

**Senate File 2337 - Introduced**

SENATE FILE 2337

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2230)

**A BILL FOR**

1 An Act relating to health care cost containment measures and  
2 providing for a fee.

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

1 Section 1. Section 505.8, Code Supplement 2011, is amended  
2 by adding the following new subsection:

3 NEW SUBSECTION. 6A. The commissioner shall establish  
4 a bureau, to be known as the "*health insurance and cost*  
5 *containment bureau*", as provided in section 505.20.

6 Sec. 2. NEW SECTION. 505.20 **Health insurance and cost**  
7 **containment bureau — advisory board.**

8 1. *a.* The commissioner shall establish a bureau, to be  
9 known as the "*health insurance and cost containment bureau*", for  
10 the purpose of creating methodologies to hold health carriers  
11 accountable for the fair treatment of health care providers and  
12 developing affordability standards for health carriers that  
13 direct carriers to promote improved accessibility, quality, and  
14 affordability of health care.

15 *b.* The commissioner shall employ professional and clerical  
16 staff to carry out the purposes and functions of the bureau.

17 *c.* The commissioner shall adopt rules under chapter 17A, in  
18 collaboration with the health insurance and cost containment  
19 advisory board, to administer and implement the purposes and  
20 functions of the bureau.

21 2. *a.* A health insurance and cost containment advisory  
22 board is created to assist the commissioner in carrying out  
23 the purposes of the bureau. The advisory board shall consist  
24 of seven voting members and seven nonvoting members. The  
25 voting members shall be appointed by the governor, subject to  
26 confirmation by the senate. The governor shall designate one  
27 voting member as chairperson and one as vice chairperson.

28 *b.* The voting members of the advisory board shall be  
29 appointed by the governor as follows:

30 (1) Two persons who represent the interests of small  
31 business from nominations made to the governor by nationally  
32 recognized groups that represent the interests of small  
33 business.

34 (2) Two persons who represent the interests of consumers  
35 from nominations made to the governor by nationally recognized

1 groups that represent the interests of consumers.

2 (3) One person who is an insurance producer licensed under  
3 chapter 522B.

4 (4) One person who is a health care actuary or economist  
5 with expertise in health insurance.

6 (5) One person who is a health care provider.

7 c. The nonvoting members are as follows:

8 (1) The commissioner of insurance or the commissioner's  
9 designee.

10 (2) The director of human services or the director's  
11 designee.

12 (3) The director of public health or the director's  
13 designee.

14 (4) Four members of the general assembly, one appointed  
15 by the speaker of the house of representatives, one appointed  
16 by the minority leader of the house of representatives,  
17 one appointed by the majority leader of the senate, and one  
18 appointed by the minority leader of the senate.

19 d. Meetings of the advisory board shall be held at the call  
20 of the chairperson or upon the request of at least two voting  
21 members. Four voting members shall constitute a quorum and the  
22 affirmative vote of four voting members shall be necessary for  
23 any action taken by the advisory board.

24 e. The voting members of the advisory board shall be  
25 appointed for staggered terms of three years within sixty days  
26 after the effective date of this Act and by December 15 of  
27 each year thereafter. The initial terms of the voting members  
28 of the advisory board shall be staggered at the discretion  
29 of the governor. A voting member of the board is eligible  
30 for reappointment. The governor shall fill a vacancy on the  
31 board in the same manner as the original appointment for the  
32 remainder of the term.

33 f. Voting members of the advisory board may be reimbursed  
34 from the moneys collected from assessment fees for the  
35 administration of the bureau and the advisory board pursuant

1 to subsection 7, for actual and necessary expenses incurred in  
2 the performance of their duties, but shall not be otherwise  
3 compensated for their services.

4 *g.* It shall be the duty of the advisory board to assist the  
5 bureau in carrying out the purposes and functions of the bureau  
6 by making recommendations for the creation of methodologies  
7 that hold health carriers in the state accountable for the fair  
8 treatment of health care providers and developing affordability  
9 standards for health carriers that direct such carriers to  
10 promote improved accessibility, quality, and affordability of  
11 health care. The advisory board shall also offer input to the  
12 commissioner regarding proposed rules, the operation of the  
13 bureau, and any other topics relevant to administering and  
14 implementing the purposes and functions of the bureau.

