

1 would have been charged for benefits similar to those issued
2 by the association.

3 Sec. 13. Section 514E.2, subsection 13, Code Supplement
4 2003, is amended by striking the subsection and inserting the
5 following:

6 13. An insurer may offset an assessment made pursuant to
7 this chapter against its premium tax liability pursuant to
8 chapter 432 to the extent of twenty percent of the amount of
9 the assessment for each of the five calendar years following
10 the year in which the assessment was paid. If an insurer
11 ceases doing business, all uncredited assessments may be
12 credited against its premium tax liability for the year it
13 ceases doing business.

14 Sec. 14. Section 514E.4, Code 2003, is amended by striking
15 the section and inserting in lieu thereof the following:

16 514E.4 ASSOCIATION POLICY -- COVERAGE AND BENEFIT
17 REQUIREMENTS -- DEDUCTIBLES -- COINSURANCE.

18 The association policy shall pay for medically necessary
19 eligible health care services as established in the benefit
20 plans adopted by the association's board of directors and
21 approved by the commissioner. The plans shall provide
22 benefits, deductibles, and coinsurance that reflect the
23 current state of the individual insurance market. The board
24 may modify the benefits provided under the plans to reflect
25 the current state of the individual insurance market with the
26 approval of the commissioner.

27 Sec. 15. Section 514E.7, subsection 1, Code 2003, is
28 amended by adding the following new unnumbered paragraph:

29 NEW UNNUMBERED PARAGRAPH. The association shall rescind
30 coverage for an individual who no longer resides in the state.

31 Sec. 16. Section 514E.7, subsection 4, paragraph b, Code
32 2003, is amended by adding the following new subparagraph:

33 NEW SUBPARAGRAPH. (4) In the case of an individual
34 transferring to an association policy from a basic or standard
35 health benefit plan under chapter 513C beginning on or after

1 January 1, 2005.

2 Sec. 17. Section 514E.7, subsection 5, Code 2003, is
3 amended by adding the following new paragraph:

4 NEW PARAGRAPH. f. The individual is eligible for Medicare
5 based upon age.

6 Sec. 18. Section 514E.8, subsection 1, Code 2003, is
7 amended to read as follows:

8 1. An association policy shall contain provisions under
9 which the association is obligated to renew the ~~contract~~
10 coverage for an individual until the day ~~on-which~~ the
11 individual ~~in-whose-name-the-contract-is-issued-first~~ becomes
12 eligible for Medicare coverage~~7-except-that-in-a-family-policy~~
13 ~~covering-both-husband-and-wife7-the-age-of-the-younger-spouse~~
14 ~~shall-be-used-as-the-basis-for-meeting-the-durational~~
15 ~~requirements-of-this-subsection7--However7-when-the-individual~~
16 ~~in-whose-name-the-contract-is-issued-becomes-eligible-for~~
17 ~~Medicare-coverage7-the-person-shall-be-eligible-for-the~~
18 ~~Medicare-supplement-plan-offered-by-the-association~~ based on
19 age.

20 Sec. 19. Section 514E.11, Code 2003, is amended to read as
21 follows:

22 514E.11 NOTICE OF ASSOCIATION POLICY.

23 Every carrier, including a health maintenance organization
24 subject to chapter 514B and an organized delivery system,
25 authorized to provide health care insurance or coverage for
26 health care services in Iowa, shall provide a notice of the
27 availability of coverage by the association to any person who
28 receives a rejection of coverage for health insurance or
29 health care services, or ~~a-notice-to-any-person-who-is~~
30 ~~informed-that~~ a rate for health insurance or coverage for
31 health care services that will exceed the rate of an
32 association policy, and that the person is eligible to apply
33 for health insurance provided by the association. Application
34 for the health insurance shall be on forms prescribed by the
35 association's board of directors and made available to the

1 carriers and organized delivery systems and other entities
2 providing health care insurance or coverage for health care
3 services regulated by the commissioner.

4 Sec. 20. Sections 514E.5 and 514E.6, Code 2003, are
5 repealed.

6 Sec. 21. EFFECTIVE DATE. The sections of this Act
7 amending section 513C.7 and section 514E.2, subsection 13,
8 take effect January 1, 2005.

9 EXPLANATION

10 This bill contains provisions related to issues considered
11 by the individual health insurance task force, created
12 pursuant to House File 647, as passed during the 2003 session
13 of the general assembly. The provisions relate to individual
14 health insurance market reforms under Code chapter 513C and
15 the Iowa comprehensive health insurance association (ICHA)
16 governed under Code chapter 514E and address program
17 eligibility, benefit design, rate structures, program
18 administration, and funding of assessments.

