

House File 4

HOUSE FILE \_\_\_\_\_  
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and R. OLSON

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

A BILL FOR

1 An Act providing for association group health care plans,  
2 including a five-year association group health care plan pilot  
3 project, association group health care plan actuarial studies,  
4 wellness initiatives, providing an appropriation, and  
5 providing an effective date.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
7 TLSB 1583HH 82  
8 av/cf/24

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1 1 DIVISION I  
1 2 ASSOCIATION GROUP HEALTH CARE PLANS  
1 3 Section 1. ASSOCIATION GROUP HEALTH CARE PLAN PILOT  
1 4 PROJECT.  
1 5 1. The commissioner of insurance shall administer a pilot  
1 6 project for the purpose of making health insurance coverage  
1 7 available through an innovative and less costly association  
1 8 group health care plan offered by a bona fide association to  
1 9 employees of members of the association.  
1 10 2. For the purposes of this section, an "association group  
1 11 health care plan" is a group health care plan which provides  
1 12 health insurance coverage as defined in section 513B.2, or a  
1 13 group health care plan offered pursuant to a high deductible  
1 14 health plan qualified under section 223(c) of the Internal  
1 15 Revenue Code, which allows eligibility for contribution to a  
1 16 health savings account on behalf of an employee of a member of  
1 17 the association, and which also includes wellness initiatives.  
1 18 For the purposes of this subsection, "health savings account"  
1 19 means a health savings account as defined in section 223(d) of  
1 20 the Internal Revenue Code.  
1 21 3. An association group health care plan offered pursuant  
1 22 to this section shall meet all of the following requirements:  
1 23 a. The association group health care plan offers group  
1 24 health insurance coverage to employees of members of a bona  
1 25 fide association and to the spouses and dependents of such  
1 26 employees.  
1 27 b. The policy of group health insurance coverage is issued  
1 28 to a bona fide association. For the purposes of this section,  
1 29 a bona fide association is an association which meets all of  
1 30 the following requirements:  
1 31 (1) The association is a trade, industry, or professional  
1 32 association which is organized in good faith as a nonprofit  
1 33 corporation under chapter 504 for purposes other than  
1 34 obtaining insurance and has been in existence and actively  
1 35 maintained for at least five continuous years at the time the  
2 1 policy is issued.  
2 2 (2) The association accepts any person for membership in  
2 3 the association who qualifies for membership.  
2 4 (3) The association does not condition membership in the  
2 5 association on the health status of employees of its members  
2 6 or the health status of the spouses and dependents of such

2 7 employees.  
2 8 (4) Group health insurance coverage offered by the  
2 9 association is available to all eligible employees of its  
2 10 members and to the spouses and dependents of such employees,  
2 11 regardless of the health status of such employees or their  
2 12 spouses and dependents. For the purposes of this section,  
2 13 "eligible employee" means an employee who works on a full-time  
2 14 basis and has a normal work week of thirty or more hours.

2 15 (5) Group health insurance coverage offered by the  
2 16 association is available only to persons who are eligible  
2 17 employees of an employer that is a member of the association  
2 18 and to the spouses and dependents of such employees.

2 19 (6) Notwithstanding chapter 513B, members of the  
2 20 association may include small employers as defined in section  
2 21 513B.2, so long as the total number of eligible employees of  
2 22 all of the association's members is more than fifty.

2 23 c. The insurance premiums are paid by members to the  
2 24 association but a member of the association may collect part  
2 25 of the premium from its insured employees, and the method of  
2 26 apportionment of the premium payment between the member and  
2 27 the member's employees shall be determined by each member.

2 28 d. Not less than seventy-five percent of the eligible  
2 29 employees of each member of the association shall be insured  
2 30 under an association group health care plan, excluding  
2 31 employees who are enrolled in or eligible for Medicare or who  
2 32 receive health insurance coverage under another contract or  
2 33 policy. Employees who receive or are eligible for the medical  
2 34 assistance program under chapter 249A are not excluded from  
2 35 this requirement.