15 3. *a.* Health care affordability efforts shall initially  
16 focus on the primary care level of care in an effort to create a  
17 stronger primary care system and greater supply of more highly  
18 compensated primary care providers by targeting more funding to  
19 primary care.

20 *b.* Beginning on December 31, 2013, and each year thereafter,  
21 each health carrier shall report to the bureau, in a format  
22 and including information as required by the commissioner by  
23 rule, the carrier's proportion of medical expense paid for  
24 primary care for the previous twelve months and the proportion  
25 of medical expense to be allocated to primary care for the  
26 succeeding twelve months beginning on January 1, 2014, and each  
27 year thereafter. The proportion of medical expense paid for  
28 primary care shall increase by at least one percentage point  
29 per year for five years beginning on January 1, 2014.

30 *c.* Each health carrier shall submit a plan to the bureau  
31 each year in a format and including information as required by  
32 the commissioner by rule, that demonstrates how the increase in  
33 spending for primary care will be accomplished. The increase  
34 in spending for primary care shall be accomplished without  
35 contributing to an increase in premiums.

1 4. Each health carrier shall support the implementation  
2 of the medical home system as developed and implemented by  
3 the department of public health and the medical home system  
4 advisory council pursuant to sections 135.157, 135.158, and  
5 135.159, by implementing the phase of the medical home system  
6 pursuant to section 135.159, subsection 11, that involves  
7 insurers and self-insured companies in making the medical  
8 home system available to individuals with private health care  
9 coverage. The health insurance and cost containment advisory  
10 board shall work collaboratively with the medical home system  
11 advisory council to implement this phase. In addition to the  
12 reimbursement methodologies and incentives for participation  
13 in the medical home system described in section 135.159,  
14 subsection 8, the advisory board and the medical home system  
15 advisory council shall review additional payment and system  
16 reforms to support the expanded implementation of the medical  
17 home system including but not limited to all of the following:  
18 a. Rewarding high-quality, low-cost providers.  
19 b. Creating participant incentives to receive care from  
20 high-quality, low-cost providers.  
21 c. Fostering collaboration among providers to reduce cost  
22 shifting from one part of the health care continuum to another.  
23 d. Creating incentives for providing health care in the  
24 least restrictive, most appropriate setting.  
25 e. Creating incentives to promote diversity in the size,  
26 geographic location, and accessibility of practices designated  
27 as medical homes throughout the state.  
28 5. Each health carrier shall demonstrate by December 31,  
29 2013, implementation of incentives consistent with the efforts  
30 of the department of public health and the electronic health  
31 information advisory council and executive committee pursuant  
32 to section 135.156 to promote adoption of electronic health  
33 records by health care providers at all levels of the health  
34 care continuum. Health carriers shall submit a report to  
35 the bureau by December 31, 2014, concerning the incentive

1 programs that have been implemented in a format and including  
2 information as required by the commissioner by rule.

3 6. Each health carrier shall participate in efforts  
4 regarding comprehensive delivery system reform, including  
5 payment reform, in coordination with other payers and health  
6 care providers.

7 a. As an initial step to inform such efforts, the bureau  
8 and advisory board shall develop a plan to implement an  
9 all-payer claims database by December 31, 2013, to provide  
10 for the collection and analysis of claims data from multiple  
11 payers of health care delivered at all levels including but not  
12 limited to primary care, specialist care, outpatient surgery,  
13 inpatient stays, laboratory testing, and pharmacy data. The  
14 plan shall provide for development and implementation of a  
15 database that complies with any applicable requirements of the  
16 federal Act and that most effectively and efficiently provides  
17 data to determine health care utilization patterns and rates;  
18 identify gaps in prevention and health promotion services;  
19 evaluate access to care; assist with benefit design and  
20 planning; analyze statewide and local health care expenditures  
21 by provider, employer, and geography; inform the development  
22 of payment systems for providers; and establish clinical  
23 guidelines related to quality, safety, and continuity of care.  
24 The bureau shall submit the plan to the general assembly by  
25 December 31, 2012, including statutory changes necessary to  
26 collect and use such data, a standard means of collecting  
27 the data, an implementation and maintenance schedule, and a  
28 proposed budget and financing options for the database.

29 b. The bureau and advisory board shall also recommend a  
30 provider payment system plan to reform the health care provider  
31 payment system beyond primary care providers, including but  
32 not limited to specialty care, hospital, and long-term care  
33 providers, as an effective way to promote coordination of care,  
34 lower costs, and improve quality.