19 Regarding program eligibility, the bill modifies Code
20 section 513C.3 by specifying that an association policy under
21 Code chapter 514E is not considered "qualifying existing
22 coverage" or "qualifying previous coverage". Certain
23 subsections of Code section 513C.7 regarding basic and
24 standard health plans are stricken effective January 1, 2005.

25 The bill amends Code section 513C.8 to provide that the
26 board of directors of the Iowa comprehensive health insurance
27 association, instead of the commissioner, shall adopt forms
28 and levels of coverage of basic and standard individual health
29 benefit plans for the individual market that are substantially
30 similar to the current state of the individual market.

31 The bill amends Code section 513C.10, subsection 1,
32 paragraph "a", to provide that all insurers, as designated by
33 the board of directors of the Iowa comprehensive health
34 insurance association with the approval of the commissioner,
35 shall be included as members of the Iowa individual health

1 benefit reinsurance association.

2 The bill amends Code section 513C.10, subsection 4, to
3 provide that the Iowa individual health benefit reinsurance
4 association shall develop not only procedures but assessment
5 mechanisms to make assessments and distributions as required
6 to equalize individual carrier and organized delivery system
7 gains or losses.

8 The bill amends Code section 514E.7 to limit eligible
9 participants to residents, and, due to recommending the sunset
10 of basic and standard plans beginning January 1, 2005, to
11 allow new participants in the ICHA plan to transfer from a
12 basic and standard plan without a limitation on preexisting
13 conditions. Code section 514E.11, regarding notification of
14 potential eligibility for ICHA, is also modified. The bill
15 also modifies Code section 514E.2 related to the federal Trade
16 Adjustment Act, Pub. L. No. 107-210, because the ICHA is the
17 mechanism designated by the governor pursuant to the trade
18 Act.

19 Code section 514E.4 is amended relating to the payment of
20 medically necessary health care services. The bill also
21 addresses the provision of benefits, deductibles, and
22 coinsurance reflective of current individual insurance market
23 conditions in that Code section. The ICHA board is authorized
24 to make benefit changes from time to time to remain current
25 with market conditions. Code sections 514E.5 and 514E.6,
26 containing lists of excluded expenses and benefit limitations,
27 are repealed. Corresponding changes are made to delete unused
28 definitions from Code section 514E.1. Changes are also made
29 to Code section 513C.8 to remove an outdated reference to Code
30 chapter 513B, and to Code sections 514E.7 and 514E.8 to
31 coordinate that Code language with Medicare requirements.

32 Regarding rate structures, Code section 514E.2 is amended
33 to allow for adjustments in ICHA rates to reflect rating
34 characteristics in the marketplace and is amended to allow an
35 insurer to offset an assessment made under Code chapter 514E

1 against its premium tax liability pursuant to Code chapter
2 432. The amendment to Code section 514E.2, subsection 13,
3 allowing the offset, takes effect on January 1, 2005.

4 With the exception of those specific provisions noted above
5 that take effect on January 1, 2005, the remainder of the bill
6 takes effect July 1, 2004.

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Fiscal Services Division Legislative Services Agency Fiscal Note

HF 2487 - Comprehensive Health Association Coverages (LSB 5318 HV.1)
 Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)
 Fiscal Note Version - Revised

Description

House File 2487 authorizes the Board of Directors of the Iowa Comprehensive Health Insurance Association to designate insurers for purposes of the Association membership and the new insurer members are authorized to offset their premium tax liability by the amount of their Association assessment in the same manner as current insurer members.

The Bill requires the Association insurer members to utilize 20.0% of the premium tax offset for each of the five years following the Association assessment. Currently, Association insurer members utilize 100.0% of the offset in the year following the assessment if the offset is less than 20.0% of their premium tax liability for that year.

The Bill also changes the premium rate to be charged by requiring the rate to be based upon the individual insurance market. Under current law, the rate is based upon extra morbidity and administration expense for risks insured in the Association.

