THE SINGLE HEALTH CARE VOLUNTARY PURCHASING ALLIANCE MODEL ACT

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Purpose and Intent

This Act shall be known as the Single Health Care Voluntary Purchasing Alliance Model Act.

The purpose of this Act is to improve the fairness, efficiency and competition in the pricing and delivering of health care coverage for employers with no more than [insert number] employees. It does so by allowing for the establishment by the state of a centralized purchasing entity (purchasing alliance) through which eligible small employers, and self-employed individuals can purchase health coverage. Another goal is to avoid jurisdictional confusion and unnecessary and expensive bureaucracy within the purchasing alliance and state government by clarifying the respective roles and jurisdiction of existing regulatory agencies and the purchasing alliance. This Act provides a mechanism for small employers to join together solely for the purpose of procuring health insurance and operates as an exception to existing false group or fictitious group laws. In addition, the intent of the Act is to avoid creating an undue burden on small employers when purchasing health care coverage through the purchasing alliance.

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B. A person or entity not established under this Act as a purchasing alliance and engaged in the purchase, sale, marketing or distribution of health insurance or health care benefit plans shall not hold itself out as an alliance, health insurance purchasing alliance, purchasing alliance or health insurance purchasing cooperative, or otherwise use a confusing similar name.

C. Nothing in this Act shall be deemed to be in conflict with or in limitation of the duties and powers granted to the commissioner under the laws of this state.

D. The board shall report to the commissioner suspected or alleged law violations.

E. Violations of this Act shall be subject to the penalties contained in Sections [insert sections of state law penalty provisions].

Drafting Note: The range of regulatory actions, processes, 1h (rt)-hon (a)lg (a)03-i4Å.6 (o)4.eyJ0 3 ( )3MC5i4Å.61e1ot4 (e)-.3 (h)1 (e)s0.7 (gp-.3 (h)1 (

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E. The term for members appointed to serve on the board is four (4) years, except that the initial terms of one employee and one employer appointed by the governor, one employee appointed by the Senate and one employer appointed by the House shall expire two (2) years after the effective date of this Act. The initial term of the board shall commence on the effective date of this Act.

F. At the end of a term, a member shall continue to serve until a successor is appointed. A member who is appointed after a term has begun serves only for the remainder of the term and until a successor is appointed.

G. The board shall elect officers biennially.

H. The board shall meet at least quarterly at the times and places it determines. The meeting and procedures shall be governed by the procedures and policies set forth in [insert citation to open meetings law]. A majority of the fully authorized membership of the board is a quorum.

I. No board members or members of their households nor the executive director may be employed by, be a consultant for, be a member of the board of directors of, be affiliated with an agent of, or otherwise be a representative of a carrier or other insurer, a health care provider or agent or broker. This provision shall not preclude a board member from purchasing coverage through the alliance.

J. The executive director and board members shall be subject to the provisions of [insert section of state law which controls the ethics of public officials].

Drafting Note: States should review their ethics laws to ensure prohibition or limitation on the amount of stock that the executive director and board members can own in the entities described in Section 3J. If no prohibition or limitation exists, a state should consider drafting language to do so.

K. No cause of action or liability of any nature or kind shall arise against a member of the board, or its employees or agents, for any action taken in good faith by them in the performance of their powers and duties as defined in Sections 4 and 5.

Section 4. Powers of the Board

A. The board may do the following:

(1) Enter into contracts with participating carriers to provide health benefits to eligible employees and their dependents. The board shall not be required to specify the amounts encumbered for each contract, but may allocate funds to each contract based on projected and actual subscriber enrollments. The board may establish performance standards for specific contractual elements and penalties for failure to fulfill contractual obligations;

Drafting Note: This does not address the board's inherent power to cancel a contract in response to a participating carrier's breach of contract.

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(10) Assess member small employers a reasonable fee for costs incurred or anticipated in connection with the operation of the purchasing alliance;

(11) Undertake activities necessary to administer the purchasing alliance, including marketing and publicizing the purchasing alliance, and assuring participating carrier, small employer, and enrollee compliance with purchasing alliance requirements;

(12) Establish conditions and procedures for participation of:

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(6) Specify in contracts with participating carriers how all premiums will be transmitted together with inclusion of appropriate language for penalties and grace periods on late payments of premiums;

(7) Contract with at least three (3) unaffiliated carriers in each regional service area to ensure that enrollees have a choice from among a reasonable number of differing types of competing carriers and health benefit plans that include the basic and standard health benefits plans required by [cite small employer health insurance availability law]. The commissioner may, upon a showing of good cause, waive the requirement to have at least three (3) unaffiliated participating carriers throughout all portions of the regional service areas;

Drafting Note: Coverage through the purchasing alliance of employees who work and reside outside of the state can create administrative problems due to the application of other states' extraterritorial mandated benefit laws. Moreover, many participating carriers, notably local HMOs, will not be able to provide coverage for out-of-state residents in any event. The purchasing alliance may wish to address this by issuing a separate request for proposal for the purpose of contracting with carriers to provide out-of-state coverage.

