

**EHB 2350**

**THE STATE SENATE**  
**Thursday, April 4, 2002**

**ENGROSSED**

**House Bill No. 2350**

**As Amended**

ENGROSSED HOUSE BILL NO. 2350 - By: LIOTTA, NANCE, WINCHESTER, WILT  
and NEWPORT of the House and DUNLAP of the Senate.

**[ insurance - Employer Health Insurance Purchasing Group Act  
- health benefits coverage - codification - effective date ]**

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified  
in the Oklahoma Statutes as Section 4521 of Title 36, unless there  
is created a duplication in numbering, reads as follows:

Sections 1 through 9 of this act shall be known and may be cited  
as the "Employer Health Insurance Purchasing Group Act".

SECTION 2. NEW LAW A new section of law to be codified  
in the Oklahoma Statutes as Section 4522 of Title 36, unless there  
is created a duplication in numbering, reads as follows:

As used in the Employer Health Insurance Purchasing Group Act:

1. "Commissioner" means the Oklahoma Insurance Commissioner;
2. "Eligible employee" means an employee or individual who is a  
full-time employee of an eligible employer and is qualified to  
enroll in a health benefit plan offered through a HIPG;

1       3. "Eligible employer" means an employer employing no more than  
2 one hundred eligible employees;

3       4. "Employer", "employee", and "dependent", unless otherwise  
4 defined in this section, shall have the meaning applied to the terms  
5 with respect to the coverage under the laws of the state relating to  
6 the coverage and the issuer;

7       5. "Full time" means employees working at least twenty-four  
8 (24) hours per week for an eligible employer;

9       6. "Health benefits plan" means a group plan, group policy, or  
10 group contract for health care services, issued or delivered by a  
11 HIPG health carrier, excluding plans, policies, or contracts  
12 providing health care benefits or health care services pursuant to  
13 the Workers' Compensation Laws and mandatory liability laws;

14       7. "Health insurer" means any entity which provides health  
15 insurance in this state. For the purposes of the Employer Health  
16 Insurance Purchasing Group Act, "health insurer" includes a licensed  
17 insurance company, not-for-profit hospital service or medical  
18 indemnity corporation, or a health maintenance organization;

19       8. "HIPG" means a Health Insurance Purchasing Group meeting the  
20 requirements of this act;

21       9. "HIPG health carrier" means a health insurer as defined in  
22 this act;

1           10. "Large group" means a combination of two or more eligible  
2 employers belonging to a HIPG;

3           11. "Limited benefit contract" means, for the purposes of this  
4 act, a policy or certificate that does not contain state-mandated  
5 health benefits;

6           12. "Member" means an individual enrolled for health benefits  
7 coverage in a HIPG;

8           13. "Purchaser" means an eligible employer that has contracted  
9 with a HIPG for the purchase of health benefits coverage;

10          14.    a. "State-mandated health benefits" means coverages for  
11                   health care services or benefits, required by state  
12                   law or state regulations, requiring the reimbursement  
13                   or utilization related to a specific illness, injury,  
14                   or condition of the covered person, or inclusion of a  
15                   specific category of licensed health care practitioner  
16                   to be provided to the covered person in a health  
17                   benefits plan for a health-related condition of a  
18                   covered person. Provided, that for the purposes of  
19                   the options provided by this act, state-mandated  
20                   health benefits which may be excluded in whole or in  
21                   part shall not include any health care services or  
22                   benefits which were mandated by federal law, and

1           b. "State-mandated health benefits" does not mean  
2           standard provisions or rights required to be present  
3           in a health benefit plan pursuant to state law or  
4           state regulations unrelated to a specific illness,  
5           injury or condition of the insured, including, but not  
6           limited to, those related to continuation of benefits  
7           found in Article 45 of the Oklahoma Insurance Code;  
8           and

9           15. "Total eligible employees" means two hundred or more  
10          eligible employees.

11          SECTION 3.        NEW LAW        A new section of law to be codified  
12          in the Oklahoma Statutes as Section 4523 of Title 36, unless there  
13          is created a duplication in numbering, reads as follows:

14          A. Each Health Insurance Purchasing Group (HIPG) shall be a  
15          nonprofit corporation operated under the direction of a board of  
16          directors, which is composed of five (5) representatives of eligible  
17          employers.

18          B. Each HIPG shall be composed of at least two hundred eligible  
19          employees from one or more eligible employers.

20          1. A HIPG shall have twelve (12) months from the time of  
21          formation to reach the level of two hundred eligible employees.

22          2. At the time of formation, the HIPG shall have at least  
23          fifty-one eligible employees.

1 C. Upon the failure of a HIPG to maintain the required size  
2 restrictions described in subsection B of this section, the HIPG  
3 shall notify the Commissioner in writing that the HIPG does not  
4 comply with the size requirements. The HIPG may then continue to  
5 operate the health benefit plan for its members but shall within  
6 sixty (60) calendar days comply with the size requirements of this  
7 section, or within a time period as determined by the Commissioner.

