

# House File 519 - Introduced

HOUSE FILE \_\_\_\_\_  
BY STRUYK

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

## A BILL FOR

1 An Act authorizing certain association group health care plans,  
2 wellness initiatives, and providing an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 1960YH 82  
5 av/cf/24

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1 1 DIVISION I  
1 2 ASSOCIATION GROUP HEALTH CARE PLANS  
1 3 Section 1. Section 509.1, Code 2007, is amended by adding  
1 4 the following new subsection:  
1 5 NEW SUBSECTION. 7A. A policy of group health insurance  
1 6 coverage, as defined in section 513B.2, issued by a small  
1 7 employer carrier, as defined in section 513B.2, to a bona fide  
1 8 association, subject to the following requirements:  
1 9 a. The policy provides group health insurance coverage to  
1 10 eligible employees of members of a bona fide association that  
1 11 are small employers as defined in section 513B.2, and to the  
1 12 spouses and dependents of such employees.  
1 13 b. The policy is issued to a bona fide association. For  
1 14 the purposes of this subsection, a bona fide association is an  
1 15 association which meets all of the following requirements:  
1 16 (1) The association is a trade, industry, or professional  
1 17 association which is organized in good faith as a nonprofit  
1 18 corporation under chapter 504 for purposes other than  
1 19 obtaining insurance and has been in existence and actively  
1 20 maintained for at least five continuous years at the time the  
1 21 policy is issued.  
1 22 (2) The association does not condition membership in the  
1 23 association on the health status of employees of its members  
1 24 or the health status of the spouses and dependents of such  
1 25 employees.  
1 26 (3) Group health insurance coverage offered by the  
1 27 association is available to all eligible employees of its  
1 28 members that are small employers as defined in section 513B.2  
1 29 who choose to participate in the health insurance coverage  
1 30 offered, and to the spouses and dependents of such employees,  
1 31 regardless of the health status of such employees or their  
1 32 spouses and dependents.  
1 33 (4) Group health insurance coverage offered by the  
1 34 association is available only to persons who are eligible  
1 35 employees of a small employer as defined in section 513B.2  
2 1 that is a member of the association, or to the spouses or  
2 2 dependents of such employees.  
2 3 Sec. 2. Section 509.1, subsection 8, unnumbered paragraph  
2 4 1, Code 2007, is amended to read as follows:  
2 5 A policy issued to a resident of this state under a group  
2 6 life, accident, or health insurance policy issued to a group  
2 7 other than one described in subsections 1 through 7 7A,  
2 8 subject to the following requirements:  
2 9 Sec. 3. Section 513B.2, subsection 6, paragraph a,  
2 10 subparagraph (3), Code 2007, is amended by striking the  
2 11 subparagraph and inserting in lieu thereof the following:  
2 12 (3) The coverages are provided by a policy of group health  
2 13 insurance coverage through a bona fide association as provided  
2 14 in section 509.1, subsection 7A, which meets the requirements  
2 15 for a class of business under section 513B.4. A small  
2 16 employer carrier may condition coverages under such a policy  
2 17 of group health insurance coverage on any of the following  
2 18 requirements:  
2 19 (a) Minimum levels of participation by employees of each  
2 20 member of a bona fide association that offers the coverage to

