

House Study Bill 643

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:
10 TLSB 5318DP 80
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1 1 Section 1. Section 513C.3, subsection 15, Code Supplement
1 2 2003, is amended by adding the following new unnumbered
1 3 paragraph:
1 4 NEW UNNUMBERED PARAGRAPH. For purposes of this subsection,
1 5 an association policy under chapter 514E is not considered
1 6 "qualifying existing coverage" or "qualifying previous
1 7 coverage".
1 8 Sec. 2. Section 513C.7, subsections 1, 2, and 5, Code
1 9 Supplement 2003, are amended by striking the subsections.
1 10 Sec. 3. Section 513C.8, Code 2003, is amended to read as
1 11 follows:
1 12 513C.8 HEALTH BENEFIT PLAN STANDARDS.
1 13 The commissioner board of directors of the Iowa
1 14 comprehensive health insurance association shall adopt by rule
1 15 the form and level of coverage of the basic health benefit
1 16 plan and the standard health benefit plan for the guaranteed
1 17 individual market which shall provide benefits substantially
1 18 similar to those as provided for under chapter 513B with
1 19 respect to small group coverage, but which shall be
1 20 appropriately adjusted at least every three years to reflect
1 21 the current state of the individual market.
1 22 Sec. 4. Section 513C.10, subsection 1, paragraph a, Code
1 23 Supplement 2003, is amended to read as follows:
1 24 a. All persons that provide health benefit plans in this
1 25 state including insurers providing accident and sickness
1 26 insurance under chapter 509, 514, or 514A, whether on an
1 27 individual or group basis; fraternal benefit societies
1 28 providing hospital, medical, or nursing benefits under chapter
1 29 512B; and health maintenance organizations, organized delivery
1 30 systems, ~~and all~~ other entities providing health insurance or
1 31 health benefits subject to state insurance regulation, ~~and all~~
1 32 other insurers as designated by the board of directors of the
1 33 Iowa comprehensive health insurance association with the
1 34 approval of the commissioner shall be members of the
1 35 association.
2 1 Sec. 5. Section 513C.10, subsection 4, Code Supplement
2 2 2003, is amended to read as follows:
2 3 4. The board shall develop procedures and assessment
2 4 mechanisms and make assessments and distributions as required
2 5 to equalize the individual carrier and organized delivery
2 6 system gains or losses so that each carrier or organized
2 7 delivery system receives the same ratio of paid claims to
2 8 ninety percent of earned premiums as the aggregate of all
2 9 basic and standard plans insured by all carriers and organized
2 10 delivery systems in the state.
2 11 Sec. 6. Section 514E.1, subsection 2, Code Supplement
2 12 2003, is amended to read as follows:
2 13 2. "Association policy" means an individual or group
2 14 policy issued by the association that provides the coverage
2 15 specified in section 514E.4 as set forth in the benefit plans
2 16 adopted by the association's board of directors and approved

2 17 by the commissioner.

2 18 Sec. 7. Section 514E.1, subsections 7, 8, 12, and 22, Code
2 19 Supplement 2003, are amended by striking the subsections.

2 20 Sec. 8. Section 514E.1, subsection 13, Code Supplement
2 21 2003, is amended to read as follows:

2 22 13. "Health care services" means services, the coverage of
2 23 which is authorized under chapter 509, chapter 514, chapter
2 24 514A, or chapter 514B as ~~limited by sections 514E.4 and 514E.5~~
2 25 ~~established by the association's board of directors~~, and
2 26 includes services for the purposes of preventing, alleviating,
2 27 curing, or healing human illness, injury or physical
2 28 disability.

