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SENATE BILL NO. 672

Offered January 10, 2018

Prefiled January 10, 2018

A BILL to amend and reenact §§ 38.2-3406.1 and 38.2-3431 of the Code of Virginia, relating to health insurance; small employers.

 Patron—Deeds

 Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That §§ 38.2-3406.1 and 38.2-3431 of the Code of Virginia are amended and reenacted as follows:

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

A. As used in this section:

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

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

"Health insurer" means any insurance company that issues accident and sickness insurance policies providing hospital, medical and surgical, or major medical coverage on an expense-incurred basis, a corporation that provides accident and sickness subscription contracts, or any health maintenance organization that provides a health care plan that provides, arranges for, pays for, or reimburses any part of the cost of any health care services, that is licensed to engage in such business in the Commonwealth, and that is subject to the laws of the Commonwealth that regulate insurance within the meaning of § 514(b)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1144(b)(2)).

"Small employer" means, with respect to a calendar year and a plan year, an employer located in the Commonwealth that employed an average of at least one but not more than 50 eligible individuals on business days during the preceding calendar year and who employs at least one eligible individual on the date a policy under this section becomes effective *has the same meaning ascribed to the term in § 38.2-3431.*

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

B. Notwithstanding any statute, rule, or regulation to the contrary, and for the purposes of this section, a group accident and sickness insurance policy providing hospital, medical and surgical, or major medical coverage on an expense-incurred basis; a group accident and sickness subscription contract providing health insurance coverage for eligible individuals; and a health care plan that provides, arranges for, pays for, or reimburses any part of the cost of any health care services that is offered, sold, or issued by a health insurer to a small employer:

1. Shall not be required to include coverage, or the offer of coverage, for any state-mandated health benefit, except for:

- a. Coverage for mammograms pursuant to § 38.2-3418.1;
- b. Coverage for pap smears pursuant to § 38.2-3418.1:2;
- c. Coverage for PSA testing pursuant to § 38.2-3418.7; and

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d. Coverage for colorectal cancer screening pursuant to § 38.2-3418.7:1.

2. May include any, or none, of the state-mandated health benefits not otherwise noted in subdivision B 1 as the health insurer and the small employer shall agree.

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

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

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

F. The provisions of this section shall not apply in any instance in which the provisions of this section are inconsistent or in conflict with a provision of Article 6 (§ 38.2-3438 et seq.) of Chapter 34.

§ 38.2-3431. Application of article; definitions.

A. This article applies to group health plans and to health insurance issuers offering group health insurance coverage, and individual policies offered to employees of small employers.

Each insurer proposing to issue individual or group accident and sickness insurance policies providing hospital, medical and surgical or major medical coverage on an expense incurred basis, each corporation providing individual or group accident and sickness subscription contracts, and each health maintenance organization or multiple employer welfare arrangement providing health care plans for health care services that offers individual or group coverage to the small employer market in this Commonwealth shall be subject to the provisions of this article. Any issuer of individual coverage to employees of a small employer shall be subject to the provisions of this article if any of the following conditions are met:

1. Any portion of the premiums or benefits is paid by or on behalf of the employer;

2. The eligible employee or dependent is reimbursed, whether through wage adjustments or otherwise, by or on behalf of the employer for any portion of the premium;

3. The employer has permitted payroll deduction for the covered individual and any portion of the premium is paid by the employer, provided that the health insurance issuer providing individual coverage under such circumstances shall be registered as a health insurance issuer in the small group market under this article, and shall have offered small employer group insurance to the employer in the manner required under this article; or

4. The health benefit plan is treated by the employer or any of the covered individuals as part of a plan or program for the purpose of § 106, 125, or 162 of the United States Internal Revenue Code.

B. For the purposes of this article:

"Actuarial certification" means a written statement by a member of the American Academy of Actuaries or other individual acceptable to the Commission that a health insurance issuer is in compliance with the provisions of this article based upon the person's examination, including a review of the appropriate records and of the actuarial assumptions and methods used by the health insurance issuer in establishing premium rates for applicable insurance coverage.

"Affiliation period" means a period which, under the terms of the health insurance coverage offered by a health maintenance organization, must expire before the health insurance coverage becomes effective. The health maintenance organization is not required to provide health care services or benefits during such period and no premium shall be charged to the participant or beneficiary for any coverage during the period.

1. Such period shall begin on the enrollment date.

2. An affiliation period under a plan shall run concurrently with any waiting period under the plan.

"Beneficiary" has the meaning given such term under section 3(8) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1002 (8)).

