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COMMERCE, REGULATION & LABOR

HOUSE FILE 696
BY KAUFMANN

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act authorizing voluntary health care purchasing pools for
2 certain employers.

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

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HF-696

1 Section 1. NEW SECTION. 513E.1 VOLUNTARY HEALTH CARE
2 PURCHASING POOLS -- LEGISLATIVE INTENT.

3 The purpose of authorizing voluntary health care purchasing
4 pools is to make health care coverage more affordable for
5 certain employers and their employees.

6 Sec. 2. NEW SECTION. 513E.2 DEFINITIONS.

7 As used in this chapter:

8 1. "Commissioner" means the commissioner of insurance.

9 2. "Employer" means a small employer or an employer who
10 employs employees while engaging in a business licensed,
11 certified, or registered under chapter 135C, 231C, or 237A.

12 3. "Member" means an employer that joins together with
13 other employers to form an employer voluntary health care
14 purchasing pool.

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

23 5. "Voluntary health care purchasing pool" or "pool" means
24 a group of employers who join together for the purpose of
25 negotiating to purchase and purchasing health insurance or
26 health care benefits for their employees.

27 Sec. 3. NEW SECTION. 513E.3 PERMISSION TO FORM.

28 Notwithstanding any law in this state relating to the
29 creation of groups for the purchase of insurance, any
30 prohibition of group purchasing, or any law that discriminates
31 against a purchasing group or its members, or any law of this
32 state that prohibits providing or offering to provide, to a
33 purchasing group or its members, advantages based upon their
34 loss and expense experience not afforded to other persons with
35 respect to rates, policy forms, coverage, or other matters,

1 employers may voluntarily organize pools, solely for the
2 purpose of negotiating to purchase and purchasing health
3 insurance or health care benefits for members of the pool and
4 their employees. A pool is subject to all other applicable
5 laws of this state including chapter 522B.

6 Sec. 4. NEW SECTION. 513E.4 COMMON FACTORS.

7 All participants in a pool shall live within a common
8 geographic region, be employed in a similar occupation, or
9 share some other common factor as approved by the
10 commissioner. The membership criteria shall not be designed
11 to include disproportionately employers likely to experience
12 low costs for health coverage or to exclude disproportionately
13 employers likely to experience high costs for health coverage.

14 Sec. 5. NEW SECTION. 513E.5 GOVERNANCE OF POOLS.

15 1. A pool shall have a governing structure controlled by
16 members of the pool.

17 2. The governing structure of a pool is responsible for
18 administration of the pool.

19 3. The governing structure of a pool shall review and
20 evaluate all bids for the provision of health insurance or
21 health care benefits by health benefit plan companies, shall
22 determine the criteria for joining and withdrawing from the
23 pool, and may design incentives for healthy lifestyle and
24 health promotion programs.

25 4. The governing structure of a pool may design uniform
26 entrance standards for membership in the pool.

27 5. A pool shall provide as much choice in health benefit
28 plans available to members as is financially feasible.

29 6. The governing structure of a pool may charge each
30 member a fee for administrative costs of the pool.

31 Sec. 6. NEW SECTION. 513E.6 ENROLLMENT.

32 1. A pool shall have an annual open enrollment period of
33 not less than fifteen days, during which all employers that
34 qualify for membership in the pool may enter the pool without
35 the imposition of any preexisting condition limitations,

1 exclusions, or exclusionary riders, except those otherwise
2 permitted in chapter 513B for small employers.

3 2. A pool organized pursuant to this chapter shall reach
4 and maintain an enrolled population of at least one thousand
5 individuals within six months of formation of the pool. If a
6 pool fails to reach and maintain the minimum number of
7 enrolled individuals within that time, this chapter is not
8 applicable to any health insurance or health care benefits
9 subsequently purchased by the pool.

10 Sec. 7. NEW SECTION. 513E.7 MEMBERSHIP -- DURATION.

11 The governing structure of a pool shall require a minimum
12 time period during which a member is not permitted to withdraw
13 from the pool without payment of a penalty. The penalty for
14 early withdrawal from the pool shall be established by the
15 governing structure.

16 Sec. 8. NEW SECTION. 513E.8 RATES.

17 1. The experience of a pool organized pursuant to this
18 chapter shall be pooled and the rates shall be blended across
19 all members of the pool.

20 2. The governing structure of a pool may create tiers
21 within the pool based on the experience of members. Such
22 tiers shall be designed in compliance with the requirements of
23 chapter 513B. The governing structure of a pool may establish
24 criteria that limits the movement of members between tiers.
25 All tiers created within a pool shall be phased out within two
26 years of the organization of the pool.

