

(SENATE AUTHORS: HANN, Olson and Scheid)

DATE	D-PG	OFFICIAL STATUS
03/07/2011	432	Introduction and first reading Referred to Commerce and Consumer Protection
03/16/2011	512	Comm report: To pass and re-referred to State Government Innovation and Veterans
04/11/2011	1249	Comm report: To pass and re-referred to Taxes

1.1

A bill for an act

1.2

relating to insurance; making changes in the public employee insurance program

1.3

administrated by Minnesota Management and Budget for local government

1.4

employees; requiring that the program pay certain taxes and assessments on

1.5

the same basis as private sector health insurers; amending Minnesota Statutes

1.6

2010, sections 43A.316, subdivisions 9, 10; 62E.02, subdivision 23; 62E.10,

1.7

subdivision 1; 297I.05, subdivision 12; repealing Minnesota Statutes 2010,

1.8

section 297I.15, subdivision 3.

1.9

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

1.10

Section 1. Minnesota Statutes 2010, section 43A.316, subdivision 9, is amended to

1.11

read:

1.12

Subd. 9. **Insurance trust fund.** The insurance trust fund in the state treasury

1.13

consists of deposits of the premiums received from employers participating in the

1.14

program and transfers before July 1, 1994, from the excess contributions holding account

1.15

established by section 353.65, subdivision 7. All money in the fund is appropriated to

1.16

the commissioner to pay insurance premiums, approved claims, refunds, administrative

1.17

costs, and other related ~~service~~ costs, including costs and assessments incurred under

1.18

chapters 62E and 297I in connection with the public employee insurance program.

1.19

Premiums paid by employers to the fund are exempt from the taxes imposed by chapter

1.20

297I, except for those attributable to the public employee insurance program under section

1.21

297I.05, subdivision 12. The commissioner shall reserve an amount ~~of money to cover~~

1.22

~~the estimated costs of claims incurred but unpaid~~ equal to at least two months' claim

1.23

costs. The State Board of Investment shall invest the money according to section 11A.24.

1.24

Investment income and losses attributable to the fund must be credited to the fund.

1.25

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2010, section 43A.316, subdivision 10, is amended to read:

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

(b) Notwithstanding paragraph (a), the public employee insurance program is a contributing member of the Minnesota Comprehensive Health Association and must pay assessments of the association on the gross premium revenue minus any return premiums. Premiums received from the groups that were covered by the public employee insurance program before May 1, 2011, are exempt from paying the assessment so long as the groups maintain continuous coverage in the public employee insurance program.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2010, section 62E.02, subdivision 23, is amended to read:

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

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2010, section 62E.10, subdivision 1, is amended to read:

Subdivision 1. **Creation and membership; tax exemption.** There is established a Comprehensive Health Association to promote the public health and welfare of the state of Minnesota with membership consisting of all insurers; self-insurers; fraternal; joint self-insurance plans regulated under chapter 62H; the Minnesota employees insurance program established in section 43A.317, effective July 1, 1993; the public employee

insurance program established under section 43A.316; health maintenance organizations; and community integrated service networks licensed or authorized to do business in this state. The Comprehensive Health Association is exempt from the taxes imposed under chapter 297I and any other laws of this state and all property owned by the association is exempt from taxation.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2010, section 297I.05, subdivision 12, is amended to read:

Subd. 12. **Other entities.** (a) A tax is imposed equal to two percent of:

(1) gross premiums less return premiums written for risks resident or located in Minnesota by a risk retention group;

(2) gross premiums less return premiums received by an attorney in fact acting in accordance with chapter 71A;

(3) gross premiums less return premiums received pursuant to assigned risk policies and contracts of coverage under chapter 79;

(4) the direct funded premium received by the reinsurance association under section 79.34 from self-insurers approved under section 176.181 and political subdivisions that self-insure; and

(5) gross premiums less return premiums paid to an insurer other than a licensed insurance company or a surplus lines licensee for coverage of risks resident or located in Minnesota by a purchasing group or any members of the purchasing group to a broker or agent for the purchasing group.

(b) A tax is imposed on a joint self-insurance plan operating under chapter 60F. The rate of tax is equal to two percent of the total amount of claims paid during the fund year, with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

(c) A tax is imposed on a joint self-insurance plan operating under chapter 62H. The rate of tax is equal to two percent of the total amount of claims paid during the fund's fiscal year, with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

(d) A tax is imposed equal to the tax imposed under section 297I.05, subdivision 5, on the gross premiums less return premiums on all coverages received by an accountable provider network or agents of an accountable provider network in Minnesota, in cash or otherwise, during the year.

(e) A tax is imposed on the public employee insurance program equal to two percent of the gross premiums less return premiums received by the public employee insurance program in that calendar year. Groups covered by the public employee insurance program

4.1 before May 1, 2011, are exempt from the tax so long as they maintain continuous  
4.2 enrollment in the public employee insurance program.

4.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.4 Sec. 6. **REPEALER.**

4.5 Minnesota Statutes 2010, section 297I.15, subdivision 3, is repealed.

4.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.

APPENDIX  
Repealed Minnesota Statutes: 11-2033

**297L.15 EXEMPTIONS FROM TAX.**

Subd. 3. **Public employees insurance program.** Premiums paid to the public employees insurance program under section 43A.316 are exempt from the taxes imposed under this chapter.