3 1 e. An association group health care plan shall not exclude  
3 2 from coverage an employee or an employee's spouse or  
3 3 dependents on the basis of the eligibility of the employee or  
3 4 the employee's spouse or dependents for medical assistance  
3 5 under chapter 249A.

3 6 f. Premium rates for an association group health care plan  
3 7 shall be determined by the total number of lives insured by  
3 8 the plan, not the number of lives insured of each member of  
3 9 the association. However, the commissioner of insurance may  
3 10 determine premium rates by a different methodology as the  
3 11 commissioner deems necessary to effectuate the purposes of the  
3 12 pilot project pursuant to rules adopted under chapter 17A.

3 13 g. A member of an association shall not offer any valuable  
3 14 consideration or inducement to any of its employees for  
3 15 nonparticipation in the association group health care plan  
3 16 offered.

3 17 h. An association group health care plan offered pursuant  
3 18 to this section shall be considered creditable coverage for  
3 19 purposes of chapter 513B and qualifying previous coverage for  
3 20 purposes of chapter 513C.

3 21 i. An association group health care plan offered pursuant  
3 22 to this section shall include wellness initiatives. The  
3 23 commissioner shall adopt, by rule or order, provisions  
3 24 allowing suspension or modification of premium rate  
3 25 restrictions to enable an association group health care plan  
3 26 to receive premium credits or discounts based on measurable  
3 27 reductions in costs of the association group health care plan,  
3 28 including but not limited to tobacco use cessation,  
3 29 participation in established wellness or disease management  
3 30 programs, and reduced administrative or distribution costs.

3 31 j. An association group health care plan shall not be  
3 32 offered pursuant to this section unless approved by the  
3 33 commissioner of insurance.

3 34 k. Health insurance coverage offered by an association  
3 35 group health care plan pursuant to this section may be  
4 1 canceled, nonrenewed, or otherwise terminated at the end of  
4 2 the policy term upon notice of sixty days to the association.

4 3 l. An association group health care plan offered pursuant  
4 4 to this section shall include, at a minimum, a basic health  
4 5 benefit plan as defined in section 513B.2 and a high  
4 6 deductible health plan qualified under section 223(d) of the  
4 7 Internal Revenue Code.

4 8 4. The commissioner shall select at least three and not  
4 9 more than five bona fide associations to participate in the  
4 10 pilot project pursuant to this section. The number of  
4 11 enrollees in association group health care plans offered  
4 12 pursuant to this section shall not exceed ten percent of the  
4 13 number of all enrollees in health insurance coverage issued  
4 14 pursuant to chapter 513B.

4 15 5. The commissioner shall adopt rules pursuant to chapter  
4 16 17A necessary to administer this section by November 1, 2007.  
4 17 However, the commissioner may receive an extension of time for

4 18 adoption of the rules to not later than January 1, 2008, upon  
4 19 approval of the administrative rules review committee.

4 20 6. The commissioner shall submit an annual report to the  
4 21 general assembly and to the governor no later than January 1  
4 22 of each year the pilot project is administered, concerning the  
4 23 status of the pilot project, including but not limited to the  
4 24 number of employers participating in an association group  
4 25 health care plan offered pursuant to this section, the number  
4 26 of enrollees, the types of plans offered, premium costs, and  
4 27 other pertinent information.

4 28 7. This section is repealed effective July 1, 2012.

4 29 Sec. 2. ASSOCIATION GROUP HEALTH CARE PLAN ACTUARIAL  
4 30 STUDIES == APPROPRIATION.