"Bona fide association" means, with respect to health insurance coverage offered in this Commonwealth, an association which:

1. Has been actively in existence for at least five years;

- 121 2. Has been formed and maintained in good faith for purposes other than obtaining insurance;
- 122 3. Does not condition membership in the association on any health status-related factor relating to an
- 123 individual (including an employee of an employer or a dependent of an employee);
- 124 4. Makes health insurance coverage offered through the association available to all members
- 125 regardless of any health status-related factor relating to such members (or individuals eligible for
- 126 coverage through a member);
- 127 5. Does not make health insurance coverage offered through the association available other than in
- 128 connection with a member of the association; and
- 129 6. Meets such additional requirements as may be imposed under the laws of this Commonwealth.
- 130 "Certification" means a written certification of the period of creditable coverage of an individual
- 131 under a group health plan and coverage provided by a health insurance issuer offering group health
- 132 insurance coverage and the coverage if any under such COBRA continuation provision, and the waiting
- 133 period if any and affiliation period if applicable imposed with respect to the individual for any coverage
- 134 under such plan.
- 135 "Church plan" has the meaning given such term under section 3(33) of the Employee Retirement
- 136 Income Security Act of 1974 (29 U.S.C. § 1002 (33)).
- 137 "COBRA continuation provision" means any of the following:
- 138 1. Section 4980B of the Internal Revenue Code of 1986(26 U.S.C. § 4980B), other than subsection
- 139 (f)(1) of such section insofar as it relates to pediatric vaccines;
- 140 2. Part 6 of subtitle B of Title I of the Employee Retirement Income Security Act of 1974 (29
- 141 U.S.C. § 1161 et seq.), other than section 609 of such Act; or
- 142 3. Title XXII of P.L. 104-191.
- 143 "Creditable coverage" means with respect to an individual, coverage of the individual under any of
- 144 the following:
- 145 1. A group health plan;
- 146 2. Health insurance coverage;
- 147 3. Part A or B of Title XVIII of the Social Security Act (42 U.S.C. § 1395c or § 1395);
- 148 4. Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), other than coverage consisting
- 149 solely of benefits under section 1928;
- 150 5. Chapter 55 of Title 10, United States Code (10 U.S.C. § 1071 et seq.);
- 151 6. A medical care program of the Indian Health Service or of a tribal organization;
- 152 7. A state health benefits risk pool;
- 153 8. A health plan offered under Chapter 89 of Title 5, United States Code (5 U.S.C. § 8901 et seq.);
- 154 9. A public health plan (as defined in federal regulations);
- 155 10. A health benefit plan under section 5 (e) of the Peace Corps Act (22 U.S.C. § 2504(e)); or
- 156 11. Individual health insurance coverage.
- 157 Such term does not include coverage consisting solely of coverage of excepted benefits.
- 158 "Dependent" means the spouse or child of an eligible employee, subject to the applicable terms of
- 159 the policy, contract or plan covering the eligible employee.
- 160 "Eligible employee" means an employee who works for a small group employer on a full-time basis,
- 161 has a normal work week of 30 or more hours, has satisfied applicable waiting period requirements, and
- 162 is not a part-time, temporary or substitute employee. At the employer's sole discretion, the eligibility
- 163 criterion may be broadened to include part-time employees.
- 164 "Eligible individual" means such an individual in relation to the employer as shall be determined:
- 165 1. In accordance with the terms of such plan;
- 166 2. As provided by the health insurance issuer under rules of the health insurance issuer which are
- 167 uniformly applicable to employers in the group market; and
- 168 3. In accordance with all applicable law of this Commonwealth governing such issuer and such
- 169 market.
- 170 "Employee" has the meaning given such term under section 3(6) of the Employee Retirement Income
- 171 Security Act of 1974 (29 U.S.C. § 1002 (6)).
- 172 "Employer" has the meaning given such term under section 3(5) of the Employee Retirement Income
- 173 Security Act of 1974 (29 U.S.C. § 1002 (5)), except that such term shall include only employers of two
- 174 or more employees.
- 175 "Enrollment date" means, with respect to an eligible individual covered under a group health plan or
- 176 health insurance coverage, the date of enrollment of the eligible individual in the plan or coverage or, if
- 177 earlier, the first day of the waiting period for such enrollment.
- 178 "Excepted benefits" means benefits under one or more (or any combination thereof) of the following:
- 179 1. Benefits not subject to requirements of this article;
- 180 a. Coverage only for accident, or disability income insurance, or any combination thereof;
- 181 b. Coverage issued as a supplement to liability insurance;

182 c. Liability insurance, including general liability insurance and automobile liability insurance;
183 d. Workers' compensation or similar insurance;
184 e. Medical expense and loss of income benefits;
185 f. Credit-only insurance;
186 g. Coverage for on-site medical clinics; and
187 h. Other similar insurance coverage, specified in regulations, under which benefits for medical care
188 are secondary or incidental to other insurance benefits.

