

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 84th General Assembly  
3 Regular Session, 2003  
4

*As Engrossed: S3/6/03 S3/26/03*

# A Bill

Act 1358 of 2003  
HOUSE BILL 1343

5 By: Representative Napper  
6  
7

## For An Act To Be Entitled

9 AN ACT TO AMEND THE SMALL EMPLOYER HEALTH  
10 INSURANCE PURCHASING GROUP ACT; AND FOR OTHER  
11 PURPOSES.  
12

## Subtitle

13 AN ACT TO AMEND THE SMALL EMPLOYER  
14 HEALTH INSURANCE PURCHASING GROUP ACT.  
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16  
17

18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
19

20 SECTION 1. Arkansas Code § 23-86-503 is amended to read as follows:

21 23-86-503. Health insurance purchasing group organization  
22 requirements.

23 (a) Each health insurance purchasing group shall be a nonprofit  
24 corporation operated under the direction of a board of directors which is  
25 composed of five (5) representatives of eligible employers.

26 (b)(1)(A) Each health insurance purchasing group shall be composed of  
27 at least five hundred (500) eligible employees from one (1) or more eligible  
28 employers.

29 (B) However, a health insurance purchasing group shall  
30 have twelve (12) months from the time of formation to reach the level of five  
31 hundred (500) eligible employees.

32 (C) At the time of formation, the health insurance  
33 purchasing group shall have at least one hundred (100) eligible employees.

34 (2)(A) Upon the failure of a health insurance purchasing group  
35 to maintain the required size restrictions described in this subsection, the  
36 health insurance purchasing group shall notify the Insurance Commissioner in



1 writing that the health insurance purchasing group does not comply with the  
2 size requirements under subdivision (b)(1) of this section.

3 (B) The health insurance purchasing group may then  
4 continue to operate the health benefits plan for its members, but shall  
5 within sixty (60) calendar days comply with the size requirements of this  
6 section, or within a time period as determined by the commissioner.

7 (C) Upon the failure of the health insurance purchasing  
8 group to maintain size requirements as required under this section, after  
9 sixty (60) calendar days or after the time period determined by the  
10 commissioner, the health insurance purchasing group may then be terminated  
11 following notice and hearing before the commissioner.

12 (c)(1)(A) Subject to the provisions of this subchapter, a health  
13 insurance purchasing group shall permit any eligible employer, which meets  
14 the membership requirements of the health insurance purchasing group, to  
15 contract with the health insurance purchasing group for the purchase of a  
16 health benefits plan for its eligible employees and dependents of those  
17 eligible employees.

18 (B) The health insurance purchasing group may not vary  
19 conditions of eligibility, including premium rates and membership fees, for  
20 any employer meeting the membership requirements of the health insurance  
21 purchasing group, nor may it vary conditions of eligibility for any employee  
22 to qualify for a health insurance purchasing group health benefits plan  
23 offered to the eligible employer by the group health insurance purchasing  
24 group.

25 ~~(2)(A) A health insurance purchasing group may not require a~~  
26 ~~contract under this subsection between a health insurance purchasing group~~  
27 ~~and a purchaser to be effective for a period of longer than twelve (12)~~  
28 ~~months.~~

29 ~~(B) This shall not be construed to prevent a contract from~~  
30 ~~being extended for additional twelve month periods or preventing the~~  
31 ~~purchaser from voluntarily electing a contract period of longer than twelve~~  
32 ~~(12) months.~~

33 ~~(3)(2)(A)~~ A contract shall provide that the purchaser agrees not  
34 to obtain or sponsor a health benefits plan on behalf of any eligible  
35 employees and their dependents other than through the health insurance  
36 purchasing group.

1 (B) This shall not be construed to apply to an eligible  
2 individual who resides in an area for which no coverage is offered by a  
3 health insurance purchasing group health carrier.

4 ~~(4)~~(3)(A)(i) Under rules established to carry out this  
5 subchapter, with respect to an eligible employer that has a purchaser  
6 contract with a health insurance purchasing group, individuals who are  
7 eligible employees of an eligible employer may enroll for a health benefits  
8 plan offered by a health insurance purchasing group health carrier.

9 (ii) This may include coverage for dependents of the  
10 enrolling employees, if this coverage is offered.

11 (B) The employees may enroll for health benefits provided  
12 through their employer's contract with a health insurance purchasing group.

13 ~~(5)~~(4) A health insurance purchasing group shall not deny  
14 enrollment as a member to an individual who is an eligible employee or  
15 dependent of an employee qualified to be enrolled based on health status-  
16 related factors, except as may be permitted by law.

17 ~~(6)~~(5) In the case of members enrolled in a health benefits plan  
18 offered by a health insurance purchasing group health carrier, the health  
19 insurance purchasing group shall provide for an annual open enrollment period  
20 of thirty (30) calendar days during which the members may change the coverage  
21 option in which the members are enrolled.

22 ~~(7)~~(6)(A) Nothing in this subsection shall preclude a health  
23 insurance purchasing group from establishing rules of employee eligibility  
24 for enrollment and re-enrollment of members during the annual open enrollment  
25 period under subdivision (c)(6) of this section.