2 21 its employees.  
2 22 (b) Minimum levels of contribution by each member of a  
2 23 bona fide association that offers the coverage to its  
2 24 employees.  
2 25 (c) A specified policy term, subject to annual premium  
2 26 rate adjustments as permitted by section 513B.4.  
2 27 Sec. 4. Section 513B.2, subsection 6, paragraph a, Code  
2 28 2007, is amended by adding the following new subparagraph:  
2 29 NEW SUBPARAGRAPH. (4) The coverages are provided by a  
2 30 policy of group health insurance coverage through two or more  
2 31 bona fide associations as provided in section 509.1,  
2 32 subsection 7A, which a small employer carrier has aggregated  
2 33 as a distinct grouping that meets the requirements for a class  
2 34 of business under section 513B.4. After a distinct grouping  
2 35 of bona fide associations is established as a class of  
3 1 business, the small group carrier shall not remove a bona fide  
3 2 association from the class based on the claims experience of  
3 3 that association. A small employer carrier may condition  
3 4 coverages under such a policy of group health insurance  
3 5 coverage on any of the following requirements:  
3 6 (a) Minimum levels of participation by employees of each  
3 7 member of a bona fide association in the class that offers the  
3 8 coverage to its employees.  
3 9 (b) Minimum levels of contribution by each member of a  
3 10 bona fide association in the class that offers the coverage to  
3 11 its employees.  
3 12 (c) A specified policy term, subject to annual premium  
3 13 rate adjustments as permitted by section 513B.4.  
3 14 Sec. 5. Section 513B.2, subsection 6, paragraph b, Code  
3 15 2007, is amended to read as follows:  
3 16 b. A small employer carrier may establish ~~no more than two~~  
3 17 additional groupings under each of the subparagraphs in  
3 18 paragraph "a" on the basis of underwriting criteria which are  
3 19 expected to produce substantial variation in the health care  
3 20 costs.

#### 3 21 DIVISION II

##### 3 22 WELLNESS INITIATIVES

3 23 Sec. 6. Section 513B.4, Code 2007, is amended by adding  
3 24 the following new subsection:  
3 25 NEW SUBSECTION. 6. Notwithstanding subsection 4, a small  
3 26 employer carrier may offer to transfer a small employer into a  
3 27 different class of business with a lower index rate based upon  
3 28 claims experience, implementation of managed care or wellness  
3 29 programs, or health status improvement of the small employer  
3 30 since issue.

3 31 Sec. 7. NEW SECTION. 513B.4B SMALL EMPLOYER INCENTIVES  
3 32 == SUSPENSION OR MODIFICATION OF PREMIUM RATE RESTRICTIONS.

3 33 1. In order to encourage voluntary participation in  
3 34 wellness or disease management programs, a small employer  
3 35 carrier may offer premium credits or discounts to a small  
4 1 employer for the benefit of eligible employees of that small  
4 2 employer who participate in such a program. An employee shall  
4 3 not be penalized in any way for not participating in such a  
4 4 program.

4 5 2. The commissioner shall adopt, by rule or order,  
4 6 provisions allowing suspension or modification of premium rate  
4 7 restrictions to enable a small employer carrier to provide  
4 8 premium credits or discounts to a small employer based on  
4 9 measurable reductions in costs of that small employer,  
4 10 including but not limited to tobacco use cessation,  
4 11 participation in established wellness or disease management  
4 12 programs, and reduced administrative or distribution costs.

#### 4 13 DIVISION III

##### 4 14 EFFECTIVE DATE

4 15 Sec. 8. EFFECTIVE DATE. This Act, being deemed of  
4 16 immediate importance, takes effect upon enactment.

##### 4 17 EXPLANATION

4 18 This bill authorizes certain association group health care  
4 19 plans, and wellness initiatives.

4 20 DIVISION I == ASSOCIATION GROUP HEALTH CARE PLANS. The  
4 21 bill creates Code section 509.1, subsection 7A, which  
4 22 authorizes issuance of a group health insurance policy issued  
4 23 by a small employer carrier, as defined in Code section  
4 24 513B.2, to a bona fide association to provide health insurance  
4 25 coverage to employees of association members and to the  
4 26 spouses and dependents of such employees.

4 27 The bill defines what constitutes a bona fide association  
4 28 to whom such a policy may be issued and requires that the  
4 29 insurance offered be available only to employees and their  
4 30 spouses and dependents, of association members which are small  
4 31 employers as defined in Code section 513B.2.