35 7. a. Funding to operate the bureau and the advisory board

1 shall come from federal and private grants and from assessment  
2 fees charged to health carriers. The commissioner shall charge  
3 an assessment fee to all health carriers in this state, as  
4 necessary to support the activities and operations of the  
5 bureau and the advisory board as provided under this section.  
6 No state funding shall be appropriated or allocated for the  
7 operation or administration of the bureau or the advisory  
8 board. The assessment shall provide for the sharing of bureau  
9 and advisory board expenses on an equitable and proportionate  
10 basis among health carriers in the state as provided in this  
11 subsection.

12     **b.** Following the close of each calendar year, the  
13 commissioner shall determine the expenses for operation and  
14 administration of the bureau and the advisory board. The  
15 expenses incurred shall be assessed by the commissioner to  
16 all health carriers in proportion to their respective shares  
17 of total health insurance premiums or payments for subscriber  
18 contracts received in Iowa during the second preceding calendar  
19 year, or with paid losses in the year, coinciding with or  
20 ending during the calendar year or on any other equitable basis  
21 as provided by rule. In sharing expenses, the commissioner  
22 may abate or defer in any part the assessment of a health  
23 carrier, if, in the opinion of the commissioner, payment of the  
24 assessment would endanger the ability of the health carrier to  
25 fulfill its contractual obligations. The commissioner may also  
26 provide for an initial or interim assessment against health  
27 carriers if necessary to assure the financial capability of  
28 the commissioner to meet the incurred or estimated operating  
29 expenses of the bureau and the advisory board until the next  
30 calendar year is completed.

31     **c.** For purposes of this subsection, "*total health insurance*  
32 *premiums*" and "*payments for subscriber contracts*" include,  
33 without limitation, premiums or other amounts paid to or  
34 received by a health carrier for individual and group health  
35 plan care coverage provided under any chapter of the Code or

1 Acts, and "paid losses" includes, without limitation, claims  
2 paid by a health carrier operating on a self-funded basis for  
3 individual and group health plan care coverage provided under  
4 any chapter of the Code or Acts. For purposes of calculating  
5 and conducting the assessment, the commissioner shall have  
6 the express authority to require health carriers to report on  
7 an annual basis each health carrier's total health insurance  
8 premiums and payments for subscriber contracts and paid losses.  
9 A health carrier is liable for its share of the assessment  
10 calculated in accordance with this subsection regardless of  
11 whether it participates in the individual insurance market.

12 8. The commissioner shall keep an accurate accounting of  
13 all activities, receipts, and expenditures of the bureau and  
14 advisory board and annually submit to the governor, the general  
15 assembly, and the public, a report concerning such accounting.

16 9. The bureau and the advisory board shall coordinate their  
17 activities with the Iowa Medicaid enterprise of the department  
18 of human services, the department of revenue, the department of  
19 public health, and the insurance division of the department of  
20 commerce to ensure that the state fulfills the requirements of  
21 the federal Act and to ensure that in the event that a health  
22 insurance exchange is established in the state, the functions  
23 and activities of the bureau and the advisory board can be  
24 seamlessly integrated into the exchange.

25 10. As used in this section, unless the context otherwise  
26 requires:

27 a. "Advisory board" means the health insurance and cost  
28 containment advisory board.

29 b. "Bureau" means the health insurance and cost containment  
30 bureau.

31 c. "Commissioner" means the commissioner of insurance.

32 d. "Federal Act" means the federal Patient Protection and  
33 Affordable Care Act, Pub. L. No. 111-148, as amended by the  
34 federal Health Care and Education Reconciliation Act of 2010,  
35 Pub. L. No. 111-152, and any amendments thereto, or regulations



1 or guidance issued under those Acts.

2 *e.* "Health care provider" means a physician who is licensed  
3 under chapter 148, or a person who is licensed as a physician  
4 assistant under chapter 148C or as an advanced registered nurse  
5 practitioner.

6 *f.* "Health carrier" means an entity subject to the insurance  
7 laws and rules of this state, or subject to the jurisdiction  
8 of the commissioner, that contracts or offers to contract to  
9 provide, deliver, arrange for, pay for, or reimburse any of  
10 the costs of health care services, including an insurance  
11 company offering sickness and accident plans, a health  
12 maintenance organization, a nonprofit hospital or health  
13 service corporation, or any other entity providing a plan of  
14 health insurance, health benefits, or health services.