4 31 1. Upon the effective date of this Act, the commissioner  
4 32 of insurance shall initiate and conduct actuarial studies to  
4 33 evaluate all of the following:

4 34 a. The effect of authorizing association group health care  
4 35 plans which are not subject to chapter 513B and which include  
5 1 both large employers with more than fifty eligible employees  
5 2 and small employers, as defined in section 513B.2, with two to  
5 3 fifty employees. The study shall include an analysis of the  
5 4 potential impact of removing employees of small employers who  
5 5 participate in such an association group health care plan from  
5 6 the group of enrollees who receive health insurance coverage  
5 7 under chapter 513B, the potential impact of such plans on the  
5 8 uninsured in Iowa, and the corresponding relationship of such  
5 9 plans to any existing or proposed plans to provide assistance  
5 10 with premiums.

5 11 b. The effect of increasing the allowable variance from  
5 12 the index rate in premium rates charged to small employers  
5 13 with similar case characteristics permitted by section 513B.4,  
5 14 subsection 1, paragraph "b", from twenty-five percent to  
5 15 thirty percent of the index rate.

5 16 c. The effect of making group health insurance coverage  
5 17 for employees of small employers, as defined in section 513B.2  
5 18 which have two to five employees, subject to the requirements  
5 19 of the Iowa comprehensive health insurance association  
5 20 established by chapter 514E.

5 21 2. The commissioner shall submit a report of the results  
5 22 of the studies to the general assembly and to the governor no  
5 23 later than September 1, 2007.

5 24 3. There is appropriated from the general fund of the  
5 25 state to the insurance division of the department of commerce  
5 26 the amount of sixty-five thousand dollars, or so much thereof  
5 27 as is necessary, for the purpose of conducting the actuarial  
5 28 studies.

5 29 Sec. 3. Section 509.1, Code 2007, is amended by adding the  
5 30 following new subsection:

5 31 NEW SUBSECTION. 7A. A policy of group health insurance  
5 32 coverage, as defined in section 513B.2, issued by a small  
5 33 employer carrier, as defined in section 513B.2, to a bona fide  
5 34 association, subject to the following requirements:

5 35 a. The policy provides group health insurance coverage to  
6 1 eligible employees of members of a bona fide association that  
6 2 are small employers as defined in section 513B.2, and to the  
6 3 spouses and dependents of such employees.

6 4 b. The policy is issued to a bona fide association. For  
6 5 the purposes of this subsection, a bona fide association is an  
6 6 association which meets all of the following requirements:

6 7 (1) The association is a trade, industry, or professional  
6 8 association which is organized in good faith as a nonprofit  
6 9 corporation under chapter 504 for purposes other than  
6 10 obtaining insurance and has been in existence and actively  
6 11 maintained for at least five continuous years at the time the  
6 12 policy is issued.

6 13 (2) The association does not condition membership in the  
6 14 association on the health status of employees of its members  
6 15 or the health status of the spouses and dependents of such  
6 16 employees.

6 17 (3) Group health insurance coverage offered by the  
6 18 association is available to all eligible employees of its  
6 19 members that are small employers as defined in section 513B.2  
6 20 who choose to participate in the health insurance coverage  
6 21 offered, and to the spouses and dependents of such employees,  
6 22 regardless of the health status of such employees or their  
6 23 spouses and dependents.

6 24 (4) Group health insurance coverage offered by the  
6 25 association is available only to persons who are eligible  
6 26 employees of a small employer as defined in section 513B.2  
6 27 that is a member of the association, or to the spouses or  
6 28 dependents of such employees.

6 29 Sec. 4. Section 509.1, subsection 8, unnumbered paragraph  
6 30 1, Code 2007, is amended to read as follows:

6 31 A policy issued to a resident of this state under a group  
6 32 life, accident, or health insurance policy issued to a group  
6 33 other than one described in subsections 1 through 7 7A,  
6 34 subject to the following requirements:

6 35 Sec. 5. Section 513B.2, subsection 6, paragraph a,  
7 1 subparagraph (3), Code 2007, is amended by striking the  
7 2 subparagraph and inserting in lieu thereof the following:

7 3 (3) The coverages are provided by a policy of group health  
7 4 insurance coverage through a bona fide association as provided  
7 5 in section 509.1, subsection 7A, which meets the requirements  
7 6 for a class of business under section 513B.4. A small  
7 7 employer carrier may condition coverages under such a policy  
7 8 of group health insurance coverage on any of the following  
7 9 requirements:

7 10 (a) Minimum levels of participation by employees of each  
7 11 member of a bona fide association that offers the coverage to  
7 12 its employees.