189 2. Benefits not subject to requirements of this article if offered separately:
190 a. Limited scope dental or vision benefits;
191 b. Benefits for long-term care, nursing home care, home health care, community-based care, or any
192 combination thereof; and
193 c. Such other similar, limited benefits as are specified in regulations.

194 3. Benefits not subject to requirements of this article if offered as independent, noncoordinated
195 benefits:
196 a. Coverage only for a specified disease or illness; and
197 b. Hospital indemnity or other fixed indemnity insurance.

198 4. Benefits not subject to requirements of this article if offered as separate insurance policy:
199 a. Medicare supplemental health insurance (as defined under section 1882 (g)(1) of the Social
200 Security Act (42 U.S.C. § 1395ss (g)(1));
201 b. Coverage supplemental to the coverage provided under Chapter 55 of Title 10, United States Code
202 (10 U.S.C. § 1071 et seq.); and
203 c. Similar supplemental coverage provided to coverage under a group health plan.

204 "Federal governmental plan" means a governmental plan established or maintained for its employees
205 by the government of the United States or by an agency or instrumentality of such government.

206 "Governmental plan" has the meaning given such term under section 3(32) of the Employee
207 Retirement Income Security Act of 1974 (29 U.S.C. § 1002 (32)) and any federal governmental plan.

208 "Group health insurance coverage" means in connection with a group health plan, health insurance
209 coverage offered in connection with such plan.

210 "Group health plan" means an employee welfare benefit plan (as defined in section 3 (1) of the
211 Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1002 (1)), to the extent that the plan
212 provides medical care and including items and services paid for as medical care to employees or their
213 dependents (as defined under the terms of the plan) directly or through insurance, reimbursement, or
214 otherwise.

215 "Health benefit plan" means any accident and health insurance policy or certificate, health services
216 plan contract, health maintenance organization subscriber contract, plan provided by a MEWA or plan
217 provided by another benefit arrangement. "Health benefit plan" does not mean accident only, credit, or
218 disability insurance; coverage of Medicare services or federal employee health plans, pursuant to
219 contracts with the United States government; Medicare supplement or long-term care insurance;
220 Medicaid coverage; dental only or vision only insurance; specified disease insurance; hospital
221 confinement indemnity coverage; limited benefit health coverage; coverage issued as a supplement to
222 liability insurance; insurance arising out of a workers' compensation or similar law; automobile medical
223 payment insurance; medical expense and loss of income benefits; or insurance under which benefits are
224 payable with or without regard to fault and that is statutorily required to be contained in any liability
225 insurance policy or equivalent self-insurance.

226 "Health insurance coverage" means benefits consisting of medical care (provided directly, through
227 insurance or reimbursement, or otherwise and including items and services paid for as medical care)
228 under any hospital or medical service policy or certificate, hospital or medical service plan contract, or
229 health maintenance organization contract offered by a health insurance issuer.

230 "Health insurance issuer" means an insurance company, or insurance organization (including a health
231 maintenance organization) which is licensed to engage in the business of insurance in this
232 Commonwealth and which is subject to the laws of this Commonwealth which regulate insurance within
233 the meaning of section 514 (b)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C.
234 § 1144 (b)(2)). Such term does not include a group health plan.

235 "Health maintenance organization" means:
236 1. A federally qualified health maintenance organization;
237 2. An organization recognized under the laws of this Commonwealth as a health maintenance
238 organization; or
239 3. A similar organization regulated under the laws of this Commonwealth for solvency in the same
240 manner and to the same extent as such a health maintenance organization.

241 "Health status-related factor" means the following in relation to the individual or a dependent eligible
242 for coverage under a group health plan or health insurance coverage offered by a health insurance
243 issuer:

1. Health status;
2. Medical condition (including both physical and mental illnesses);
3. Claims experience;
4. Receipt of health care;
5. Medical history;
6. Genetic information;
7. Evidence of insurability (including conditions arising out of acts of domestic violence); or
8. Disability.

"Individual health insurance coverage" means health insurance coverage offered to individuals in the individual market, but does not include coverage defined as excepted benefits. Individual health insurance coverage does not include short-term limited duration coverage.

"Individual market" means the market for health insurance coverage offered to individuals other than in connection with a group health plan.