27 Sec. 9. NEW SECTION. 513E.9 REPORTS.

28 Prior to the effective date of health insurance or health
29 care benefits offered by a pool, and each July 1 thereafter, a
30 pool shall file a report with the commissioner that contains
31 all of the following information:

- 32 1. The number of individuals enrolled in the pool.
- 33 2. The geographic region that the pool intends to cover.
- 34 3. The number of health benefit plans offered.
- 35 4. A description of the benefits available under each

1 health benefit plan offered.

2 5. A description of the premium structure, including any
3 copayments or deductibles, of each health benefit plan
4 offered.

5 6. Evidence that the pool is in compliance with chapter
6 513B.

7 7. Samples of marketing information used by the pool,
8 including a telephone number where the governing structure of
9 the pool can be contacted.

10 8. A list of all administrative fees charged to members of
11 the pool.

12 Sec. 10. NEW SECTION. 513E.10 ENFORCEMENT.

13 1. A pool must register with the commissioner prior to
14 offering health insurance or health care benefits and each
15 July 1 thereafter on a form prescribed by the commissioner by
16 rule.

17 2. The commissioner shall enforce this chapter and shall
18 adopt rules deemed necessary for the administration and
19 enforcement of this chapter in accordance with chapter 17A.

20 3. The commissioner may charge pools an annual
21 registration fee sufficient to meet the costs of performing
22 the commissioner's duties under this chapter.

23 EXPLANATION

24 This bill authorizes the formation of voluntary health care
25 purchasing pools by certain employers.

26 The bill creates a new Code chapter 513E that provides that
27 an employer voluntary health care purchasing pool is a group
28 of employers who join together for the purpose of negotiating
29 to purchase and purchasing health insurance or health care
30 benefits for their employees. A "small employer" is defined
31 as a person actively engaged in business, who on at least 50
32 percent of the employer's working days during the preceding
33 year employed not less than two and not more than 50 full-
34 time equivalent eligible employees. The definition of "small
35 employer" is the same as that contained in Code chapter 513B

1 relating to small group health coverage. An employer is
2 defined as a small employer or an employer engaging in a
3 business licensed, certified, or registered as a health care
4 facility under Code chapter 135C, an assisted living program
5 under Code chapter 231C, or a child care facility under Code
6 chapter 237A.

7 The bill allows the formation of such pools notwithstanding
8 other laws in this state that may prohibit the creation of
9 such a group.

10 The bill provides that participants in a pool shall live
11 within a common geographic region, be employed in a similar
12 occupation, or share other common factors as approved by the
13 commissioner of insurance.

14 The bill provides that a pool shall have a governing
15 structure that is controlled by members of the pool and that
16 administers the pool, reviews and evaluates bids for the
17 provision of health insurance or health care benefits,
18 determines criteria for joining and withdrawing from the pool,
19 and may design incentives for healthy lifestyle and health
20 promotion programs and uniform entrance standards for
21 membership in the pool. The bill also requires the governing
22 structure to provide as much choice in health care plans
23 available to members as is financially feasible and allows the
24 governing structure to charge a fee for the administrative
25 costs of the pool.

26 The bill sets requirements for an annual open enrollment
27 period and requires a pool to reach and maintain an enrolled
28 population of at least 1,000 covered lives within six months
29 after formation of the pool or else lose the applicability of
30 the new chapter to coverage purchased by the pool.

31 The bill allows the governing structure to set a minimum
32 term of membership in a pool during which a member is not
33 permitted to withdraw from the pool without paying a penalty.

34 The bill requires that the experience of a pool shall be
35 pooled. The bill also allows the governing structure of a

1 pool to create tiers within the pool based on the experience
2 of its members although all such tiers established must be
3 phased out within two years of the pool's creation.

4 The bill requires a pool to file a report with the
5 commissioner of insurance prior to the effective date of
6 coverage offered by the pool, and every July 1 thereafter,
7 that contains information specified in the bill.

8 The bill provides that a pool must register with the
9 commissioner of insurance prior to offering health insurance
10 or health care benefits, and each July 1 thereafter, and may
11 be charged a registration fee by the commissioner to cover the
12 commissioner's costs of administering and enforcing the new
13 Code chapter. The commissioner has the power to enforce the
14 new Code chapter and to adopt rules deemed necessary to
15 administer and enforce the new Code chapter.

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