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HOUSE BILL NO. 2024**AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the Governor
on March 30, 2009)

(Patron Prior to Substitute—Delegate Marshall, D.W.)

A BILL to amend and reenact §§ 32.1-102.4, 38.2-4214, and 38.2-4319 of the Code of Virginia and to amend the Code of Virginia by adding sections numbered 38.2-3406.1, 38.2-3406.2, and 38.2-3541.1, relating to increasing the availability of basic health insurance coverage in the Commonwealth.

Be it enacted by the General Assembly of Virginia:

1. That §§ 32.1-102.4, 38.2-4214, and 38.2-4319 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding sections numbered 38.2-3406.1, 38.2-3406.2, and 38.2-3541.1 as follows:

§ 32.1-102.4. Conditions of certificates; monitoring; revocation of certificates.

A. A certificate shall be issued with a schedule for the completion of the project and a maximum capital expenditure amount for the project. The schedule may not be extended and the maximum capital expenditure may not be exceeded without the approval of the Commissioner in accordance with the regulations of the Board.

B. The Commissioner shall monitor each project for which a certificate is issued to determine its progress and compliance with the schedule and with the maximum capital expenditure. The Commissioner shall also monitor all continuing care retirement communities for which a certificate is issued authorizing the establishment of a nursing home facility or an increase in the number of nursing home beds pursuant to § 32.1-102.3:2 and shall enforce compliance with the conditions for such applications which are required by § 32.1-102.3:2. Any willful violation of a provision of § 32.1-102.3:2 or conditions of a certificate of public need granted under the provisions of § 32.1-102.3:2 shall be subject to a civil penalty of up to \$100 per violation per day until the date the Commissioner determines that such facility is in compliance.

C. A certificate may be revoked when:

1. Substantial and continuing progress towards completion of the project in accordance with the schedule has not been made;

2. The maximum capital expenditure amount set for the project is exceeded;

3. The applicant has willfully or recklessly misrepresented intentions or facts in obtaining a certificate; or

4. A continuing care retirement community applicant has failed to honor the conditions of a certificate allowing the establishment of a nursing home facility or granting an increase in the number of nursing home beds in an existing facility which was approved in accordance with the requirements of § 32.1-102.3:2.

D. Further, the Commissioner shall not approve an extension for a schedule for completion of any project or the exceeding of the maximum capital expenditure of any project unless such extension or excess complies with the limitations provided in the regulations promulgated by the Board pursuant to § 32.1-102.2.

E. Any person willfully violating the Board's regulations establishing limitations for schedules for completion of any project or limitations on the exceeding of the maximum capital expenditure of any project shall be subject to a civil penalty of up to \$100 per violation per day until the date of completion of the project.

F. The Commissioner may condition, pursuant to the regulations of the Board, the approval of a certificate (i) upon the agreement of the applicant to provide a level of care at a reduced rate to indigents or accept patients requiring specialized care or (ii) upon the agreement of the applicant to facilitate the development and operation of primary medical care services in designated medically underserved areas of the applicant's service area.

The certificate holder shall provide documentation to the Department demonstrating that the certificate holder has satisfied the conditions of the certificate. If the certificate holder is unable or fails to satisfy the conditions of a certificate, the Department may approve alternative methods to satisfy the conditions pursuant to a plan of compliance. The plan of compliance shall identify a timeframe within which the certificate holder will satisfy the conditions of the certificate, and identify how the certificate holder will satisfy the conditions of the certificate, which may include (i) making direct payments to an organization authorized under a memorandum of understanding with the Department to receive contributions satisfying conditions of a certificate, (ii) making direct payments to a private nonprofit foundation that funds basic insurance coverage for indigents authorized under a memorandum of understanding with the Department to receive contributions satisfying conditions of a certificate, or (iii)

60 other documented efforts or initiatives to provide primary or specialized care to underserved
61 populations. In determining whether the certificate holder has met the conditions of the certificate
62 pursuant to a plan of compliance, only such direct payments, efforts, or initiatives made or undertaken
63 after issuance of the conditioned certificate shall be counted towards satisfaction of conditions.