Assumptions

1. The premium taxes paid by Association insurer members are reduced by the assessment paid by the insurer members to the Association.
2. Each year's assessment is less than 20.0% of an Association member's annual premium tax liability.
3. Under current law, Association insurer members reduce their current premium tax liability by 100.0% of their prior years Association Assessment.
4. Beginning in FY 2005, the Association insurer members will reduce their premium tax liability by 20.0% of their assessment for each of the five years following the Association assessment.
5. The Board will increase the number of insurers in the Association.
6. Premium rates will be reduced to reflect the individual insurance market, thereby, increasing the Association membership assessment.
7. The number of policies issued by the Association will increase requiring an increase in the assessment for Association insurer members.
8. The loss experience of the Iowa Comprehensive Health Insurance Association will be similar to the loss experience of the Iowa Individual Health Benefit Reinsurance Association.
9. Compared to current law, the total Association membership assessment will change as follows:

Calendar Year Assessment	Premium Tax Year Credit	Fiscal Year Impacted	Current Law Estimated Assessment	Proposed Law Estimated Assessment	Estimated Assessment Proposed Law vs. Current Law
2004	2005	2005	\$ 3,000,000	\$ 3,000,000	\$ 0
2005	2006	2006	1,400,000	1,400,000	0
2006	2007	2007	2,000,000	2,700,000	700,000
2007	2008	2008	2,000,000	5,600,000	3,600,000
2008	2009	2009	2,000,000	8,500,000	6,500,000
2009	2010	2010	2,000,000	11,500,000	9,500,000
2010	2011	2011	2,000,000	14,600,000	12,600,000

10. The total Association membership assessment will continue to increase beyond calendar year 2010.

Fiscal Impact

House File 2487 will impact the estimated General Fund revenue compared to the current estimate for each fiscal year as follows:

<u>Calendar Year Assessment</u>	<u>Premium Tax Year Credit</u>	<u>Fiscal Year Impacted</u>	<u>Current Law Estimated Premium Tax Credit</u>	<u>Estimated Proposed Premium Tax Credit</u>	<u>Estimated General Fund Revenue Impact</u>
2004	2005	2005	\$ 3,000,000	\$ 600,000	\$ 2,400,000
2005	2006	2006	1,400,000	880,000	520,000
2006	2007	2007	2,000,000	1,420,000	580,000
2007	2008	2008	2,000,000	2,540,000	- 540,000
2008	2009	2009	2,000,000	4,240,000	- 2,240,000
2009	2010	2010	2,000,000	5,940,000	- 3,940,000
2010	2011	2011	2,000,000	8,580,000	- 6,580,000

General Fund revenue beyond FY 2011 will decrease further as the Association membership assessment increases and the Association insurer members reduce their premium tax liability by the amount of their assessment.

Source

Department of Commerce Insurance Division

Dennis C Prouty

April 1, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

**Fiscal Services Division
Legislative Services Agency
Fiscal Note**

HF 2487 - Comprehensive Health Association Coverages (LSB 5318 HV)
Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 2487 authorizes the Board of Directors of the Iowa Comprehensive Health Insurance Association to designate insurers for purposes of the Association membership and the new members are authorized to offset their premium tax liability by the amount of their Association assessment in the same manner as current members.

The Bill also changes the premium rate to be charged by requiring the rate to be based upon the individual insurance market. Under current law, the rate is based upon extra morbidity and administration expense for risks insured in the Association.

Assumptions

1. The tax offset would first be available for new members in FY 2006.
2. The Board will increase the number of insurers in the Association.
3. Premium rates will be reduced to reflect the individual insurance market, thereby, increasing the Association membership assessment.
4. The number of policies issued by the Association will increase.
5. The loss experience of the Iowa Comprehensive Health Insurance Association will be similar to the loss experience of the Iowa Individual Health Benefit Reinsurance Association.
6. The total Association membership assessment will increase by \$7.0 million in FY 2006, and an additional \$5.5 million in FY 2007.
7. The total Association membership assessment will continue to increase beyond FY 2007.
8. The premium taxes paid by Association members are reduced by the assessment paid by the members to the Association.

Fiscal Impact

House File 2487 will decrease General Fund revenue by \$1.4 million in FY 2006 and \$2.5 million in FY 2007, due to the premium tax offset. General Fund revenue beyond FY 2007 will decrease as the Association membership assessment increases and the Association members reduce their premium tax liability by the amount of their assessment.

Source

Department of Commerce Insurance Division

Dennis C Prouty

March 15, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

HOFFMAN, CH
WILDERDYKE
OLSON

S 02487 HSB 643
COMMERCE, REGULATION & LABOR
SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
COMMERCE/INSURANCE
DIVISION BILL)

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

A BILL FOR

1 An Act relating to individual health insurance program
2 modification; restructuring and modification of eligibility,
3 benefits, tax offsets, and other terms related to the
4 operation of the Iowa comprehensive health insurance
5 association; phaseout of guaranteed basic and standard
6 individual insurance plans; and coverage of federal Trade
7 Adjustment Act recipients under the Iowa comprehensive health
8 insurance Act; and providing effective dates.

