

1.1 A bill for an act

1.2 relating to insurance; requiring school districts to obtain employee health
1.3 coverage through the public employees insurance program; imposing a gross
1.4 premiums tax on the program; appropriating money; amending Minnesota
1.5 Statutes 2008, sections 43A.316, subdivisions 9, 10, by adding subdivisions;
1.6 62E.02, subdivision 23; 62E.10, subdivision 1; 62E.11, subdivision 5; 297I.05,
1.7 subdivisions 1, 5; 297I.15, subdivision 3.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2008, section 43A.316, is amended by adding a
1.10 subdivision to read:

1.11 Subd. 3a. **Health improvement programs.** The commissioner, with the approval
1.12 of the school employee insurance committee, is authorized to plan, develop, purchase,
1.13 administer, and evaluate disease management and other programs, strategies, and
1.14 incentives to improve the health and health outcomes of members.

1.15 Sec. 2. Minnesota Statutes 2008, section 43A.316, subdivision 9, is amended to read:

1.16 Subd. 9. **Insurance trust fund.** (a) The insurance trust fund in the state treasury
1.17 consists of deposits of the premiums received from employers participating in the
1.18 program and transfers before July 1, 1994, from the excess contributions holding account
1.19 established by section 353.65, subdivision 7. All money in the fund is appropriated to
1.20 the commissioner to pay insurance premiums, approved claims, refunds, administrative
1.21 costs, and other related ~~service~~ costs, including costs incurred under chapters 62E and
1.22 297I in connection with the school employee insurance program. Premiums paid by
1.23 employers to the fund are exempt from the taxes imposed by chapter 297I, except as
1.24 described in paragraph (b). The commissioner shall reserve an amount of money to cover

2.1 the estimated costs of claims incurred but unpaid. The State Board of Investment shall
2.2 invest the money according to section 11A.24. Investment income and losses attributable
2.3 to the fund must be credited to the fund.

2.4 (b) Notwithstanding paragraph (a), premium revenues collected from the school
2.5 employee insurance program, described in subdivisions 12 and 13, are not exempt from the
2.6 taxes imposed under section 297I.05, subdivisions 1, paragraph (b); and 5, paragraph (b).

2.7 Sec. 3. Minnesota Statutes 2008, section 43A.316, subdivision 10, is amended to read:

2.8 Subd. 10. **Exemption.** (a) The public employee insurance program and, where
2.9 applicable, the employers participating in it are exempt from chapters 60A, 62A, 62C,
2.10 62D, 62E, and 62H, section 471.617, subdivisions 2 and 3, and the bidding requirements
2.11 of section 471.6161.

2.12 (b) Notwithstanding paragraph (a), the school employee insurance program,
2.13 described in subdivisions 12 and 13, is a contributing member of the Minnesota
2.14 Comprehensive Health Association and must pay assessments made by the association on
2.15 the premium revenue attributed to the school employee insurance program, prorated as
2.16 provided in section 62E.11, subdivision 5, paragraph (b).

2.17 Sec. 4. Minnesota Statutes 2008, section 43A.316, is amended by adding a subdivision
2.18 to read:

2.19 Subd. 11. **Definitions.** (a) For purposes of subdivisions 11 to 16, the terms defined
2.20 in this subdivision have the meanings given.

2.21 (b) "Eligible employee" means an employee of a school employer, a dependent of
2.22 such an employee, a retiree, or other person, who is eligible for health insurance coverage
2.23 under the school employer's plan.

2.24 (c) "School Employee Insurance Committee" means the committee created in
2.25 subdivision 14.

2.26 (d) "School employer" means a school district as defined in section 120A.05, service
2.27 cooperative as defined in section 123A.21, intermediate district as defined in section
2.28 136D.01, Cooperative Center for Vocational Education as defined in section 123A.22,
2.29 regional management information center as defined in section 123A.23, or an education
2.30 unit organized under a joint powers agreement under section 471.59.