64 Any person willfully refusing, failing, or neglecting to honor such agreement shall be subject to a
65 civil penalty of up to \$100 per violation per day until the date of compliance.

66 G. For the purposes of this section, "completion" means conclusion of construction activities
67 necessary for the substantial performance of the contract.

68 § 38.2-3406.1. Application of requirements that policies offered by small employers include
69 state-mandated health benefits.

70 A. As used in this section:

71 "Eligible individual" means an individual who is employed by a small employer and has satisfied
72 applicable waiting period requirements.

73 "Health insurance coverage" means benefits consisting of coverage for costs of medical care,
74 whether directly, through insurance or reimbursement, or otherwise, and including items and services
75 paid for as medical care under a group policy of accident and sickness insurance, hospital or medical
76 service policy or certificate, hospital or medical service plan contract, or health maintenance
77 organization contract, which coverage is subject to this title or is provided under a plan regulated
78 under the Employee Retirement Income Security Act of 1974.

79 "Health insurer" means any insurance company that issues accident and sickness insurance policies
80 providing hospital, medical and surgical, or major medical coverage on an expense-incurred basis or a
81 corporation that provides accident and sickness subscription contracts, that is licensed to engage in
82 such business in the Commonwealth, and that is subject to the laws of the Commonwealth that regulate
83 insurance within the meaning of § 514 (b) (2) of the Employee Retirement Income Security Act of 1974
84 (29 U.S.C. § 1144 (b) (2)).

85 "Small employer" means, with respect to a calendar year and a plan year, an employer located in
86 the Commonwealth that employed at least two but not more than 50 eligible individuals on business
87 days during the preceding calendar year and who employs at least two eligible individuals on the date a
88 policy under this section becomes effective.

89 "State-mandated health benefit" means coverage required under this title or other laws of the
90 Commonwealth to be provided in a policy of accident and sickness insurance or a contract for a
91 health-related condition that (i) includes coverage for specific health care services or benefits; (ii)
92 places limitations or restrictions on deductibles, coinsurance, copayments, or any annual or lifetime
93 maximum benefit amounts; or (iii) includes a specific category of licensed health care practitioners from
94 whom an insured is entitled to receive care. "State-mandated health benefit" includes, without limitation,
95 any coverage, or the offering of coverage, of a benefit or provider pursuant to §§ 38.2-3407.5 through
96 38.2-3407.6:1, 38.2-3407.9:01, 38.2-3407.9:02, 38.2-3407.11 through 38.2-3407.11:3, 38.2-3407.16,
97 38.2-3408, 38.2-3411 through 38.2-3414.1, 38.2-3418 through 38.2-3418.14, or § 38.2-4221. For
98 purposes of this article, "state-mandated health benefit" does not include a benefit that is mandated by
99 federal law.

100 B. For the purposes of this section, a group accident and sickness insurance policy providing
101 hospital, medical and surgical, or major medical coverage on an expense-incurred basis, and a group
102 accident and sickness subscription contract providing health insurance coverage for eligible individuals,
103 that is offered, sold, or issued by a health insurer to a small employer:

104 1. Shall not be required to include coverage, or the offer of coverage, for any state-mandated health
105 benefit; and

106 2. May include any, or none, of the state-mandated health benefits as the health insurer and the
107 small employer shall agree.

108 Notwithstanding any provision of this section to the contrary, if any plan authorized by this section
109 includes and offers health care services covered by the plan that may be legally rendered by a health
110 care provider listed in § 38.2-3408, that plan shall allow for the reimbursement of such covered services
111 when rendered by such provider. Unless otherwise provided in this section, this provision shall not
112 require any benefit be provided as a covered service.

113 C. Any application and any enrollment form used in connection with coverage under this section
114 shall prominently disclose that the policy or contract is not required to provide state-mandated health
115 benefits, shall prominently disclose any and all state-mandated health benefits that the policy or
116 subscription contract does not provide, and shall clearly describe all eligibility requirements.

