

SENATE FILE 2261  
BY HATCH

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

A BILL FOR

1 An Act creating a small business and school district health care  
2 reinsurance program for certain health care claims and making  
3 an appropriation from the healthy Iowans tobacco trust.

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

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COMMERCE  
SF 2261

1 Section 1. NEW SECTION. 513B.13A SMALL BUSINESS AND  
2 SCHOOL DISTRICT HEALTH CARE REINSURANCE PROGRAM.

3 1. DEFINITIONS.

4 As used in this section, unless the context otherwise  
5 requires:

6 a. "Fund" means the small business and school district  
7 health carrier reinsurance fund.

8 b. "Qualified carrier" means a carrier, as defined in  
9 section 513B.2, that meets the requirements contained in  
10 subsection 4 of this section.

11 c. "School district group health insurance plan" means a  
12 group health insurance plan that provides health insurance  
13 coverage for employees of a school district, including plans  
14 authorized under chapter 509A.

15 d. "Small business" means a person actively engaged in  
16 business who, on at least fifty percent of the business's  
17 working days during the preceding year, employed not less than  
18 two and not more than twenty-five full-time equivalent  
19 eligible employees. In determining the number of eligible  
20 employees, businesses which are affiliated businesses or which  
21 are eligible to file a combined tax return for purposes of  
22 state taxation are considered one business employer.

23 e. "Small business group health insurance plan" means a  
24 group health insurance plan that provides health insurance  
25 coverage for employees of a small business.

26 2. REINSURANCE FUND.

27 a. A small business and school district health care  
28 reinsurance fund is created as a separate fund in the state  
29 treasury under the control of the commissioner of insurance.

30 b. The treasurer of state shall act as custodian of the  
31 fund and shall disburse amounts contained in the fund as  
32 directed by the commissioner.

33 c. The commissioner shall keep accounts in relation to the  
34 appropriation of moneys to the fund and all amounts of  
35 approved vouchers for reimbursements to qualified carriers

1 chargeable to the fund.

2 3. REINSURANCE PROGRAM.

3 a. A reinsurance program is created in the insurance  
4 division of the department of commerce to administer the fund  
5 and to make expenditures from the fund pursuant to this  
6 section.

7 b. Moneys in the fund shall be used to reimburse a  
8 qualified carrier that offers a small business group health  
9 insurance plan or a school district group health insurance  
10 plan in which at least eighty-five percent of the eligible  
11 employees of the small business or the school district  
12 participate, for certain claims paid by the qualified carrier.  
13 The amount of reimbursement shall be fifty percent of the cost  
14 of each claim that amounts to at least twenty-five thousand  
15 dollars but not more than one hundred thousand dollars and  
16 that is paid by a qualified carrier under such a plan in a  
17 year.

18 c. The commissioner shall submit an annual report not  
19 later than January 1 to the governor, the general assembly,  
20 and the legislative services agency evaluating the fund and  
21 reinsurance program, including but not limited to  
22 consideration of the factors contained in subsection 5,  
23 paragraph "b", summarizing the status of the fund and  
24 reinsurance program, and proposing modifications to or  
25 suspension of the operation of the fund and reinsurance  
26 program as deemed necessary by the commissioner.

27 4. QUALIFIED CARRIERS.

28 a. In order to qualify for participation in the  
29 reinsurance program for the first time, a carrier shall  
30 certify to the commissioner that the carrier will immediately  
31 reduce its base premium rates or otherwise demonstrate to the  
32 commissioner that the carrier will immediately effectively  
33 reduce premiums, according to accepted actuarial guidelines  
34 adopted by the commissioner by rule under chapter 17A, for all  
35 small business group health insurance plans or school district

1 group health insurance plans offered by the carrier for the  
2 plan benefit year in an amount that reflects the estimated  
3 reimbursement the carrier will receive from participating in  
4 the reinsurance program during that plan benefit year, as  
5 determined by the commissioner according to accepted actuarial  
6 guidelines adopted by rule under chapter 17A.

7 b. In order to qualify for continued participation in the  
8 reinsurance program, a carrier shall certify to the  
9 commissioner that for the plan benefit year for which  
10 reimbursement from the fund is claimed, the carrier reduced  
11 its base premium rates or otherwise demonstrate to the  
12 commissioner that the carrier effectively reduced premiums,  
13 according to accepted actuarial guidelines adopted by the  
14 commissioner by rule under chapter 17A, for all small business  
15 group health insurance plans or school district group health  
16 insurance plans offered by the carrier for that plan benefit  
17 year.

18 c. A qualified carrier may claim reimbursement from the  
19 fund for the cost of eligible claims annually, by filing, with  
20 the commissioner, a claim in a form prescribed by the  
21 commissioner by rule.

22 5. MONITORING AND EVALUATION.

23 a. The commissioner shall develop and implement criteria  
24 to monitor and evaluate the fund and reinsurance program on an  
25 ongoing basis and may make recommendations to the general  
26 assembly, including proposed modifications to or suspension of  
27 the operation of the fund and reinsurance program.