2.31 Sec. 5. Minnesota Statutes 2008, section 43A.316, is amended by adding a subdivision
2.32 to read:

3.1 Subd. 12. School employee insurance program. The commissioner shall develop
3.2 and administer within the public employees insurance program a separately rated and
3.3 administered program for eligible employees of school employers, to be called the
3.4 school employee insurance program. The initial offerings shall be the PEIP Advantage,
3.5 Advantage Value, and Advantage HSA plans offered by the public employee insurance
3.6 program. Health coverage offered through the school employee insurance program shall
3.7 be made available beginning January 1, 2011.

3.8 Sec. 6. Minnesota Statutes 2008, section 43A.316, is amended by adding a subdivision
3.9 to read:

3.10 Subd. 13. Enrollment; school employee insurance program. (a) A school
3.11 employer that provides health coverage to eligible employees or contributes money to pay
3.12 for all or part of the cost of health coverage for eligible employees, must purchase such
3.13 coverage through the school employee insurance program under subdivision 12. School
3.14 employers described in paragraph (b) may opt out as described in paragraphs (b) to (e).

3.15 (b) Each exclusive representative of employees of a school employer which, on
3.16 January 1, 2010, was individually self-insured or self-insured as a group shall determine
3.17 whether the employees it represents will participate in the school employee insurance
3.18 program, in the same manner described in subdivision 5, paragraph (b). Paragraphs (c),
3.19 (d), and (e) below apply only to school employees of the school employers described in
3.20 this paragraph.

3.21 (c) School employees not represented by an exclusive representative may enter
3.22 the school employee insurance program in the same manner described in subdivision 5,
3.23 paragraph (c).

3.24 (d) School employees who do not enter the program upon first becoming eligible
3.25 for participation are ineligible to participate for four years and must be pooled and rated
3.26 separately from the other enrollees in the school employee insurance program for the
3.27 first four years after entering the program. This paragraph does not apply to a school
3.28 employee upon later becoming a member of a school employee group that has not
3.29 declined participation.

3.30 (e) The decision of an exclusive representative of school employees or, in the case of
3.31 unorganized employees, the decision of a school district, to enter into the school employee
3.32 insurance program is irrevocable and applies to all future years.

3.33 (f) Health coverage provided under the school employee insurance program to a
3.34 retired employee of a school district, or to a dependent of the retired employee, must not

4.1 be reduced as compared to the coverage to which the retired employee or dependent was
4.2 entitled prior to enrollment in the school employee insurance program.

4.3 Sec. 7. Minnesota Statutes 2008, section 43A.316, is amended by adding a subdivision
4.4 to read:

4.5 Subd. 14. **School Employee Insurance Committee.** (a) Notwithstanding any other
4.6 provision of law, all plan design decisions, including all pilot or demonstration programs
4.7 in which school employees participate, must first be developed by the School Employee
4.8 Insurance Committee in consultation with the commissioner or the commissioner's
4.9 designee and other consultants as the committee sees fit. This paragraph does not apply to
4.10 the initial offerings specified in subdivision 12.

4.11 (b) The committee must be composed of 14 members who represent school
4.12 district employees and employers in equal number. The employee representatives shall
4.13 be appointed as follows: four shall be appointed by Education Minnesota, one shall be
4.14 appointed by the Service Employees International Union, one shall be appointed by the
4.15 American Federation of State, County, and Municipal Employees, and one shall be
4.16 appointed by the Minnesota School Employees Association. The seven school employer
4.17 representatives who serve on the School Employee Insurance Committee must be
4.18 appointed by the Minnesota School Boards Association. Members of the committee shall
4.19 be appointed no later than August 1, 2009, and shall serve at the will of the appointing
4.20 organization.

4.21 (c) The School Employee Insurance Committee members are eligible for
4.22 compensation and expense reimbursement under section 15.0575, subdivision 3. In
4.23 addition, the actual salary lost by a committee member or cost charged by an employer of
4.24 a committee member for time missed while performing the duties of a committee member
4.25 must be reimbursed to the committee member.

4.26 Sec. 8. Minnesota Statutes 2008, section 43A.316, is amended by adding a subdivision
4.27 to read:

4.28 Subd. 15. **Reinsurance.** The commissioner may, on behalf of the program,
4.29 participate in an insured or self-insured reinsurance pool.