7 13 (b) Minimum levels of contribution by each member of a  
7 14 bona fide association that offers the coverage to its  
7 15 employees.

7 16 (c) A specified policy term, subject to annual premium  
7 17 rate adjustments as permitted by section 513B.4.

7 18 Sec. 6. Section 513B.2, subsection 6, paragraph a, Code  
7 19 2007, is amended by adding the following new subparagraph:

7 20 NEW SUBPARAGRAPH. (4) The coverages are provided by a  
7 21 policy of group health insurance coverage through two or more  
7 22 bona fide associations as provided in section 509.1,  
7 23 subsection 7A, which a small employer carrier has aggregated  
7 24 as a distinct grouping that meets the requirements for a class  
7 25 of business under section 513B.4. After a distinct grouping  
7 26 of bona fide associations is established as a class of  
7 27 business, the small group carrier shall not remove a bona fide  
7 28 association from the class based on the claims experience of  
7 29 that association. A small employer carrier may condition  
7 30 coverages under such a policy of group health insurance  
7 31 coverage on any of the following requirements:

7 32 (a) Minimum levels of participation by employees of each  
7 33 member of a bona fide association in the class that offers the  
7 34 coverage to its employees.

7 35 (b) Minimum levels of contribution by each member of a  
8 1 bona fide association in the class that offers the coverage to  
8 2 its employees.

8 3 (c) A specified policy term, subject to annual premium  
8 4 rate adjustments as permitted by section 513B.4.

8 5 Sec. 7. Section 513B.2, subsection 6, paragraph b, Code  
8 6 2007, is amended to read as follows:

8 7 b. A small employer carrier may establish ~~no more than two~~  
8 8 additional groupings under each of the subparagraphs in  
8 9 paragraph "a" on the basis of underwriting criteria which are  
8 10 expected to produce substantial variation in the health care  
8 11 costs.

8 12 Sec. 8. Section 513B.4, subsection 1, paragraph c,  
8 13 subparagraph (2), Code 2007, is amended to read as follows:

8 14 (2) An adjustment, not to exceed an increase of more than  
8 15 fifteen percent annually and adjusted pro rata for rating  
8 16 periods of less than one year, due to the claim experience,  
8 17 health status, or duration of coverage of the employees or  
8 18 dependents of the small employer as determined from the small  
8 19 employer carrier's rate manual for the class of business.

#### 8 20 DIVISION II

#### 8 21 WELLNESS INITIATIVES

8 22 Sec. 9. Section 513B.4, Code 2007, is amended by adding  
8 23 the following new subsection:

8 24 NEW SUBSECTION. 6. Notwithstanding subsection 4, a small  
8 25 employer carrier may offer to transfer a small employer into a  
8 26 different class of business with a lower index rate based upon  
8 27 claims experience, implementation of managed care or wellness  
8 28 programs, or health status improvement of the small employer  
8 29 since issue.

8 30 Sec. 10. NEW SECTION. 513B.4B SMALL EMPLOYER INCENTIVES  
8 31 == SUSPENSION OR MODIFICATION OF PREMIUM RATE RESTRICTIONS.

8 32 1. In order to encourage voluntary participation in  
8 33 wellness or disease management programs, a small employer  
8 34 carrier may offer premium credits or discounts to a small  
8 35 employer for the benefit of eligible employees of that small  
9 1 employer who participate in such a program. An employee shall  
9 2 not be penalized in any way for not participating in such a  
9 3 program.