28 b. In monitoring and evaluating the reinsurance program,  
29 the commissioner shall consider such factors as the population  
30 whose claims are being reimbursed by the reinsurance program,  
31 the number and percentage of carriers electing to utilize the  
32 reinsurance program, health care reform measures implemented  
33 in the state, premium costs of small business group health  
34 insurance or school district group health insurance plans  
35 offered by carriers that participate in the reinsurance

1 program compared to carriers that do not, and other factors  
2 deemed relevant by the commissioner.

3 Sec. 2. APPROPRIATION. There is appropriated annually  
4 from the healthy Iowans tobacco trust created in section 12.65  
5 to the insurance division of the department of commerce the  
6 sum of forty million dollars for the purpose of establishing  
7 the small business and school district health care reinsurance  
8 program and fund. Notwithstanding section 12C.7, subsection  
9 2, interest or earnings on moneys deposited in the fund shall  
10 be credited to the fund. Notwithstanding section 8.33, moneys  
11 credited to the fund shall not revert to the general fund of  
12 the state at the close of a fiscal year.

13 EXPLANATION

14 This bill creates a small business and school district  
15 health care reinsurance program for health care claims made  
16 under small business or school district group health insurance  
17 plans.

18 The bill provides reimbursement of certain claims paid by  
19 qualified insurance carriers under group health insurance  
20 plans that provide health insurance to a small business, which  
21 employs two to 25 full-time equivalent employees, or to a  
22 school district.

23 The reinsurance fund is created as a separate fund in the  
24 state treasury under the control of the commissioner of  
25 insurance. An appropriation of \$40 million is made annually  
26 from the healthy Iowans tobacco trust of the state to the  
27 insurance division of the department of commerce for the  
28 purpose of establishing the reinsurance program and fund.

29 The reinsurance program is created in the insurance  
30 division of the department of commerce to administer the  
31 reinsurance fund and to make expenditures from the fund.

32 The reinsurance program is required to reimburse a  
33 qualified carrier that offers a small business or school  
34 district group health insurance plan, in which at least 85  
35 percent of the eligible employees of the small business or the

1 school district participate, for certain claims paid. The  
2 reimbursement amount is 50 percent of the cost of each claim,  
3 of at least \$25,000 but not more than \$100,000, which is paid  
4 by a qualified carrier under such a plan each year.

5 For the purposes of the bill, a "carrier" means a carrier  
6 under Code section 513B.2, which is an entity subject to the  
7 insurance laws and regulations of this state, or subject to  
8 the jurisdiction of the commissioner, that contracts or offers  
9 to contract to provide, deliver, arrange for, pay for, or  
10 reimburse any of the costs of health care services, including  
11 an insurance company offering sickness and accident plans, a  
12 health maintenance organization, a nonprofit health service  
13 corporation, or any other entity providing a plan of health  
14 insurance, health benefits, or health services.

15 In order to qualify for participation in the reinsurance  
16 program for the first time, a carrier is required to certify  
17 to the commissioner that the carrier will immediately reduce  
18 its base premium rates or otherwise demonstrate to the  
19 commissioner that the carrier will immediately effectively  
20 reduce premiums, according to accepted actuarial guidelines  
21 adopted by the commissioner by rule under Code chapter 17A,  
22 for all small business or school district group health  
23 insurance plans offered by the carrier for the plan benefit  
24 year in an amount that reflects the estimated reimbursement  
25 the carrier will receive from participating in the reinsurance  
26 program during that plan benefit year, as determined by the  
27 commissioner according to accepted actuarial guidelines  
28 adopted by rule under Code chapter 17A.

29 In order to qualify for continued participation in the  
30 reinsurance program, a carrier shall certify to the  
31 commissioner that for the plan benefit year for which  
32 reimbursement from the fund is claimed, the carrier reduced  
33 its base premium rates or otherwise demonstrate to the  
34 commissioner that the carrier effectively reduced premiums,  
35 according to accepted actuarial guidelines adopted by the

1 commissioner by rule under Code chapter 17A, for all small  
2 business or school district group health insurance plans  
3 offered by the carrier for that plan benefit year.

4 The commissioner is required to develop and implement  
5 criteria to monitor and evaluate the reinsurance program and  
6 may make recommendations to the general assembly, including  
7 proposed modifications to or suspension of the operation of  
8 the reinsurance fund and program. The criteria shall include  
9 consideration of factors such as the population whose claims  
10 are being reimbursed by the program, the number and percentage  
11 of carriers electing to utilize the program, health care  
12 reform measures implemented in the state, premium costs of  
13 small business or school district group health insurance plans  
14 offered by carriers that participate in the program compared  
15 to carriers that do not, and other factors deemed relevant by  
16 the commissioner.

17 The commissioner is required to submit an annual report by  
18 January 1 to the governor, general assembly, and legislative  
19 services agency evaluating the reinsurance fund and program,  
20 including but not limited to consideration of the factors  
21 involved in developing and implementing the reinsurance  
22 program and fund, summarizing the status of the program and  
23 fund, and proposing modifications to or suspension of the  
24 operation of the fund and program as deemed necessary by the  
25 commissioner.

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