26 (B) The rules shall be applied consistently to all  
27 purchasers and members within the health insurance purchasing group and shall  
28 not be based in any manner on health status-related factors and shall not  
29 conflict with sections of this subchapter.

30 (d)(1) Each health insurance purchasing group shall annually file with  
31 the commissioner:

32 (A) A description of its plan of operation, including each  
33 of the products it intends to sell;

34 (B) A description of its marketing methods and materials;  
35 and

36 (C) A description of its membership and disclosure

1 requirements or other information as required by the commissioner through  
2 rules and regulations.

3 (2) The plan of operation filed with the commissioner by the  
4 health insurance purchasing group pursuant to this subsection shall be deemed  
5 approved sixty (60) calendar days after the date of filing, unless additional  
6 time is requested by the commissioner to review the plan.

7 (e) Each health insurance purchasing group shall be considered a large  
8 group for purposes of application of the Arkansas Insurance Code, § 23-60-101  
9 et seq., to the activities and health benefit plans of the health insurance  
10 purchasing group, unless stated otherwise in this subchapter.

11 (f) No purchaser, health insurance purchasing group, health  
12 maintenance organization, or health insurer providing coverage to a health  
13 insurance purchasing group, shall be subject to any provisions in §§ 26-57-  
14 601 through 26-57-616 for insurance premiums collected for health benefit  
15 plans of health insurance purchasing groups.

16  
17 SECTION 2. Arkansas Code § 23-86-504(e) and (f), concerning health  
18 insurance purchasing group benefits coverage requirements, is amended to read  
19 as follows:

20 (e) Except as provided in this subchapter, the health insurance  
21 purchasing group may ~~develop or offer a~~ provide a health benefits plan ~~for~~  
22 ~~its members,~~ in whole or in part, not subject to state-mandated health  
23 benefits, except those required in the Arkansas Health Insurance Portability  
24 and Accountability Act of 1997, § 23-86-301 et seq.

25 (f) The health insurance purchasing group shall offer at least two (2)  
26 types of plans ~~to its members,~~ including one (1) plan providing a choice of  
27 deductibles with state-mandated health benefits.

28  
29 SECTION 3. Arkansas Code § 23-86-505 is amended to read as follows:

30 23-86-505. Notice ~~and requirement of eligible employee to reject a~~  
31 ~~state-mandated health benefits plan in writing~~ requirements.

32 ~~(a)(1)~~ In each sale of a health benefits plan to a proposed eligible  
33 employer through a health insurance purchasing group in which the health  
34 insurance purchasing group offers an option to an eligible employer to obtain  
35 a health benefits plan which, either in whole or in part, does not provide  
36 state-mandated health benefits or does not contain standard provisions as may

1 be determined by rules and regulations of the Insurance Commissioner, the  
2 health insurance purchasing group shall+

3 ~~(A) Provide to the proposed eligible employee a written~~  
4 ~~notice as required in subsection (b) to this section; and, after the~~  
5 ~~employer has selected its health benefit plan, provide to each eligible~~  
6 ~~employee of the employer a written notice, in a form and manner as prescribed~~  
7 ~~by rule or regulation promulgated by the commissioner, that one (1) or more~~  
8 ~~mandated benefits are not included in the health benefit plan.~~

9 ~~(B) Obtain from the proposed eligible employee a rejection in writing~~  
10 ~~that the eligible employee has rejected a health benefits plan providing~~  
11 ~~state mandated health benefits or standard provisions.~~

12 ~~(2) The signed rejection required in subdivision (a)(1) of this~~  
13 ~~section shall also include a listing of the standard provisions and state-~~  
14 ~~mandated health benefits rejected by the insured or eligible employee.~~

15 ~~(b) The written notice required in subsection (a) of this section~~  
16 ~~shall state in the written application or enrollment form to the eligible~~  
17 ~~employee for the health benefits plan the following language in bold type+~~

18 ~~"You have the option to select an alternative health insurance policy~~  
19 ~~or health plan which is not subject to all of the state mandated health~~  
20 ~~benefits, or standard health insurance policy or contract provisions,~~  
21 ~~normally required in insurance policies or contracts in Arkansas. Some~~  
22 ~~examples of state mandated health benefits which may be rejected by you~~  
23 ~~include maternity and newborn coverage, in vitro fertilization, diabetes and~~  
24 ~~pediatric preventative care. In addition, you may be allowed to reject~~  
25 ~~standard insurance contract provisions and rights required by state law to be~~  
26 ~~present in health benefits plans. This alternative health insurance policy or~~  
27 ~~contract may provide a more affordable health insurance policy for you~~  
28 ~~although, at the same time, it may provide you with fewer health benefits~~  
29 ~~coverages than those normally imposed on health insurance policies in~~  
30 ~~Arkansas."~~

31 ~~(c) Upon the failure to provide the written notice or rejection as~~  
32 ~~required in this section, the proposed eligible employee is deemed to have~~  
33 ~~selected a health benefits plan subject to all applicable state mandated~~  
34 ~~health benefits and services and standard provisions and rights required by~~  
35 ~~state law on health benefits plans.~~

36 /s/ Napper

APPROVED: 4/15/2003