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

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1 Section 1. Section 513C.3, subsection 15, Code Supplement
2 2003, is amended by adding the following new unnumbered
3 paragraph:

4 NEW UNNUMBERED PARAGRAPH. For purposes of this subsection,
5 an association policy under chapter 514E is not considered
6 "qualifying existing coverage" or "qualifying previous
7 coverage".

8 Sec. 2. Section 513C.7, subsections 1, 2, and 5, Code
9 Supplement 2003, are amended by striking the subsections.

10 Sec. 3. Section 513C.8, Code 2003, is amended to read as
11 follows:

12 513C.8 HEALTH BENEFIT PLAN STANDARDS.

13 The commissioner board of directors of the Iowa
14 comprehensive health insurance association shall adopt by-rule
15 the form and level of coverage of the basic health benefit
16 plan and the standard health benefit plan for the guaranteed
17 individual market which shall provide benefits substantially
18 similar to ~~those-as-provided-for-under-chapter-513B-with~~
19 ~~respect-to-small-group-coverage,-but-which-shall-be~~
20 ~~appropriately-adjusted-at-least-every-three-years-to-reflect~~
21 the current state of the individual market.

22 Sec. 4. Section 513C.10, subsection 1, paragraph a, Code
23 Supplement 2003, is amended to read as follows:

24 a. All persons that provide health benefit plans in this
25 state including insurers providing accident and sickness
26 insurance under chapter 509, 514, or 514A, whether on an
27 individual or group basis; fraternal benefit societies
28 providing hospital, medical, or nursing benefits under chapter
29 512B; and health maintenance organizations, organized delivery
30 systems, ~~and-all~~ other entities providing health insurance or
31 health benefits subject to state insurance regulation, and all
32 other insurers as designated by the board of directors of the
33 Iowa comprehensive health insurance association with the
34 approval of the commissioner shall be members of the
35 association.

1 Sec. 5. Section 513C.10, subsection 4, Code Supplement
2 2003, is amended to read as follows:

3 4. The board shall develop procedures and assessment
4 mechanisms and make assessments and distributions as required
5 to equalize the individual carrier and organized delivery
6 system gains or losses so that each carrier or organized
7 delivery system receives the same ratio of paid claims to
8 ninety percent of earned premiums as the aggregate of all
9 basic and standard plans insured by all carriers and organized
10 delivery systems in the state.

11 Sec. 6. Section 514E.1, subsection 2, Code Supplement
12 2003, is amended to read as follows:

13 2. "Association policy" means an individual or group
14 policy issued by the association that provides the coverage
15 ~~specified in section 514E.4~~ as set forth in the benefit plans
16 adopted by the association's board of directors and approved
17 by the commissioner.

18 Sec. 7. Section 514E.1, subsections 7, 8, 12, and 22, Code
19 Supplement 2003, are amended by striking the subsections.

20 Sec. 8. Section 514E.1, subsection 13, Code Supplement
21 2003, is amended to read as follows:

22 13. "Health care services" means services, the coverage of
23 which is authorized under chapter 509, chapter 514, chapter
24 514A, or chapter 514B as ~~limited by sections 514E.4 and 514E.5~~
25 established by the association's board of directors, and
26 includes services for the purposes of preventing, alleviating,
27 curing, or healing human illness, injury or physical
28 disability.

29 Sec. 9. Section 514E.2, subsection 1, unnumbered paragraph
30 1, Code Supplement 2003, is amended to read as follows:

31 The Iowa comprehensive health insurance association is
32 established as a nonprofit corporation. The association shall
33 assure that health insurance, as ~~limited by sections 514E.4~~
34 and 514E.5, established by the association's board of
35 directors and subject to the approval of the commissioner, is

1 made available to each eligible Iowa resident, and each
2 federally eligible individual applying to the association for
3 coverage, and each individual who has been confirmed eligible
4 under the federal Trade Adjustment Act of 2002, Pub. L. No.
5 107-210, as a recipient under that Act by the department of
6 workforce development and the federal internal revenue
7 service. The association shall also be responsible for
8 administering the Iowa individual health benefit reinsurance
9 association pursuant to all of the terms and conditions
10 contained in chapter 513C.