"Large employer" means, in connection with a group health plan or health insurance coverage with respect to a calendar year and a plan year, an employer who employed an average of at least 51 employees on business days during the preceding calendar year and who employs at least one employee on the first day of the plan year.

"Large group market" means the health insurance market under which individuals obtain health insurance coverage (directly or through any arrangement) on behalf of themselves (and their dependents) through a group health plan maintained by a large employer.

"Late enrollee" means, with respect to coverage under a group health plan or health insurance coverage provided by a health insurance issuer, a participant or beneficiary who enrolls under the plan other than during:

1. The first period in which the individual is eligible to enroll under the plan; or
2. A special enrollment period as required pursuant to subsections J through M of § 38.2-3432.3.

"Medical care" means amounts paid for:

1. The diagnosis, cure, mitigation, treatment, or prevention of disease, or amounts paid for the purpose of affecting any structure or function of the body;
2. Transportation primarily for and essential to medical care referred to in subdivision 1; and
3. Insurance covering medical care referred to in subdivisions 1 and 2.

"Network plan" means health insurance coverage of a health insurance issuer under which the financing and delivery of medical care (including items and services paid for as medical care) are provided, in whole or in part, through a defined set of providers under contract with the health insurance issuer.

"Nonfederal governmental plan" means a governmental plan that is not a federal governmental plan.

"Participant" has the meaning given such term under section 3(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1002 (7)).

"Placed for adoption," or "placement" or "being placed" for adoption, in connection with any placement for adoption of a child with any person, means the assumption and retention by such person of a legal obligation for total or partial support of such child in anticipation of adoption of such child. The child's placement with such person terminates upon the termination of such legal obligation.

"Plan sponsor" has the meaning given such term under section 3(16)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1002 (16)(B)).

"Preexisting condition exclusion" means, with respect to coverage, a limitation or exclusion of benefits relating to a condition based on the fact that the condition was present before the date of enrollment for such coverage, whether or not any medical advice, diagnosis, care, or treatment was recommended or received before such date. Genetic information shall not be treated as a preexisting condition in the absence of a diagnosis of the condition related to such information.

"Premium" means all moneys paid by an employer and eligible employees as a condition of coverage from a health insurance issuer, including fees and other contributions associated with the health benefit plan.

"Rating period" means the 12-month period for which premium rates are determined by a health insurance issuer and are assumed to be in effect.

"Self-employed individual" means an individual who derives a substantial portion of his income from a trade or business (i) operated by the individual as a sole proprietor, (ii) through which the individual has attempted to earn taxable income, and (iii) for which he has filed the appropriate Internal Revenue Service Form 1040, Schedule C or F, for the previous taxable year.

"Service area" means a broad geographic area of the Commonwealth in which a health insurance issuer sells or has sold insurance policies on or before January 1994, or upon its subsequent authorization to do business in Virginia.

"Small employer" means in connection with a group health plan or health insurance coverage with

305 respect to a calendar year and a plan year, an employer who employed an average of at least one but
306 not more than 50 employees on business days during the preceding calendar year and who employs at
307 least one employee on the first day of the plan year. *In determining whether a corporation or limited*
308 *liability company employed an average of at least one individual during the preceding calendar year*
309 *and employed at least one employee on the first day of the plan year, an individual who performed any*
310 *service for remuneration under a contract of hire, written or oral, express or implied, for a (i)*
311 *corporation of which the individual is its sole shareholder or an immediate family member of such sole*
312 *shareholder or (ii) a limited liability company of which the individual is its sole member or an*
313 *immediate family member of such sole member, shall be deemed to be an employee of the corporation*
314 *or the limited liability company, respectively. "Small employer" includes a self-employed individual.*

315 "Small group market" means the health insurance market under which individuals obtain health
316 insurance coverage (directly or through any arrangement) on behalf of themselves (and their dependents)
317 through a group health plan maintained by a small employer.

318 "State" means each of the several states, the District of Columbia, Puerto Rico, the Virgin Islands,
319 Guam, American Samoa, and the Northern Mariana Islands.

320 "Waiting period" means, with respect to a group health plan or health insurance coverage provided
321 by a health insurance issuer and an individual who is a potential participant or beneficiary in the plan,
322 the period that must pass with respect to the individual before the individual is eligible to be covered for
323 benefits under the terms of the plan. If an employee or dependent enrolls during a special enrollment
324 period pursuant to subsections J through M of § 38.2-3432.3 or as a late enrollee, any period before
325 such enrollment is not a waiting period.

326 C. The provisions of this section shall not apply in any instance in which the provisions of this
327 section are inconsistent or in conflict with a provision of Article 6 (§ 38.2-3438 et seq.) of Chapter 34.