4.30 Sec. 9. Minnesota Statutes 2008, section 43A.316, is amended by adding a subdivision
4.31 to read:

4.32 Subd. 16. **Nonidentifiable aggregate claims data from past coverage.** Upon
4.33 request by the commissioner, entities that are providing or have provided coverage to

5.1 eligible employees of school employers within two years before the effective date of
5.2 this section, shall provide to the commissioner at no charge nonidentifiable aggregate
5.3 claims data for that coverage. The information must include data relating to employee
5.4 group benefit sets, demographics, and claims experience. Notwithstanding section 13.203,
5.5 Minnesota service cooperatives must comply with this subdivision.

5.6 Sec. 10. Minnesota Statutes 2008, section 62E.02, subdivision 23, is amended to read:

5.7 Subd. 23. **Contributing member.** "Contributing member" means those companies
5.8 regulated under chapter 62A and offering, selling, issuing, or renewing policies or
5.9 contracts of accident and health insurance; health maintenance organizations regulated
5.10 under chapter 62D; nonprofit health service plan corporations regulated under chapter
5.11 62C; community integrated service networks regulated under chapter 62N; fraternal
5.12 benefit societies regulated under chapter 64B; the Minnesota employees insurance
5.13 program established in section 43A.317, effective July 1, 1993; ~~and~~ joint self-insurance
5.14 plans regulated under chapter 62H; and the school employee insurance program created
5.15 under section 43A.316. For the purposes of determining liability of contributing members
5.16 pursuant to section 62E.11 payments received from or on behalf of Minnesota residents
5.17 for coverage by a health maintenance organization ~~or~~, a community integrated service
5.18 network, or the school employee insurance program shall be considered to be accident
5.19 and health insurance premiums.

5.20 Sec. 11. Minnesota Statutes 2008, section 62E.10, subdivision 1, is amended to read:

5.21 Subdivision 1. **Creation and membership; tax exemption.** (a) There is established
5.22 a Comprehensive Health Association to promote the public health and welfare of the state
5.23 of Minnesota with membership consisting of all insurers; self-insurers; fraternal; joint
5.24 self-insurance plans regulated under chapter 62H; the Minnesota employees insurance
5.25 program established in section 43A.317, effective July 1, 1993; the school employee
5.26 insurance program created under section 43A.316, subdivision 12; health maintenance
5.27 organizations; and community integrated service networks licensed or authorized to do
5.28 business in this state.

5.29 (b) The Comprehensive Health Association is exempt from the taxes imposed under
5.30 chapter 297I and any other laws of this state and all property owned by the association
5.31 is exempt from taxation.

5.32 Sec. 12. Minnesota Statutes 2008, section 62E.11, subdivision 5, is amended to read:

6.1 Subd. 5. **Allocation of losses.** (a) Each contributing member of the association shall
6.2 share the losses due to claims expenses of the comprehensive health insurance plan for
6.3 plans issued or approved for issuance by the association, and shall share in the operating
6.4 and administrative expenses incurred or estimated to be incurred by the association
6.5 incident to the conduct of its affairs. Claims expenses of the state plan which exceed
6.6 the premium payments allocated to the payment of benefits shall be the liability of the
6.7 contributing members. Contributing members shall share in the claims expense of the
6.8 state plan and operating and administrative expenses of the association in an amount equal
6.9 to the ratio of the contributing member's total accident and health insurance premium,
6.10 received from or on behalf of Minnesota residents as divided by the total accident and
6.11 health insurance premium, received by all contributing members from or on behalf of
6.12 Minnesota residents, as determined by the commissioner. Payments made by the state
6.13 to a contributing member for medical assistance, MinnesotaCare, or general assistance
6.14 medical care services according to chapters 256, 256B, and 256D shall be excluded when
6.15 determining a contributing member's total premium.

6.16 (b) In making the allocation of losses provided in paragraph (a) in each future year,
6.17 the association's assessment against the school employee insurance program must be
6.18 based on premiums received by the school employee insurance program in that future year
6.19 from the school employers that, on May 1, 2009, were receiving health care coverage
6.20 from a contributing member of the association. The association shall assess the premiums
6.21 paid in each future year by those employers at the same rate as premiums paid to other
6.22 members of the association. For purposes of this calculation, premiums of the program
6.23 used must be net of rate credits and retroactive rate refunds on the same basis as the
6.24 premiums of other association members.