9 4 2. The commissioner shall adopt, by rule or order,

9 5 provisions allowing suspension or modification of premium rate  
9 6 restrictions to enable a small employer carrier to provide  
9 7 premium credits or discounts to a small employer based on  
9 8 measurable reductions in costs of that small employer,  
9 9 including but not limited to tobacco use cessation,  
9 10 participation in established wellness or disease management  
9 11 programs, and reduced administrative or distribution costs.

9 12 DIVISION III  
9 13 EFFECTIVE DATE

9 14 Sec. 11. EFFECTIVE DATE. This Act, being deemed of  
9 15 immediate importance, takes effect upon enactment.

9 16 EXPLANATION

9 17 This bill authorizes certain association group health care  
9 18 plans, including a pilot project and actuarial studies, and  
9 19 wellness initiatives.

9 20 DIVISION I == ASSOCIATION GROUP HEALTH CARE PLANS. The  
9 21 bill requires the insurance commissioner to administer a  
9 22 five-year pilot project allowing certain associations, meeting  
9 23 specified requirements, to offer association group health care  
9 24 plans to employees of members of the association, if the plans  
9 25 meet specified requirements. The commissioner is required to  
9 26 select three to five bona fide associations to participate in  
9 27 the pilot project, adopt rules to administer the pilot  
9 28 project, and submit an annual report to the general assembly  
9 29 and to the governor each year the pilot project is  
9 30 administered concerning the status of the pilot project,  
9 31 including the number of employers participating in an  
9 32 association group health care plan offered pursuant to the  
9 33 pilot project, the number of enrollees, the types of plans  
9 34 offered, premium costs, and other pertinent information.  
9 35 However, the number of enrollees in association group health  
10 1 care plans offered pursuant to the pilot project shall not  
10 2 exceed 10 percent of the number of enrollees in health  
10 3 insurance coverage issued pursuant to Code chapter 513B. The  
10 4 section creating the pilot project is repealed effective July  
10 5 1, 2012.

10 6 The bill also requires the insurance commissioner to  
10 7 initiate and conduct actuarial studies to evaluate the effect  
10 8 of authorizing association group health care plans which are  
10 9 not subject to Code chapter 513B (small group health coverage)  
10 10 and which include both large employers with more than 50  
10 11 eligible employees and small employers, as defined in Code  
10 12 section 513B.2, with two to 50 employees; increasing the  
10 13 allowable variance from the index rate in premium rates  
10 14 charged to small employers with similar case characteristics  
10 15 permitted by Code section 513B.4, subsection 1, paragraph "b",  
10 16 from 25 percent to 30 percent of the index rate; and making  
10 17 group health insurance coverage for employees of small  
10 18 employers subject to the requirements of the Iowa  
10 19 comprehensive health insurance association established by Code  
10 20 chapter 514E.

10 21 The commissioner is required to submit a report of the  
10 22 results of the actuarial studies to the general assembly and  
10 23 governor no later than September 1, 2007. The section  
10 24 creating the pilot project is repealed effective July 1, 2012.  
10 25 An appropriation of up to \$65,000 is made to the insurance  
10 26 division from the general fund to conduct the studies.

10 27 The bill creates Code section 509.1, subsection 7A, which  
10 28 authorizes issuance of a group health insurance policy issued  
10 29 by a small employer carrier, as defined in Code section  
10 30 513B.2, to a bona fide association to provide health insurance  
10 31 coverage to employees of association members and to the  
10 32 spouses and dependents of such employees.

10 33 The bill defines what constitutes a bona fide association  
10 34 to whom such a policy may be issued and requires that the  
10 35 insurance offered be available only to employees and their  
11 1 spouses and dependents, of association members which are small  
11 2 employers as defined in Code section 513B.2.