8 D. Upon the failure of the HIPG to maintain size requirements as  
9 required under subsection C of this section, after sixty (60)  
10 calendar days, or after the time period determined by the  
11 Commissioner, the HIPG may then be terminated following notice and  
12 hearing before the Commissioner.

13 E. 1. Subject to the provisions of this act, a HIPG shall  
14 permit any eligible employer, which meets the membership  
15 requirements of the HIPG, to contract with the HIPG for the purchase  
16 of a health benefits plan for its eligible employees and dependents  
17 of those eligible employees.

18 2. The HIPG may not vary conditions of eligibility, including  
19 premium rates and membership fees, for any employer meeting the  
20 membership requirements of the HIPG, nor may it vary conditions of  
21 eligibility for any employee to qualify for a HIPG health benefits  
22 plan offered to the eligible employer by the HIPG.

1           3. A HIPG may not require a contract under this subsection  
2 between a HIPG and a purchaser to be effective for a period of  
3 longer than twelve (12) months.

4           4. This shall not be construed to prevent a contract from being  
5 extended for additional twelve-month periods or preventing the  
6 purchaser from voluntarily electing a contract period of longer than  
7 twelve (12) months.

8           5. A contract shall provide that the purchaser agrees not to  
9 obtain or sponsor a health benefits plan, on behalf of any eligible  
10 employees and their dependents, other than through the HIPG. This  
11 shall not be construed to apply to an eligible individual who  
12 resides in an area for which no coverage is offered by a HIPG health  
13 carrier.

14           F. 1. Under rules established to carry out this act, with  
15 respect to an eligible employer that has a purchaser contract with a  
16 HIPG, individuals who are eligible employees of an eligible employer  
17 may enroll for a health benefits plan offered by a HIPG health  
18 carrier.

19           2. The health benefits plan may include coverage for dependents  
20 of the enrolling employees, if this coverage is offered.

21           3. The employees may enroll for health benefits provided  
22 through their employer's contract with a HIPG.

1 G. A HIPG shall not deny enrollment as a member to an  
2 individual who is an eligible employee, or dependent of an employee  
3 qualified to be enrolled based on health-status-related factors,  
4 except as may be permitted by law.

5 H. In the case of members enrolled in a health benefits plan  
6 offered by a HIPG health carrier, the HIPG shall provide for an  
7 annual open enrollment period of thirty (30) calendar days during  
8 which the members may change the coverage option in which the  
9 members are enrolled.

10 I. 1. Nothing in this section shall preclude a HIPG from  
11 establishing rules of employee eligibility for enrollment and  
12 reenrollment of members during the annual open enrollment period  
13 under subsection H of this section.

14 2. The rules shall be applied consistently to all purchasers  
15 and members within the HIPG and shall not be based in any manner on  
16 health-status-related factors and shall not conflict with sections  
17 of this act.

18 J. 1. Each HIPG shall annually file a report with the  
19 Commissioner to be reviewed for approval. The report shall include:

- 20 a. a description of its plan of operation including each  
21 of the products it intends to sell,  
22 b. a description of its marketing methods and materials,  
23 and

1           c.    a description of its membership and disclosure  
2                    requirements, or other information as required by the  
3                    Commissioner through rules and regulations.

4           2.    The annual filing required shall be deemed approved upon  
5   expiration of a sixty-day waiting period unless, prior to the end of  
6   the period, it has been affirmatively approved or disapproved by the  
7   Commissioner.   The Commissioner may extend the period to approve or  
8   disapprove the annual filing by not more than an additional thirty  
9   (30) days by giving notice of such extension before expiration of  
10  the initial sixty-day period.   At the expiration of an extended  
11  period, the annual filing shall be deemed approved unless otherwise  
12  approved or disapproved by the Commissioner.   The Commissioner may  
13  at any time, after notice and for cause shown, withdraw approval of  
14  an annual report.

15          K.    Each HIPG shall be considered a large group for purposes of  
16  application of the Oklahoma Insurance Code to the activities and  
17  health benefit plans of the HIPG, unless stated otherwise in this  
18  act.

19          SECTION 4.        NEW LAW        A new section of law to be codified  
20  in the Oklahoma Statutes as Section 4524 of Title 36, unless there  
21  is created a duplication in numbering, reads as follows:

22          A.    Each Health Insurance Purchasing Group (HIPG), in  
23  conjunction with a HIPG health carrier, shall make available a



1 health benefits plan in the manner described in this section to all  
2 eligible employers and eligible employees at rates, including  
3 employers' and employees' shares, on a policy- or product-specific  
4 basis which may vary only as permitted under law.