11 Sec. 10. Section 514E.2, subsection 1, paragraph a, Code
12 Supplement 2003, is amended to read as follows:

13 a. All carriers ~~as defined in section 514E.17, subsection~~
14 ~~37~~ and all organized delivery systems licensed by the director
15 of public health providing health insurance or health care
16 services in Iowa and all other insurers designated by the
17 association's board of directors and approved by the
18 commissioner shall be members of the association.

19 Sec. 11. Section 514E.2, subsection 6, Code Supplement
20 2003, is amended by striking the subsection and inserting in
21 lieu thereof the following:

22 6. Rates for coverages issued by the association shall
23 reflect rating characteristics used in the individual
24 insurance market. The rates for a given classification shall
25 not be more than one hundred fifty percent of the average
26 premium or payment rate for the classification charged by the
27 five carriers with the largest health insurance premium or
28 payment volume in the state during the preceding calendar
29 year. In determining the average rate of the five largest
30 carriers, the rates or payments charged by the carriers shall
31 be actuarially adjusted to determine the rate or payment that
32 would have been charged for benefits similar to those issued
33 by the association.

34 Sec. 12. Section 514E.2, subsection 13, Code Supplement
35 2003, is amended by striking the subsection and inserting the

1 following:

2 13. An insurer may offset an assessment made pursuant to
3 this chapter against its premium tax liability pursuant to
4 chapter 432 to the extent of twenty percent of the amount of
5 the assessment for each of the five calendar years following
6 the year in which the assessment was paid. If an insurer
7 ceases doing business, all uncredited assessments may be
8 credited against its premium tax liability for the year it
9 ceases doing business.

10 Sec. 13. Section 514E.4, Code 2003, is amended by striking
11 the section and inserting in lieu thereof the following:

12 514E.4 ASSOCIATION POLICY -- COVERAGE AND BENEFIT
13 REQUIREMENTS -- DEDUCTIBLES -- COINSURANCE.

14 The association policy shall pay for medically necessary
15 eligible health care services as established in the benefit
16 plans adopted by the association's board of directors and
17 approved by the commissioner. The plans shall provide
18 benefits, deductibles, and coinsurance that reflect the
19 current state of the individual insurance market. The board
20 may modify the benefits provided under the plans to reflect
21 the current state of the individual insurance market with the
22 approval of the commissioner.

23 Sec. 14. Section 514E.7, subsection 1, Code 2003, is
24 amended by adding the following new unnumbered paragraph:

25 NEW UNNUMBERED PARAGRAPH. The association shall rescind
26 coverage for an individual who no longer resides in the state.

27 Sec. 15. Section 514E.7, subsection 4, paragraph b, Code
28 2003, is amended by adding the following new subparagraph:

29 NEW SUBPARAGRAPH. (4) In the case of an individual
30 transferring to an association policy from a basic or standard
31 health benefit plan under chapter 513C beginning on or after
32 January 1, 2005.

33 Sec. 16. Section 514E.7, subsection 5, Code 2003, is
34 amended by adding the following new paragraph:

35 NEW PARAGRAPH. f. The individual is eligible for Medicare

1 based upon age.

2 Sec. 17. Section 514E.8, subsection 1, Code 2003, is
3 amended to read as follows:

4 1. An association policy shall contain provisions under
5 which the association is obligated to renew the contract until
6 the day on which the individual ~~in whose name the contract is~~
7 ~~issued first~~ becomes eligible for Medicare coverage, ~~except~~
8 ~~that in a family policy covering both husband and wife, the~~
9 ~~age of the younger spouse shall be used as the basis for~~
10 ~~meeting the durational requirements of this subsection.~~
11 ~~However, when the individual in whose name the contract is~~
12 ~~issued becomes eligible for Medicare coverage, the person~~
13 ~~shall be eligible for the Medicare supplement plan offered by~~
14 ~~the association~~ based on age.

15 Sec. 18. Section 514E.11, Code 2003, is amended to read as
16 follows:

17 514E.11 NOTICE OF ASSOCIATION POLICY.

18 Every carrier, including a health maintenance organization
19 subject to chapter 514B and an organized delivery system,
20 authorized to provide health care insurance or coverage for
21 health care services in Iowa, shall provide a notice of the
22 availability of coverage by the association to any person who
23 receives a rejection of coverage for health insurance or
24 health care services, ~~or a notice to any person who is~~
25 ~~informed that a rate for health insurance or coverage for~~
26 ~~health care services will exceed the rate of an association~~
27 policy, and that the person is eligible to apply for health
28 insurance provided by the association. Application for the
29 health insurance shall be on forms prescribed by the
30 association's board of directors and made available to the
31 carriers and organized delivery systems and other entities
32 providing health care insurance or coverage for health care
33 services regulated by the commissioner.

