

IN THE SENATE

SENATE BILL NO. 1219

BY COMMERCE AND HUMAN RESOURCES COMMITTEE

AN ACT

1 RELATING TO HEALTH INSURANCE; AMENDING SECTION 41-4102, IDAHO CODE, TO PRO-
2 VIDE A DEFINITION; AMENDING SECTION 41-4104, IDAHO CODE, TO PROVIDE AN
3 EXCEPTION; AND AMENDING SECTION 41-4110, IDAHO CODE, TO PROVIDE FOR A
4 CERTAIN WAIVER AND TO MAKE A TECHNICAL CORRECTION.
5

6 Be It Enacted by the Legislature of the State of Idaho:

7 SECTION 1. That Section 41-4102, Idaho Code, be, and the same is hereby
8 amended to read as follows:

9 41-4102. DEFINITIONS. As used in this chapter:

10 (1) "Administrator" means a person, other than a board member, employed
11 by the board to administer a joint public agency self-funded plan.

12 (2) "Beneficiary" means any individual entitled, under the joint pub-
13 lic agency self-funded plan, to payment by the trust fund of any part of all
14 of the cost of any health care service rendered to him.

15 (3) "Board of trustees" or "board" is the board of trustees of the trust
16 fund.

17 (4) "Contribution" means the amount paid or payable by the employer or
18 employee into the trust fund.

19 (5) "Director" means the director of the department of insurance of
20 this state.

21 (6) "Joint powers agreement" means an agreement entered into between
22 public agencies pursuant to chapter 23, title 67, Idaho Code.

23 (7) "Joint public agency self-funded plan" or "self-funded plan" or
24 "plan" means any public agency plan established by a joint powers agreement
25 and under which payment for any disability benefits not otherwise provided
26 for under title 72, Idaho Code (worker's compensation and related laws --
27 industrial commission), medical, surgical, hospital, and other services for
28 prevention, diagnosis, or treatment of any disease, injury, or bodily condi-
29 tion of an employee is, or is to be, regularly provided for or promised from
30 funds created or maintained in whole or in part by contributions or payments
31 thereto by a public agency employer, or by a public agency employer and the
32 employees of the public agency, and not otherwise covered by insurance or
33 contract with a health care service corporation, health maintenance organi-
34 zation, or similar other third party prepayment plan.

35 (8) "Person" means any individual, corporation, association, firm,
36 syndicate, organization or other entity.

37 (9) "Public agency" means any city, county or political subdivision
38 of this state, including, but not limited to: counties; school districts;
39 highway districts; port authorities; instrumentalities of counties, county
40 hospitals, cities or any political subdivision created under the laws of the
41 state of Idaho; and the state of Idaho and any agency of the state government.
42 "Public agency" also means any group of more than one (1) of the above public

1 agencies acting together pursuant to a joint powers agreement in accordance
2 with chapter 23, title 67, Idaho Code.

3 (10) "Surplus" means the excess of the assets of a self-funded plan mi-
4 minus the liabilities of the plan, provided the liabilities of a self-funded
5 plan shall include the claims liability of the plan.

6 (11) "Trust fund" means a fund established under a joint public agency
7 self-funded plan for receipt of contributions of employers and employees and
8 payment of or with respect to health care service costs of beneficiaries.

9 SECTION 2. That Section 41-4104, Idaho Code, be, and the same is hereby
10 amended to read as follows:

11 41-4104. QUALIFICATIONS FOR REGISTRATION. No joint public agency
12 self-funded plan shall register, and the director shall not register a joint
13 public agency self-funded plan, which is not qualified as provided in this
14 section.

15 (1) The joint powers agreement must require all contributions to be
16 paid in advance and to be deposited in and disbursed from a trust fund duly
17 created and existing under an adequate written irrevocable trust agreement
18 between the employer or employers and the board.

19 (2) The plan must:

20 (a) Have, or provide for, a board of trustees in accordance with this
21 chapter for the administration of the plan;

22 (b) Require that all members of the joint powers agreement comply with
23 the provisions of the joint powers agreement;

24 (c) Provide that the administrator or board on behalf of the plan, as
25 the case may be, shall furnish to each employee-beneficiary of the plan
26 a written statement or schedule adequately and clearly stating all ben-
27 efits currently allowable under the plan, together with all applicable
28 restrictions, limitations, and exclusions, and the procedure for fil-
29 ing a claim for benefits; and

30 (d) Otherwise be in compliance with the provisions of this chapter.

31 (3) The allocated trust fund must be actuarially sound; that is, assets
32 and income of the fund must be adequate under reasonable estimates for pay-
33 ment of all benefits promised to beneficiaries by the plan. In determining
34 actuarial soundness the director shall also give due consideration to:

35 (a) Applicable stop-loss insurance provided or to be provided the plan
36 by an insurer duly authorized to transact disability insurance in this
37 state;

38 (b) Contracts with health care service corporations or health mainte-
39 nance organizations authorized to conduct such operations in this state
40 and covering certain of the promised benefits;

41 (c) Other applicable insurance or guarantys; and

42 (d) The nature of the participating entities and other plan factors or
43 provisions for prevention or reduction of adverse selection against the
44 plan by those otherwise eligible to become beneficiaries.

45 (4) The plan shall maintain aggregate stop-loss coverage and specific
46 stop-loss coverage provided by an insurance company authorized to transact
47 insurance in this state in accordance with the annual actuarial opinion of
48 the plan, unless waived pursuant to section 41-4110 (3), Idaho Code.

1 SECTION 3. That Section 41-4110, Idaho Code, be, and the same is hereby
2 amended to read as follows:

3 41-4110. RESERVES. (1) A joint public agency self-funded plan shall
4 establish and maintain in its trust fund the following reserves:

5 (a) A reserve in an amount as certified by a member of the American
6 academy of actuaries as being necessary for payment of claims against
7 the trust fund for benefits, including both claims reported and not yet
8 paid and claims incurred but not yet reported. Any joint public agency
9 self-funded plan in existence as of July 1, 2006, shall also have three
10 (3) years from the effective date of this act to fund the applicable
11 reserves.

12 (b) If under the plan periodic contributions of either the employer or
13 employees to the trust fund are payable less frequently than monthly,
14 there shall be a reserve for unearned contributions as computed pro rata
15 on the basis of the unexpired portion of the period for which the contri-
16 bution has been paid.

17 (2) In any determination of the financial condition of the trust fund,
18 the claims reserve and reserve for unearned contributions shall constitute
19 liabilities.

20 (3) Upon request of a plan, the director shall have the authority to an-
21 nually waive the requirement that the plan maintain aggregate stop-loss cov-
22 erage if:

23 (a) The joint public agency self-funded plan established by a joint
24 powers agreement is governed by a board of trustees and is operating as a
25 public agency;

26 (b) Enrollment under the plan averages a minimum of one thousand
27 (1,000) covered persons in each of the preceding twelve (12) months;

28 (c) The plan establishes and maintains, in its trust fund, reserves as
29 set forth in subsection (1) (a) of this section; and

30 (d) The plan establishes and maintains, in its trust fund, surplus of at
31 least the amount certified annually by a member of the American academy
32 of actuaries as sufficient without aggregate stop-loss coverage, but no
33 less than three (3) months of contributions.