11 3 The bill requires that a bona fide association for the  
11 4 purposes of this type of policy must be a trade, industry, or  
11 5 professional association which is organized in good faith as a  
11 6 nonprofit corporation under Code chapter 504 for purposes  
11 7 other than obtaining insurance and has been in existence and  
11 8 actively maintained for at least five continuous years at the  
11 9 time the policy is issued; not condition membership in the  
11 10 association on the health status of employees of members or  
11 11 their spouses or dependents; make coverage offered by the  
11 12 association available to all eligible employees and their  
11 13 spouses and dependents, of its members that are small  
11 14 employers who choose to participate in the coverage; and make  
11 15 the coverage offered available only to persons who are

11 16 eligible employees and their spouses and dependents, of a  
11 17 small employer that is a member of the association.

11 18 For the purposes of Code section 509.1, subsection 7A, a  
11 19 "small employer" means a person actively engaged in business  
11 20 who, on at least 50 percent of the employer's working days  
11 21 during the preceding year, employed not less than two and not  
11 22 more than 50 full-time equivalent, eligible employees.

11 23 The bill provides that coverages provided by a group health  
11 24 insurance policy through a bona fide association pursuant to  
11 25 Code section 509.1, subsection 7A, can constitute a class of  
11 26 business and a small employer carrier may condition coverages  
11 27 under such a policy on minimum levels of participation by  
11 28 employees of each association member, minimum levels of  
11 29 contribution by each association member that offers the  
11 30 coverage to its employees, and a specified policy term,  
11 31 subject to annual premium rate adjustments as permitted by  
11 32 Code section 513B.4.

11 33 The bill also provides that coverages provided by a group  
11 34 health insurance policy through two or more bona fide  
11 35 associations as provided in Code section 509.1, subsection 7A,  
12 1 which a small employer carrier has aggregated as a distinct  
12 2 grouping can constitute a class of business and a small  
12 3 employer carrier may condition coverages under such a policy  
12 4 as set forth above. A small employer carrier cannot remove a  
12 5 bona fide association from such a class based on the claims  
12 6 experience of that association.

12 7 The bill also allows a small employer carrier to establish  
12 8 more than two additional groupings as classes of business  
12 9 under Code section 513B.2, subsection 6, paragraph "a", on the  
12 10 basis of underwriting criteria which are expected to produce  
12 11 substantial variation in the health care costs.

12 12 Code section 513B.4 is amended to prohibit the portion of a  
12 13 percentage increase, in the premium rate charged to a small  
12 14 employer for a new rating period attributable to the claims  
12 15 experience, health status, or duration of coverage of the  
12 16 employees or dependents of the small employer, from exceeding  
12 17 an increase of more than 15 percent annually.

12 18 DIVISION II == WELLNESS INITIATIVES. The bill allows a  
12 19 small employer carrier to transfer a small employer into a  
12 20 different class of business with a lower index rate based upon  
12 21 claims experience, implementation of managed care or wellness  
12 22 programs, or health status improvement of the small employer  
12 23 since issuance of the policy.

12 24 The bill also allows a small employer carrier to offer  
12 25 premium credits or discounts to a small employer for the  
12 26 benefit of eligible employees of that employer who voluntarily  
12 27 participate in wellness or disease management programs. The  
12 28 bill requires the commissioner of insurance to adopt rules or  
12 29 orders allowing suspension or modification of premium rate  
12 30 restrictions to enable a small employer carrier to provide  
12 31 such premium credits or discounts to a small employer based on  
12 32 measurable reductions in costs of that small employer,  
12 33 including but not limited to tobacco use cessation,  
12 34 participation in established wellness or disease management  
12 35 programs, and reduced administrative or distribution costs.

13 1 The bill prohibits an employee from being penalized in any way  
13 2 for not participating in a wellness or disease management  
13 3 program.

13 4 DIVISION III == EFFECTIVE DATE. The bill takes effect upon  
13 5 enactment.

13 6 LSB 1583HH 82

13 7 av:rj/cf/24.1