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

2 31 The Iowa comprehensive health insurance association is
2 32 established as a nonprofit corporation. The association shall
2 33 assure that health insurance, as ~~limited by sections 514E.4~~
2 34 ~~and 514E.5, established by the association's board of~~

2 35 ~~directors and subject to the approval of the commissioner~~, is

3 1 made available to each eligible Iowa resident, ~~and each~~
3 2 federally eligible individual applying to the association for
3 3 coverage, ~~and each individual who has been confirmed eligible~~
3 4 ~~under the federal Trade Adjustment Act of 2002, Pub. L. No.~~

3 5 ~~107=210, as a recipient under that Act by the department of~~
3 6 ~~workforce development and the federal internal revenue~~

3 7 ~~service~~. The association shall also be responsible for
3 8 administering the Iowa individual health benefit reinsurance
3 9 association pursuant to all of the terms and conditions
3 10 contained in chapter 513C.

3 11 Sec. 10. Section 514E.2, subsection 1, paragraph a, Code
3 12 Supplement 2003, is amended to read as follows:

3 13 a. All carriers ~~as defined in section 514E.1, subsection~~
3 14 ~~3~~, and all organized delivery systems licensed by the director

3 15 of public health providing health insurance or health care

3 16 services in Iowa ~~and all other insurers designated by the~~

3 17 ~~association's board of directors and approved by the~~

3 18 ~~commissioner~~ shall be members of the association.

3 19 Sec. 11. Section 514E.2, subsection 6, Code Supplement
3 20 2003, is amended by striking the subsection and inserting in

3 21 lieu thereof the following:
3 22 6. Rates for coverages issued by the association shall

3 23 reflect rating characteristics used in the individual

3 24 insurance market. The rates for a given classification shall

3 25 not be more than one hundred fifty percent of the average

3 26 premium or payment rate for the classification charged by the

3 27 five carriers with the largest health insurance premium or

3 28 payment volume in the state during the preceding calendar

3 29 year. In determining the average rate of the five largest

3 30 carriers, the rates or payments charged by the carriers shall

3 31 be actuarially adjusted to determine the rate or payment that

3 32 would have been charged for benefits similar to those issued

3 33 by the association.

3 34 Sec. 12. Section 514E.2, subsection 13, Code Supplement

3 35 2003, is amended by striking the subsection and inserting the

4 1 following:

4 2 13. An insurer may offset an assessment made pursuant to

4 3 this chapter against its premium tax liability pursuant to

4 4 chapter 432 to the extent of twenty percent of the amount of

4 5 the assessment for each of the five calendar years following

4 6 the year in which the assessment was paid. If an insurer

4 7 ceases doing business, all uncredited assessments may be

4 8 credited against its premium tax liability for the year it

4 9 ceases doing business.

4 10 Sec. 13. Section 514E.4, Code 2003, is amended by striking

4 11 the section and inserting in lieu thereof the following:

4 12 514E.4 ASSOCIATION POLICY == COVERAGE AND BENEFIT

4 13 REQUIREMENTS == DEDUCTIBLES == COINSURANCE.

4 14 The association policy shall pay for medically necessary

4 15 eligible health care services as established in the benefit

4 16 plans adopted by the association's board of directors and

4 17 approved by the commissioner. The plans shall provide

4 18 benefits, deductibles, and coinsurance that reflect the

4 19 current state of the individual insurance market. The board

4 20 may modify the benefits provided under the plans to reflect

4 21 the current state of the individual insurance market with the

4 22 approval of the commissioner.

4 23 Sec. 14. Section 514E.7, subsection 1, Code 2003, is

4 24 amended by adding the following new unnumbered paragraph:

4 25 NEW UNNUMBERED PARAGRAPH. The association shall rescind

4 26 coverage for an individual who no longer resides in the state.

4 27 Sec. 15. Section 514E.7, subsection 4, paragraph b, Code

4 28 2003, is amended by adding the following new subparagraph:
4 29 NEW SUBPARAGRAPH. (4) In the case of an individual
4 30 transferring to an association policy from a basic or standard
4 31 health benefit plan under chapter 513C beginning on or after
4 32 January 1, 2005.

4 33 Sec. 16. Section 514E.7, subsection 5, Code 2003, is
4 34 amended by adding the following new paragraph:

4 35 NEW PARAGRAPH. f. The individual is eligible for Medicare
5 1 based upon age.