15 *g.* (1) "Health insurance" means benefits consisting  
16 of health care provided directly, through insurance or  
17 reimbursement, or otherwise, and including items and services  
18 paid for as health care under a hospital or health service  
19 policy or certificate, hospital or health service plan  
20 contract, or health maintenance organization contract offered  
21 by a carrier.

22 (2) "Health insurance" does not include any of the  
23 following:

24 (a) Coverage for accident-only or disability income  
25 insurance.

26 (b) Coverage issued as a supplement to liability insurance.

27 (c) Liability insurance, including general liability  
28 insurance and automobile liability insurance.

29 (d) Workers' compensation or similar insurance.

30 (e) Automobile medical-payment insurance.

31 (f) Credit-only insurance.

32 (g) Coverage for on-site medical clinic care.

33 (h) Other similar insurance coverage, specified in  
34 federal regulations, under which benefits for medical care  
35 are secondary or incidental to other insurance coverage or

1 benefits.

2 (3) *"Health insurance"* does not include benefits provided  
3 under a separate policy as follows:

4 (a) Limited scope dental or vision benefits.

5 (b) Benefits for long-term care, nursing home care, home  
6 health care, or community-based care.

7 (c) Any other similar limited benefits as provided by rule  
8 of the commissioner.

9 (4) *"Health insurance"* does not include benefits offered as  
10 independent noncoordinated benefits as follows:

11 (a) Coverage only for a specified disease or illness.

12 (b) A hospital indemnity or other fixed indemnity  
13 insurance.

14 (5) *"Health insurance"* does not include Medicare  
15 supplemental health insurance as defined under section  
16 1882(g)(1) of the federal Social Security Act, coverage  
17 supplemental to the coverage provided under 10 U.S.C. ch. 55,  
18 or similar supplemental coverage provided to coverage under  
19 group health insurance coverage.

20 (6) *"Group health insurance coverage"* means health insurance  
21 offered in connection with a group health plan.

22 Sec. 3. NEW SECTION. 513B.16 **Premium rate increases —**  
23 **public hearing and comment.**

24 1. All health insurance carriers licensed to do business  
25 in the state under this chapter shall immediately notify the  
26 commissioner and policyholders of any proposed rate increase  
27 exceeding the average annual health spending growth rate stated  
28 in the most recent national health expenditure projection  
29 published by the centers for Medicare and Medicaid services of  
30 the United States department of health and human services, at  
31 least ninety days prior to the effective date of the increase.  
32 Such notice shall specify the rate increase proposed that is  
33 applicable to each policyholder and shall include ranking and  
34 quantification of those factors that are responsible for the  
35 amount of the rate increase proposed. The notice shall include

1 information about how the policyholder can contact the consumer  
2 advocate for assistance.

3 2. The commissioner shall hold a public hearing at least  
4 thirty days before the proposed rate increase is to take  
5 effect.

6 3. The consumer advocate shall solicit public comments on  
7 each proposed health insurance rate increase if the increase  
8 exceeds the average annual health spending growth rate as  
9 provided in subsection 1, and shall post without delay during  
10 the normal business hours of the division, all comments  
11 received on the insurance division's internet site prior to the  
12 effective date of the increase.

13 4. The consumer advocate shall present the public  
14 testimony, if any, and public comments received, for  
15 consideration by the commissioner prior to the effective date  
16 of the increase.

17 EXPLANATION

18 This bill relates to health care cost containment measures.  
19 The bill requires the commissioner of insurance to establish  
20 a health insurance and cost containment bureau within  
21 the insurance division which is responsible for creating  
22 methodologies to hold health carriers accountable for the fair  
23 treatment of health care providers and developing affordability  
24 standards for health insurance carriers that direct carriers  
25 to promote improved accessibility, quality, and affordability  
26 of health care.

27 A health insurance and cost containment advisory board  
28 is also created to assist the commissioner of insurance in  
29 carrying out the purposes of the new bureau. The advisory  
30 board is comprised of seven voting members appointed by the  
31 governor, subject to confirmation by the senate, and seven  
32 nonvoting members. The members shall be appointed within 60  
33 days after the effective date of the bill. The voting members  
34 are to represent small business, consumers, and insurance  
35 producers, and shall include a health care actuary or economist

1 with expertise in health insurance and a health care provider.  
2 The nonvoting members are the commissioner of insurance, the  
3 director of human services, and the director of public health,  
4 or their designees, and four members of the general assembly  
5 appointed by majority and minority leaders in the house of  
6 representatives and the senate.