34 Sec. 19. Sections 514E.5 and 514E.6, Code 2003, are
35 repealed.

1 Sec. 20. EFFECTIVE DATE. The sections of this Act
2 amending section 513C.7 and section 514E.2, subsection 13, and
3 repealing sections 514E.5 and 514E.6 take effect January 1,
4 2005.

5 EXPLANATION

6 This bill contains provisions related to issues considered
7 by the individual health insurance task force, created
8 pursuant to House File 647, as passed during the 2003 session
9 of the general assembly. The provisions relate to individual
10 health insurance market reforms under Code chapter 513C and
11 the Iowa comprehensive health insurance association (ICHA)
12 governed under Code chapter 514E and address program
13 eligibility, benefit design, rate structures, program
14 administration, and funding of assessments.

15 Regarding program eligibility, the bill modifies Code
16 section 513C.3 by specifying that an association policy under
17 Code chapter 514E is not considered "qualifying existing
18 coverage" or "qualifying previous coverage". Certain
19 subsections of Code section 513C.7 regarding basic and
20 standard health plans are stricken effective January 1, 2005.

21 The bill amends Code section 513C.8 to provide that the
22 board of directors of the Iowa comprehensive health insurance
23 association, instead of the commissioner, shall adopt forms
24 and levels of coverage of basic and standard individual health
25 benefit plans for the guaranteed individual market that are
26 substantially similar to the current state of the individual
27 market.

28 The bill amends Code section 513C.10, subsection 1,
29 paragraph "a", to provide that all insurers, as designated by
30 the board of directors of the Iowa comprehensive health
31 insurance association with the approval of the commissioner,
32 shall be included as members of the Iowa individual health
33 benefit reinsurance association.

34 The bill amends Code section 513C.10, subsection 4, to
35 provide that the Iowa individual health benefit reinsurance

1 association shall develop not only procedures but assessment
2 mechanisms to make assessments and distributions as required
3 to equalize individual carrier and organized delivery system
4 gains or losses.

5 The bill amends Code section 514E.7 to limit eligible
6 participants to residents, and, due to recommending the sunset
7 of basic and standard plans beginning January 1, 2005, to
8 allow new participants in the ICHA plan to transfer from a
9 basic and standard plan without a limitation on preexisting
10 conditions. Code section 514E.11, regarding notification of
11 potential eligibility for ICHA, is also modified. The bill
12 also modifies Code section 514E.2 related to the federal Trade
13 Adjustment Act, Pub. L. No. 107-210, because the ICHA is the
14 mechanism designated by the governor pursuant to the trade
15 Act.

16 Code section 514E.4 is amended relating to the payment of
17 medically necessary health care services. The bill also
18 addresses the provision of benefits, deductibles, and
19 coinsurance reflective of current individual insurance market
20 conditions in that Code section. The ICHA board is authorized
21 to make benefit changes from time to time to remain current
22 with market conditions. Code sections 514E.5 and 514E.6,
23 containing lists of excluded expenses and benefit limitations,
24 are repealed effective January 1, 2005. Corresponding changes
25 are made to delete unused definitions from Code section
26 514E.1. Changes are also made to Code section 513C.8 to
27 remove an outdated reference to Code chapter 513B, and to Code
28 sections 514E.7 and 514E.8 to coordinate that Code language
29 with Medicare requirements.

30 Regarding rate structures, Code section 514E.2 is amended
31 to allow for adjustments in ICHA rates to reflect rating
32 characteristics in the marketplace and is amended to allow an
33 insurer to offset an assessment made under Code chapter 514E
34 against its premium tax liability pursuant to Code chapter
35 432. The amendment to Code section 514E.2, subsection 13,

1 allowing the offset, takes effect on January 1, 2005.

2 With regard to program administration, basic and standard
3 plan offerings are eliminated over time, which the bill
4 implements through the amendments to Code section 513C.4 and
5 repeals of Code sections 513C.5 and 513C.6, effective January
6 1, 2005.

7 With the exception of those specific provisions noted above
8 that take effect on January 1, 2005, the remainder of the bill
9 takes effect July 1, 2004.

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