117 D. A policy form or subscription contract issued under this section to a small employer shall
118 prominently disclose any and all state-mandated health benefits that the policy or subscription contract
119 does not provide. Such disclosure shall also be included in certificate forms or other evidences of
120 coverage furnished to each participant. Health insurers proposing to issue forms providing coverage
121 under this section shall clearly disclose the intended purposes for such policies or contracts when

submitting the forms to the Commission for approval in accordance with § 38.2-316.

E. The Commission shall adopt any regulations necessary to implement this section.

§ 38.2-3406.2. Capped benefits under insurance policies and contracts.

Nothing in this chapter or Chapters 35 (§ 38.2-3500 et seq.) or 42 (§ 38.2-4200 et seq.) shall prohibit the offering, sale, or issuance of accident and sickness insurance policies or subscription contracts that cap or limit the total annual or lifetime benefits provided under an accident and sickness insurance policy or subscription contracts at specified dollar amounts.

§ 38.2-3541.1. Continuation following involuntary termination of employment; special circumstances.

A. For purposes of meeting the definition of "COBRA continuation coverage" in Title III of Division B of the American Recovery and Reinvestment Act of 2009, P.L. 111-5 (the Act), employees who are involuntarily terminated during the period beginning September 1, 2008, and ending December 31, 2009, or during any period for which premium assistance is specified by the Act as later amended, shall be offered the option to continue their existing group health insurance coverage subject to the following:

1. Coverage shall continue for a period of up to nine months following the date of (i) involuntary termination for those terminated on or after the date of enactment of this section or (ii) following the date of the notification required pursuant to subdivision 3, contingent upon the involuntarily terminated employee's eligibility for premium assistance under the Act;

2. Premium payments (i) may be paid on a monthly basis to the group policyholder and (ii) shall not exceed 102 percent of the insurer's current premium rate applicable to the group policy;

3. Employers shall provide notification of the availability of continuation under this section as follows:

a. Notification shall be provided to those employees whose employment was terminated on or after September 1, 2008, and prior to February 17, 2009, in accordance with Section 3001 of the Act;

b. Notification shall be provided to those employees whose employment was terminated on or after February 17, 2009, and prior to the date of enactment of this section, no later than 60 days following the date of enactment of this section or the employee's termination, whichever is later; and

c. Notification shall be provided to those employees whose employment was terminated after the date of enactment of this section no later than 30 days following the date of the employee's termination;

4. The employee shall elect this continued coverage no later than 60 days following notification of plan enrollment options; and

5. All other provisions, restrictions and limitations contained in the Act shall apply.

B. The provisions of this section shall only apply to employees of small employers whose group health insurance coverage does not provide for continuation of coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

C. As used in this section, "group health insurance coverage" and "health insurance issuer" shall have the same meaning as provided in § 38.2-3431.

§ 38.2-4214. Application of certain provisions of law.