5 B. Subject to subsection C of this section, a HIPG shall not  
6 offer a health benefit plan which unfairly discriminates against  
7 eligible employees.

8 C. Nothing in this act shall be construed as requiring a HIPG  
9 health carrier to provide coverage outside the service area of the  
10 insurer or organization.

11 D. Each HIPG shall provide a health benefits plan only through  
12 contracts with HIPG health carriers and shall not assume insurance  
13 risk with respect to the coverage.

14 E. Except as provided in this act, the HIPG may develop or  
15 offer a health benefits plan for its members, in whole or in part,  
16 not subject to state-mandated health benefits.

17 F. The HIPG shall offer at least two types of plans to its  
18 members, including one plan providing a choice of deductibles with  
19 state-mandated health benefits.

20 G. The HIPG may also offer a health benefits plan not subject  
21 to state-mandated health benefits which does not contain standard  
22 provisions or rights required to be present in a health benefits  
23 plan pursuant to law or regulations unrelated to a specific illness,

1 injury or condition of the insured, for the provisions as may be  
2 determined by rules and regulations of the Commissioner.

- 3 H. 1. Every health benefits plan offered through a HIPG shall:
- 4 a. be underwritten by a HIPG health carrier that:
    - 5 (1) is licensed or otherwise regulated under state  
6 law,
    - 7 (2) meets all applicable state standards relating to  
8 consumer protection, including, but not limited  
9 to, state solvency and market conduct, and
    - 10 (3) offers the coverage under an approved contract  
11 with the HIPG,
  - 12 b. be approved or otherwise permitted to be offered under  
13 law,
  - 14 c. provide full portability of creditable coverage for  
15 individuals who remain members of the same HIPG  
16 notwithstanding that they change the eligible employer  
17 through which they are members, and
  - 18 d. comply with the provisions of the Oklahoma Insurance  
19 Code in their sales and solicitation of insurance  
20 including, but not limited to, the Trade Practices  
21 Act, and to the degree that an agent is involved in  
22 the solicitation, sale or purchase of a health  
23 benefits plans offered to a HIPG, that agent must be

1           duly licensed by the State Insurance Department and  
2           hold a valid license to transact the business of  
3           insurance.

4           2.    a.   Any agent referenced in subparagraph d of paragraph 1  
5               of this subsection shall be required to obtain at  
6               least two (2) hours of continuing education on a HIPG  
7               or the plans the HIPG sponsors each year, or both.

8               b.   This requirement shall be considered as part of the  
9               continuing education requirements provided in the  
10              Oklahoma Insurance Code and shall not preempt or  
11              conflict with those provisions.

12           I.   A HIPG shall be exempt from the requirements of the Small  
13   Employer Health Insurance Reform Act.

14           J.   Nothing in this act shall be construed as precluding a HIPG  
15   health carrier from offering a health benefits plan through a HIPG  
16   by establishing premium discounts for members, or from modifying  
17   otherwise applicable copayments or deductibles in return for  
18   adherence to programs of health promotion and disease prevention, so  
19   long as the programs are agreed to in advance by the HIPG and comply  
20   with all other provisions of this act and do not discriminate among  
21   similarly situated members.

1 SECTION 5. NEW LAW A new section of law to be codified  
2 in the Oklahoma Statutes as Section 4525 of Title 36, unless there  
3 is created a duplication in numbering, reads as follows:

4 A. Each Health Insurance Purchasing Group (HIPG) shall file  
5 forms as may be described by rules and regulations of the  
6 Commissioner.

7 B. Each HIPG health carrier shall file the health benefits plan  
8 to be issued to a HIPG pursuant to Article 36 of the Oklahoma  
9 Insurance Code.

10 C. Each HIPG health carrier, which develops or offers a health  
11 benefits plan for a HIPG that is a limited benefit plan not subject  
12 to state-mandated health benefits, shall specify on the face page of  
13 the policy and certificate, printed in ten-point or larger type, a  
14 statement that clearly indicates in substance the following:

15 "IMPORTANT NOTICE: This policy is a limited benefit contract  
16 which has been established by a Health Insurance Purchasing Group  
17 (HIPG). It may not contain mandated benefits found under Oklahoma  
18 Insurance Laws. READ YOUR POLICY CAREFULLY."

19 SECTION 6. NEW LAW A new section of law to be codified  
20 in the Oklahoma Statutes as Section 4526 of Title 36, unless there  
21 is created a duplication in numbering, reads as follows:

22 A. Each Health Insurance Purchasing Group (HIPG) may provide  
23 administrative services for its members. The services may include,

1 but are not limited to, accounting, billing, enrollment information,  
2 and employee coverage status reports.

3 B. The HIPG may delegate or contract its billing and other  
4 administrative duties to a third-party administrator as defined  
5 under Article 14B of the Oklahoma Insurance Code.

