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COMMERCE, REGULATION & LABOR

HOUSE FILE 389
BY FORD

(COMPANION TO SF 160)

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

A BILL FOR

1 An Act relating to small employer voluntary health care
2 purchasing pools.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HF 389

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

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

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

7 As used in this section:

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

9 2. "Member" means a small employer that joins together
10 with other small employers to form a small employer voluntary
11 health care purchasing pool.

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

20 4. "Small employer voluntary health care purchasing pool"
21 or "pool" means a group of small employers who join together
22 for the purpose of negotiating to purchase and purchasing
23 health insurance or health care benefits for their employees.

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

25 Notwithstanding any law in this state relating to the
26 creation of groups for the purchase of insurance, any
27 prohibition of group purchasing, or any law that discriminates
28 against a purchasing group or its members, or any law of this
29 state that prohibits providing or offering to provide, to a
30 purchasing group or its members, advantages based upon their
31 loss and expense experience not afforded to other persons with
32 respect to rates, policy forms, coverage, or other matters,
33 small employers may voluntarily organize pools, solely for the
34 purpose of negotiating to purchase and purchasing health
35 insurance or health care benefits for members of the pool and

1 their employees. A pool is subject to all other applicable
2 laws of this state including chapter 522B.

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

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

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

13 1. A pool shall have a governing structure controlled by
14 members of the pool.

15 2. The governing structure of a pool is responsible for
16 administration of the pool.

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

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

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

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

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

30 1. A pool shall have an annual open enrollment period of
31 not less than fifteen days, during which all small employers
32 that qualify for membership in the pool may enter the pool
33 without the imposition of any preexisting condition
34 limitations, exclusions, or exclusionary riders, except those
35 otherwise permitted in chapter 513B for small employers.

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

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

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

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

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

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

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

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

30 1. The number of individuals enrolled in the pool.

31 2. The geographic region that the pool intends to cover.

32 3. The number of health benefit plans offered.

33 4. A description of the benefits available under each
34 health benefit plan offered.

35 5. A description of the premium structure, including any

1 copayments or deductibles, of each health benefit plan
2 offered.

3 6. Evidence that the pool is in compliance with chapter
4 513B.

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

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

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

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

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

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

21 EXPLANATION

22 This bill authorizes the formation of voluntary health care
23 purchasing pools by certain small employers.

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

35 The bill allows the formation of such pools notwithstanding

1 other laws in this state that may prohibit the creation of
2 such a group.

3 The bill provides that participants in a pool shall live
4 within a common geographic region, be employed in a similar
5 occupation, or share other common factors as approved by the
6 commissioner of insurance.

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

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

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

27 The bill requires that the experience of a pool shall be
28 pooled. The bill also allows the governing structure of a
29 pool to create tiers within the pool based on the experience
30 of its members although all such tiers established must be
31 phased out within two years of the pool's creation.

32 The bill requires a pool to file a report with the
33 commissioner of insurance prior to the effective date of
34 coverage offered by the pool, and every July 1 thereafter,
35 that contains information specified in the bill.

1 The bill provides that a pool must register with the
2 commissioner of insurance prior to offering health insurance
3 or health care benefits, and each July 1 thereafter, and may
4 be charged a registration fee by the commissioner to cover the
5 commissioner's costs of administering and enforcing the new
6 Code chapter. The commissioner has the power to enforce the
7 new Code chapter and to adopt rules deemed necessary to
8 administer and enforce the new Code chapter.

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