6.25 Sec. 13. Minnesota Statutes 2008, section 297I.05, subdivision 1, is amended to read:

6.26 Subdivision 1. **Domestic and foreign companies.** (a) Except as otherwise provided
6.27 in this section, a tax is imposed on every domestic and foreign insurance company. The
6.28 rate of tax is equal to two percent of all gross premiums less return premiums on all
6.29 direct business received by the insurer or agents of the insurer in Minnesota, in cash or
6.30 otherwise, during the year.

6.31 (b) A tax is imposed on the school employee insurance program enacted under
6.32 section 43A.316, subdivision 12. The rate of tax imposed for each year shall be the rate
6.33 specified in paragraph (a) and shall be assessed upon all gross premiums less return
6.34 premiums on all direct business received in that year, in cash or otherwise, by the school
6.35 employees insurance program from school employers that, on May 1, 2009, were receiving

7.1 health care coverage from an entity that is required to pay the tax under paragraph (a). The
7.2 commissioner shall assess the premiums paid to the school employee insurance program
7.3 by those employers at the same rate paid by entities taxed under paragraph (a).

7.4 Sec. 14. Minnesota Statutes 2008, section 297I.05, subdivision 5, is amended to read:

7.5 Subd. 5. **Health maintenance organizations, nonprofit health service plan**
7.6 **corporations, ~~and~~ community integrated service networks, and the school employee**
7.7 **insurance program.** (a) A tax is imposed on health maintenance organizations,
7.8 community integrated service networks, and nonprofit health care service plan
7.9 corporations. The rate of tax is equal to one percent of gross premiums less return
7.10 premiums on all direct business received by the organization, network, or corporation or
7.11 its agents in Minnesota, in cash or otherwise, in the calendar year.

7.12 (b) A tax is imposed on the school employee insurance program created under
7.13 section 43A.316, subdivision 12. The rate of tax imposed for each year shall be the
7.14 rate specified in paragraph (a) and shall be assessed upon gross premiums less return
7.15 premiums received by the school employee insurance program in that calendar year from
7.16 school employers that, on May 1, 2009, were receiving health care coverage from an
7.17 entity that is required to pay the tax under paragraph (a). The commissioner shall assess
7.18 the premiums paid in each year by those employers at the same rate as premiums paid by
7.19 entities taxed under paragraph (a).

7.20 (c) The commissioner shall deposit all revenues, including penalties and interest,
7.21 collected under this chapter from health maintenance organizations, community integrated
7.22 service networks, ~~and~~ nonprofit health service plan corporations, and the school employee
7.23 insurance program in the health care access fund. Refunds of overpayments of tax
7.24 imposed by this subdivision must be paid from the health care access fund. There is
7.25 annually appropriated from the health care access fund to the commissioner the amount
7.26 necessary to make any refunds of the tax imposed under this subdivision.

7.27 Sec. 15. Minnesota Statutes 2008, section 297I.15, subdivision 3, is amended to read:

7.28 Subd. 3. **Public employees insurance program.** Premiums paid to the public
7.29 employees insurance program under section 43A.316 are exempt from the taxes imposed
7.30 under this chapter, except for premiums paid to the school employee insurance program as
7.31 provided in section 297I.05, subdivisions 1, paragraph (b); and 5, paragraph (b).

7.32 Sec. 16. **APPROPRIATION.**

8.1 (a) \$425,000 is appropriated from the insurance trust fund under Minnesota Statutes,
8.2 section 43A.316, subdivision 9, to the commissioner of Minnesota Management and
8.3 Budget for fiscal year 2010 and \$541,000 for fiscal year 2011 for the administrative
8.4 responsibilities created in this act.

8.5 (b) The commissioner of management and budget shall impose an enrollment
8.6 fee upon the premium charged for the first three months of coverage under the school
8.7 employee insurance program created in this act in the amount of \$106,000 to cover the
8.8 costs incurred by the commissioner under paragraph (a). The commissioner shall deposit
8.9 the enrollment fees in the insurance trust fund.

8.10 Sec. 17. **EFFECTIVE DATE.**

8.11 Sections 1 to 16 are effective for coverage to begin January 1, 2011.