4 32 The bill requires that a bona fide association for the  
4 33 purposes of this type of policy must be a trade, industry, or  
4 34 professional association which is organized in good faith as a  
4 35 nonprofit corporation under Code chapter 504 for purposes  
5 1 other than obtaining insurance and has been in existence and  
5 2 actively maintained for at least five continuous years at the  
5 3 time the policy is issued; not condition membership in the  
5 4 association on the health status of employees of members or  
5 5 their spouses or dependents; make coverage offered by the  
5 6 association available to all eligible employees and their  
5 7 spouses and dependents, of its members that are small  
5 8 employers who choose to participate in the coverage; and make  
5 9 the coverage offered available only to persons who are  
5 10 eligible employees and their spouses and dependents, of a  
5 11 small employer that is a member of the association.

5 12 For the purposes of Code section 509.1, subsection 7A, a  
5 13 "small employer" means a person actively engaged in business  
5 14 who, on at least 50 percent of the employer's working days  
5 15 during the preceding year, employed not less than two and not  
5 16 more than 50 full-time equivalent, eligible employees.

5 17 The bill amends Code section 513B.2, subsection 6,  
5 18 paragraph "a", to provide that coverages provided by a group  
5 19 health insurance policy through a bona fide association  
5 20 pursuant to Code section 509.1, subsection 7A, can constitute  
5 21 a class of business and a small employer carrier may condition  
5 22 coverages under such a policy on minimum levels of  
5 23 participation by employees of each association member, minimum  
5 24 levels of contribution by each association member that offers  
5 25 the coverage to its employees, and a specified policy term,  
5 26 subject to annual premium rate adjustments as permitted by  
5 27 Code section 513B.4.

5 28 Code section 513B.2, subsection 6, paragraph "a", is also  
5 29 amended to provide that coverages provided by a group health  
5 30 insurance policy through two or more bona fide associations as  
5 31 provided in Code section 509.1, subsection 7A, which a small  
5 32 employer carrier has aggregated as a distinct grouping can  
5 33 constitute a class of business and a small employer carrier  
5 34 may condition coverages under such a policy as set forth  
5 35 above. A small employer carrier cannot remove a bona fide  
6 1 association from such a class based on the claims experience  
6 2 of that association.

6 3 Code section 513B.2, subsection 6, paragraph "b", is  
6 4 amended to allow a small employer carrier to establish more  
6 5 than two additional groupings as classes of business under  
6 6 Code section 513B.2, subsection 6, paragraph "a", on the basis  
6 7 of underwriting criteria which are expected to produce  
6 8 substantial variation in the health care costs.

6 9 DIVISION II == WELLNESS INITIATIVES. Code section 513B.4  
6 10 is amended to allow a small employer carrier to transfer a  
6 11 small employer into a different class of business with a lower  
6 12 index rate based upon claims experience, implementation of  
6 13 managed care or wellness programs, or health status  
6 14 improvement of the small employer since issuance of the  
6 15 policy.

6 16 New Code section 513B.4B allows a small employer carrier to  
6 17 offer premium credits or discounts to a small employer for the  
6 18 benefit of eligible employees of that employer who voluntarily  
6 19 participate in wellness or disease management programs. The  
6 20 bill requires the commissioner of insurance to adopt rules or  
6 21 orders allowing suspension or modification of premium rate  
6 22 restrictions to enable a small employer carrier to provide  
6 23 such premium credits or discounts to a small employer based on  
6 24 measurable reductions in costs of that small employer,  
6 25 including but not limited to tobacco use cessation,  
6 26 participation in established wellness or disease management  
6 27 programs, and reduced administrative or distribution costs.  
6 28 The bill prohibits an employee from being penalized in any way  
6 29 for not participating in a wellness or disease management  
6 30 program.

6 31 DIVISION III == EFFECTIVE DATE. The bill takes effect upon  
6 32 enactment.

6 33 LSB 1960YH 82  
6 34 av:rj/cf/24