6 C. 1. Nothing in this section shall be construed as preventing  
7 a HIPG from serving as an administrative service organization to any  
8 entity.

9 2. Each HIPG shall collect and disseminate or arrange for the  
10 collection and dissemination of consumer-oriented information on the  
11 scope, cost, and enrollee satisfaction of all coverage options  
12 offered through the HIPG to its members.

13 3. The information shall be defined by the HIPG and shall be in  
14 a manner appropriate to the type of coverage offered.

15 4. To the extent practicable, the information shall include  
16 information on provider performance, locations, and hours of  
17 operation of providers, outcomes, and similar matters.

18 5. Nothing in this section shall be construed as preventing the  
19 dissemination of the information or other information by the HIPG or  
20 by the health care insurer through electronic or other means.

21 D. The contract between a HIPG and a HIPG health carrier shall  
22 provide that the HIPG may collect premiums on behalf of the issuer

1 for coverage, less a predetermined administrative charge negotiated  
2 by the HIPG and the issuer.

3 SECTION 7. NEW LAW A new section of law to be codified  
4 in the Oklahoma Statutes as Section 4527 of Title 36, unless there  
5 is created a duplication in numbering, reads as follows:

6 A. A member of a board of directors of a Health Insurance  
7 Purchasing Group (HIPG) shall not serve as an employee or paid  
8 consultant to the HIPG, but may receive reasonable reimbursement for  
9 travel expenses for purposes of attending meetings of the board or  
10 committees thereof.

11 B. An individual is not eligible to serve in a paid or unpaid  
12 capacity on the board of directors of a HIPG or as an employee of  
13 the HIPG, if the individual is employed by, represents in any  
14 capacity, owns, or controls any ownership interest in an  
15 organization from whom the HIPG receives contributions, rents, or  
16 other funds not connected with a contract for coverage through the  
17 HIPG.

18 C. An individual who is serving on a board of directors of a  
19 HIPG as a representative described in subsection B of this section  
20 shall not be employed by or affiliated with a HIPG health carrier.  
21 For purposes of this subsection, the term "affiliated" does not  
22 include membership in a health benefits plan or the obtaining of  
23 health benefits coverage offered by a HIPG health carrier.

1 SECTION 8. NEW LAW A new section of law to be codified  
2 in the Oklahoma Statutes as Section 4528 of Title 36, unless there  
3 is created a duplication in numbering, reads as follows:

4 A. Nothing in this act shall be construed as preventing one or  
5 more Health Insurance Purchasing Groups (HIPG) from serving  
6 different areas, whether or not contiguous, by providing for some or  
7 all of the following through a single administrative organization or  
8 otherwise:

9 1. Coordinating the offering of the same or similar health  
10 benefits coverage in different areas served by the different HIPG;  
11 or

12 2. Providing for crediting of deductibles and other cost-  
13 sharing for individuals who are provided a health benefits plan  
14 through the HIPG or affiliated HIPG after:

- 15 a. a change of eligible employers through which the  
16 coverage is provided, or  
17 b. a change in place of employment to an area not served  
18 by the previous HIPG.

19 B. No HIPG health carrier shall be required to offer HIPG  
20 health benefits plans, or health benefits plans not subject to  
21 state-mandated health benefits, to non-HIPG organizations,  
22 associations, or employer groups, including but not limited to the  
23 small employer health insurance group marketplace in this state.

1 C. Nothing in this act shall be construed as precluding a HIPG  
2 from providing for adjustments in amounts distributed among the HIPG  
3 health carriers offering a health benefits plan through the HIPG,  
4 based on factors such as the relative health care risk of members  
5 enrolled under the coverage offered by the different issuers.

6 D. Nothing in this act shall be construed as precluding a HIPG  
7 from establishing minimum participation and contribution rules for  
8 eligible employers that apply to become purchasers in the HIPG, so  
9 long as the rules are applied uniformly for all HIPG health  
10 carriers.

11 E. The HIPG may determine what rating characteristics it will  
12 allow in the health benefit plan including, but not limited to, age,  
13 sex, industry, geography, or health.

14 F. If health is used as a rating characteristic, then the rates  
15 for the groups having two through fifty members will be subject to  
16 the small employer group rating law as required in the Small  
17 Employer Health Insurance Reform Act but may be considered separate  
18 from any small groups sold outside the HIPG.

19 SECTION 9. NEW LAW A new section of law to be codified  
20 in the Oklahoma Statutes as Section 4529 of Title 36, unless there  
21 is created a duplication in numbering, reads as follows:

22 The Commissioner may promulgate rules necessary to implement the  
23 provisions of this act.



1 SECTION 10. This act shall become effective November 1, 2002.  
2 COMMITTEE REPORT BY: COMMITTEE ON JUDICIARY, dated 4-2-02 - DO PASS,  
3 As Amended.