No provision of this title except this chapter and, insofar as they are not inconsistent with this chapter, §§ 38.2-200, 38.2-203, 38.2-209 through 38.2-213, 38.2-218 through 38.2-225, 38.2-230, 38.2-232, 38.2-305, 38.2-316, 38.2-322, 38.2-400, 38.2-402 through 38.2-413, 38.2-500 through 38.2-515, 38.2-600 through 38.2-620, 38.2-700 through 38.2-705, 38.2-900 through 38.2-904, 38.2-1017, 38.2-1018, 38.2-1038, 38.2-1040 through 38.2-1044, Articles 1 (§ 38.2-1300 et seq.) and 2 (§ 38.2-1306.2 et seq.) of Chapter 13, §§ 38.2-1312, 38.2-1314, 38.2-1315.1, 38.2-1317 through 38.2-1328, 38.2-1334, 38.2-1340, 38.2-1400 through 38.2-1444, 38.2-1800 through 38.2-1836, 38.2-3400, 38.2-3401, 38.2-3404, 38.2-3405, 38.2-3405.1, 38.2-3406.1, 38.2-3406.2, 38.2-3407.1 through 38.2-3407.6:1, 38.2-3407.9 through 38.2-3407.16, 38.2-3409, 38.2-3411 through 38.2-3419.1, 38.2-3430.1 through 38.2-3437, 38.2-3501, 38.2-3502, subdivision 13 of § 38.2-3503, subdivision 8 of § 38.2-3504, §§ 38.2-3514.1, 38.2-3514.2, §§ 38.2-3516 through 38.2-3520 as they apply to Medicare supplement policies, §§ 38.2-3522.1 through 38.2-3523.4, 38.2-3525, 38.2-3540.1, 38.2-3541, 38.2-3541.1, 38.2-3542, 38.2-3543.2, Article 5 (§ 38.2-3551 et seq.) of Chapter 35, §§ 38.2-3600 through 38.2-3607, Chapter 52 (§ 38.2-5200 et seq.), Chapter 55 (§ 38.2-5500 et seq.), Chapter 58 (§ 38.2-5800 et seq.) and § 38.2-5903 of this title shall apply to the operation of a plan.

§ 38.2-4319. Statutory construction and relationship to other laws.

A. No provisions of this title except this chapter and, insofar as they are not inconsistent with this chapter, §§ 38.2-100, 38.2-136, 38.2-200, 38.2-203, 38.2-209 through 38.2-213, 38.2-216, 38.2-218 through 38.2-225, 38.2-229, 38.2-232, 38.2-305, 38.2-316, 38.2-322, 38.2-400, 38.2-402 through 38.2-413, 38.2-500 through 38.2-515, 38.2-600 through 38.2-620, Chapter 9 (§ 38.2-900 et seq.), §§ 38.2-1016.1 through 38.2-1023, 38.2-1057, Article 2 (§ 38.2-1306.2 et seq.), § 38.2-1306.1, § 38.2-1315.1, Articles 3.1 (§ 38.2-1316.1 et seq.), 4 (§ 38.2-1317 et seq.) and 5 (§ 38.2-1322 et seq.) of Chapter 13, Articles 1 (§ 38.2-1400 et seq.) and 2 (§ 38.2-1412 et seq.) of Chapter 14, §§ 38.2-1800 through 38.2-1836, 38.2-3401, 38.2-3405, 38.2-3405.1, 38.2-3407.2 through 38.2-3407.6:1, 38.2-3407.9

183 through 38.2-3407.16, 38.2-3411.2, 38.2-3411.3, 38.2-3411.4, 38.2-3412.1:01, 38.2-3414.1, 38.2-3418.1
184 through 38.2-3418.14, 38.2-3419.1, 38.2-3430.1 through 38.2-3437, 38.2-3500, subdivision 13 of
185 § 38.2-3503, subdivision 8 of § 38.2-3504, §§ 38.2-3514.1, 38.2-3514.2, 38.2-3522.1 through
186 38.2-3523.4, 38.2-3525, 38.2-3540.1, 38.2-3541.1, 38.2-3542, 38.2-3543.2, Article 5 (§ 38.2-3551 et
187 seq.) of Chapter 35, Chapter 52 (§ 38.2-5200 et seq.), Chapter 55 (§ 38.2-5500 et seq.), Chapter 58
188 (§ 38.2-5800 et seq.) and § 38.2-5903 of this title shall be applicable to any health maintenance
189 organization granted a license under this chapter. This chapter shall not apply to an insurer or health
190 services plan licensed and regulated in conformance with the insurance laws or Chapter 42 (§ 38.2-4200
191 et seq.) of this title except with respect to the activities of its health maintenance organization.