5 2 Sec. 17. Section 514E.8, subsection 1, Code 2003, is
5 3 amended to read as follows:

5 4 1. An association policy shall contain provisions under
5 5 which the association is obligated to renew the contract until
5 6 the day on which the individual ~~in whose name the contract is~~
~~issued first~~ becomes eligible for Medicare coverage, ~~except~~
~~that in a family policy covering both husband and wife, the~~
~~age of the younger spouse shall be used as the basis for~~
~~meeting the durational requirements of this subsection.~~

~~5 11 However, when the individual in whose name the contract is~~
~~5 12 issued becomes eligible for Medicare coverage, the person~~
~~5 13 shall be eligible for the Medicare supplement plan offered by~~
~~5 14 the association based on age.~~

5 15 Sec. 18. Section 514E.11, Code 2003, is amended to read as
5 16 follows:

5 17 514E.11 NOTICE OF ASSOCIATION POLICY.

5 18 Every carrier, including a health maintenance organization
5 19 subject to chapter 514B and an organized delivery system,
5 20 authorized to provide health care insurance or coverage for
5 21 health care services in Iowa, shall provide a notice of the
5 22 availability of coverage by the association to any person who
5 23 receives a rejection of coverage for health insurance or
5 24 health care services, ~~or a notice to any person who is~~
~~5 25 informed that a rate for health insurance or coverage for~~
~~5 26 health care services will exceed the rate of an association~~
~~5 27 policy, and that the person is eligible to apply for health~~
5 28 insurance provided by the association. Application for the
5 29 health insurance shall be on forms prescribed by the
5 30 association's board of directors and made available to the
5 31 carriers and organized delivery systems and other entities
5 32 providing health care insurance or coverage for health care
5 33 services regulated by the commissioner.

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

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

6 5 EXPLANATION

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

6 15 Regarding program eligibility, the bill modifies Code
6 16 section 513C.3 by specifying that an association policy under
6 17 Code chapter 514E is not considered "qualifying existing
6 18 coverage" or "qualifying previous coverage". Certain
6 19 subsections of Code section 513C.7 regarding basic and
6 20 standard health plans are stricken effective January 1, 2005.

6 21 The bill amends Code section 513C.8 to provide that the
6 22 board of directors of the Iowa comprehensive health insurance
6 23 association, instead of the commissioner, shall adopt forms
6 24 and levels of coverage of basic and standard individual health
6 25 benefit plans for the guaranteed individual market that are
6 26 substantially similar to the current state of the individual
6 27 market.

6 28 The bill amends Code section 513C.10, subsection 1,
6 29 paragraph "a", to provide that all insurers, as designated by
6 30 the board of directors of the Iowa comprehensive health
6 31 insurance association with the approval of the commissioner,
6 32 shall be included as members of the Iowa individual health
6 33 benefit reinsurance association.

6 34 The bill amends Code section 513C.10, subsection 4, to
6 35 provide that the Iowa individual health benefit reinsurance
7 1 association shall develop not only procedures but assessment
7 2 mechanisms to make assessments and distributions as required
7 3 to equalize individual carrier and organized delivery system

7 4 gains or losses.

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

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

7 30 Regarding rate structures, Code section 514E.2 is amended
7 31 to allow for adjustments in ICHA rates to reflect rating
7 32 characteristics in the marketplace and is amended to allow an
7 33 insurer to offset an assessment made under Code chapter 514E
7 34 against its premium tax liability pursuant to Code chapter
7 35 432. The amendment to Code section 514E.2, subsection 13,

8 1 allowing the offset, takes effect on January 1, 2005.

8 2 With regard to program administration, basic and standard
8 3 plan offerings are eliminated over time, which the bill
8 4 implements through the amendments to Code section 513C.4 and
8 5 repeals of Code sections 513C.5 and 513C.6, effective January
8 6 1, 2005.

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

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