(8) Develop standard enrollment procedures to be used by the purchasing alliance;

(9) Publish educational materials, plan descriptions and comparison sheets describing participating carriers and the health benefit plans available through the purchasing alliance for use in enrolling small employers and their eligible employees;

Drafting Note: The NAIC is in the process of evaluating standards and reporting measures that might be used in comparison guides. A number of accrediting organizations and other groups are also developing report cards that might be considered for inclusion under this Act.

(10) Establish conditions for participation of small employers that conform to the requirements of this Act and Section [insert reference to small employer health insurance availability law] and that include, but are not limited to, assurances that the small employer is a bona fide employer group. The board shall specify in contracts with member small employers that the purchasing alliance will be the master contract holder of the health benefit plan policy on behalf of member small employers and enrollees. These contracts shall also provide that all eligible employees of the small employer who obtain coverage under the health benefit plan offered by the small employer must obtain coverage through the purchasing alliance;

(11) In enrolling member small employers, the purchasing alliance shall provide that each eligible employee is permitted to enroll in any health benefit plan offered by any participating carrier so long as the health benefit plan provides coverage where he or she works or lives;

(12) Request from the commissioner certification that all participating carriers are in good standing and licensed as small group carriers as set forth in Section [insert reference to small employer health insurance availability law], and that the carriers satisfy the financial requirements established under Section [insert reference to capital and surplus law];

(13) Receive, review and act, as appropriate, on grievances by member small employers or enrollees;

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(14) Review information and recommendations from consumers, employers, participating carriers or health care providers and other sources. After the review, the board may issue reports or otherwise make recommendations to improve the delivery or purchase of health care benefits;

(15) Establish administrative and accounting procedures for operating the purchasing alliance and for providing services to member small employers and enrollees;

(16) Prepare an annual report on the operations of the purchasing alliance for the

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the performance of participating carriers and their provider networks by consumers, providers, employers and the state. In formulating data collection standards, the board may use standards based on, and consistent with, existing state, National Association of Insurance Commissioniait

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Section 6. Requirements for Participating Carriers

A. In order to be eligible to be a participating carrier, a carrier must be able to satisfactorily demonstrate to the board the following operating characteristics:

(1) That they are licensed, approved as a small employer carrier, and in good standing with the commissioner;

(2) The ability to administer a health benefit plan, to provide adequate service and to comply with all contractual requirements of the purchasing alliance;

(3) The ability to provide enrollees with reasonable access to covered services;

(4) The ability to arrange and pay for the appropriate quality, level and type of health care services;

(5) The ability to provide data required by the board, including information on enrollee satisfaction, including standard surveys as may be prescribed by the board and to meet reasonable satisfaction measures as may be established by the board;

(6) The ability to provide standard data elements in a manner prescribed by the board;

(7) The ability to meet quality of care standards established by the commissioner and other relevant regulators;

(8) Strong financial condition;

(9) Adequate administrative management;

(10) A procedure to address enrollee grievances and appeals;

(11) The ability to achieve satisfactory enrollment levels within the service area in which the carrier is licensed; and

(12) All other criteria established by the board.

B. In evaluating which carriers may participate in the purchasing alliance, the board shall consider, among other factors:

(1) Minimum regional service area and participation requirements, maximum thresholds for premium rates, and standards for determining whether a carrier operates efficiently;

(2) The ability of a carrier to provide services within a regional service area;

(3) Pricing and the competitiveness of each bid from a carrier; and

(4) The effect of contracting with additional carriers on the administrative costs of the purchasing alliance and member small employers, the efficiency of the purchasing alliance, and the competitiveness of the premiums that will be paid to participating carriers.

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from writing new business through the alliance for a period of three (3) years from the date of the notice to the purchasing alliance or until the purchasing alliance, with the concurrence of the commissioner, invites the former participating carrier to renew participation, whichever is sooner.

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