7 Health care affordability efforts must initially focus on  
8 primary care to create a stronger primary care system and  
9 a greater supply of more highly compensated primary care  
10 providers by targeting more funding to primary care. Beginning  
11 on December 31, 2013, and each year thereafter, each health  
12 insurance carrier in the state is required to report to the  
13 bureau the carrier's proportion of medical expense paid for  
14 primary care for the previous 12 months and the proportion  
15 of medical expense to be allocated to primary care for the  
16 succeeding 12 months beginning on January 1, 2014, and each  
17 year thereafter. The proportion of medical expense paid for  
18 primary care must increase by at least one percentage point  
19 per year for five years beginning on January 1, 2014. Health  
20 insurance carriers are also required to submit a plan that  
21 demonstrates how the increase in spending for primary care  
22 will be accomplished without contributing to an increase in  
23 premiums.

24 Health insurance carriers are required to support the  
25 implementation of the phase of the medical home system as  
26 developed and implemented by the department of public health  
27 that involves making the medical home system available  
28 to individuals with private health care coverage. The  
29 advisory board shall collaborate with the medical home  
30 system advisory council to implement this phase and to review  
31 additional payment and system reforms to support the expanded  
32 implementation of the medical home system.

33 Health insurance carriers are required to demonstrate by  
34 December 31, 2013, implementation of incentives consistent  
35 with the efforts of the department of public health and the

1 electronic health information advisory council and executive  
2 committee to promote adoption of electronic health records  
3 by health care providers at all levels of the health care  
4 continuum. Health carriers shall submit a report to the bureau  
5 by December 31, 2014, concerning the incentive programs that  
6 have been implemented.

7 Health insurance carriers are required to participate in  
8 efforts to achieve comprehensive system reform, including  
9 payment reform, in coordination with other payers and health  
10 care providers. To inform such efforts, the health insurance  
11 and cost containment bureau and advisory board shall develop a  
12 plan to implement an all-payer claims database by December 31,  
13 2013, that provides for the collection and analysis of claims  
14 data from multiple payers of health care delivered at all  
15 levels. The planned database shall comply with all applicable  
16 requirements of the federal Patient Protection and Affordable  
17 Care Act. The bureau shall submit the plan to the general  
18 assembly by December 31, 2012. The bureau and the advisory  
19 board shall also recommend a provider payment system plan to  
20 reform the health care provider payment system beyond primary  
21 care providers.

22 Funding to operate the new bureau and advisory board shall  
23 come from federal and private grants and from assessment fees  
24 charged to health insurance carriers as provided in the bill.  
25 No state funding shall be appropriated for the operation or  
26 administration of the bureau or the advisory board.

27 The commissioner is required to keep an accurate accounting  
28 of all activities, receipts, and expenditures of the bureau and  
29 advisory board and annually submit a report of such accounting  
30 to the governor, the general assembly, and the public.

31 The bureau and the advisory board shall coordinate their  
32 activities with the Iowa Medicaid enterprise of the department  
33 of human services, the department of revenue, the department  
34 of public health, and the insurance division of the department  
35 of commerce to ensure that the state fulfills the requirements

1 of the federal Patient Protection and Affordable Care Act and  
2 to ensure that in the event a health insurance exchange is  
3 established in the state, the functions and activities of the  
4 bureau and the advisory board can be seamlessly integrated into  
5 the exchange.

6 The bill also requires that all health insurance carriers  
7 licensed in the state to provide health insurance to small  
8 employers with two to 50 employees must immediately notify  
9 the commissioner and policyholders of any proposed rate  
10 increase exceeding the average annual health spending growth  
11 rate stated in the most recent national health expenditure  
12 projection published by the centers for Medicare and Medicaid  
13 services of the United States department of health and human  
14 services, at least 90 days prior to the effective date of the  
15 increase. The notice must specify the rate increase applicable  
16 to each policyholder and rank and quantify the factors that are  
17 responsible for the amount of the rate increase proposed. The  
18 commissioner is required to hold a public hearing at least 30  
19 days before a proposed rate increase is to take effect. The  
20 consumer advocate must solicit public comments on each proposed  
21 small employer health insurance rate increase and post the  
22 comments on the insurance division's internet site.