192 B. For plans administered by the Department of Medical Assistance Services that provide benefits
193 pursuant to Title XIX or Title XXI of the Social Security Act, as amended, no provisions of this title
194 except this chapter and, insofar as they are not inconsistent with this chapter, §§ 38.2-100, 38.2-136,
195 38.2-200, 38.2-203, 38.2-209 through 38.2-213, 38.2-216, 38.2-218 through 38.2-225, 38.2-229,
196 38.2-232, 38.2-322, 38.2-400, 38.2-402 through 38.2-413, 38.2-500 through 38.2-515, 38.2-600 through
197 38.2-620, Chapter 9 (§ 38.2-900 et seq.), §§ 38.2-1016.1 through 38.2-1023, 38.2-1057, § 38.2-1306.1,
198 Article 2 (§ 38.2-1306.2 et seq.), § 38.2-1315.1, Articles 3.1 (§ 38.2-1316.1 et seq.), 4 (§ 38.2-1317 et
199 seq.) and 5 (§ 38.2-1322 et seq.) of Chapter 13, Articles 1 (§ 38.2-1400 et seq.) and 2 (§ 38.2-1412 et
200 seq.) of Chapter 14, §§ 38.2-3401, 38.2-3405, 38.2-3407.2 through 38.2-3407.5, 38.2-3407.6 and
201 38.2-3407.6:1, 38.2-3407.9, 38.2-3407.9:01, and 38.2-3407.9:02, subdivisions 1, 2, and 3 of subsection F
202 of § 38.2-3407.10, 38.2-3407.11, 38.2-3407.11:3, 38.2-3407.13, 38.2-3407.13:1, and 38.2-3407.14,
203 38.2-3411.2, 38.2-3418.1, 38.2-3418.2, 38.2-3419.1, 38.2-3430.1 through 38.2-3437, 38.2-3500,
204 subdivision 13 of § 38.2-3503, subdivision 8 of § 38.2-3504, §§ 38.2-3514.1, 38.2-3514.2, 38.2-3522.1
205 through 38.2-3523.4, 38.2-3525, 38.2-3540.1, 38.2-3542, 38.2-3543.2, Chapter 52 (§ 38.2-5200 et seq.),
206 Chapter 55 (§ 38.2-5500 et seq.), Chapter 58 (§ 38.2-5800 et seq.) and § 38.2-5903 shall be applicable to
207 any health maintenance organization granted a license under this chapter. This chapter shall not apply to
208 an insurer or health services plan licensed and regulated in conformance with the insurance laws or
209 Chapter 42 (§ 38.2-4200 et seq.) of this title except with respect to the activities of its health
210 maintenance organization.

211 C. Solicitation of enrollees by a licensed health maintenance organization or by its representatives
212 shall not be construed to violate any provisions of law relating to solicitation or advertising by health
213 professionals.

214 D. A licensed health maintenance organization shall not be deemed to be engaged in the unlawful
215 practice of medicine. All health care providers associated with a health maintenance organization shall
216 be subject to all provisions of law.

217 E. Notwithstanding the definition of an eligible employee as set forth in § 38.2-3431, a health
218 maintenance organization providing health care plans pursuant to § 38.2-3431 shall not be required to
219 offer coverage to or accept applications from an employee who does not reside within the health
220 maintenance organization's service area.

221 F. For purposes of applying this section, "insurer" when used in a section cited in subsections A and
222 B of this section shall be construed to mean and include "health maintenance organizations" unless the
223 section cited clearly applies to health maintenance organizations without such construction.

224 **2. That the provisions of § 38.2-3406.2 of the Code of Virginia are declarative of existing law.**

225 **3. That health insurers offering plans pursuant to § 38.2-3406.1 of the Code of Virginia shall**
226 **report annually to the Bureau of Insurance on the number of small employers and individuals**
227 **using plans issued pursuant to such section, the coverage provided, and the cost of premiums and**
228 **out-of-pocket expenses. The Bureau of Insurance shall compile this information and evaluate the**
229 **impact of such plans in a report to be submitted to the Governor and General Assembly on**
230 **August 1, 2010, and August 1, 2011.**

231 **4. That an emergency exists and the provision of this act amending the Code of Virginia by**
232 **adding section numbered 38.2-3541.1 is in force from its passage.**