

A bill for an act

relating to insurance; regulating self-insurance pools providing health coverage to local government employees; amending Minnesota Statutes 2008, sections 123A.21, subdivisions 7, 9, 12; 471.617, subdivision 4.

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

Section 1. Minnesota Statutes 2008, section 123A.21, subdivision 7, is amended to read:

Subd. 7. **Educational programs and services.** (a) The board of directors of each SC shall submit annually a plan to the members. The plan shall identify the programs and services which are suggested for implementation by the SC during the following year and shall contain components of long-range planning determined by the SC. These programs and services may include, but are not limited to, the following areas:

- (1) administrative services;
- (2) curriculum development;
- (3) data processing;
- (4) distance learning and other telecommunication services;
- (5) evaluation and research;
- (6) staff development;
- (7) media and technology centers;
- (8) publication and dissemination of materials;
- (9) pupil personnel services;
- (10) planning;
- (11) secondary, postsecondary, community, adult, and adult vocational education;

- (12) teaching and learning services, including services for students with special talents and special needs;
- (13) employee personnel services;
- (14) vocational rehabilitation;
- (15) health, diagnostic, and child development services and centers;
- (16) leadership or direction in early childhood and family education;
- (17) community services;
- (18) shared time programs;
- (19) fiscal services and risk management programs, including health insurance programs providing reinsurance or stop loss coverage;
- (20) technology planning, training, and support services;
- (21) health and safety services;
- (22) student academic challenges; and
- (23) cooperative purchasing services.

An SC is subject to regulation and oversight by the commissioner of commerce under the insurance laws of this state when operating a health reinsurance program pursuant to clause (19) providing reinsurance or stop loss coverage.

The commissioner of commerce shall report to the legislature in January of each odd-numbered year detailing the financial solvency of the insurance pool operated by each SC as well as verifying the compliance, including any recommendations with regard to compliance and solvency the commissioner sees fit to offer, of each SC with all laws, rules, and other requirements that apply to the self-insurance plan or plans operated by each SC.

(b) A group health, dental, or long-term disability coverage program provided by one or more service cooperatives may provide coverage to nursing homes licensed under chapter 144A and to boarding care homes licensed under sections 144.50 to 144.56 and certified for participation in the medical assistance program located in this state.

(c) A group health, dental, or long-term disability coverage program provided by one or more service cooperatives:

(1) must rebid contracts for insurance and third-party administration at least every four years. The contracts may be regional or statewide in the discretion of the SC, ~~and~~. An SC must solicit bids from multiple providers of insurance or third-party administrators service. In the event there is only one bid for these services, the SC may enter into a contract with the entity that submitted the bid. In no case may a request for proposals be previewed or consulted on by any individual with any past (within the preceding five years) or current business relationship with a prospective bidder; and

(2) may determine premiums for its health, dental, or long-term disability coverage individually for specific employers or may determine them on a pooled or other basis established by the SC.

EFFECTIVE DATE. This section is effective for self-insurance plan years beginning on or after January 1, 2010.

Sec. 2. Minnesota Statutes 2008, section 123A.21, subdivision 9, is amended to read:

Subd. 9. Financial support for the service cooperatives. (a) Financial support for SC programs and services shall be provided by participating members with private, state, and federal financial support supplementing as available. The SC board of directors may, in each year, for the purpose of paying any administrative, planning, operating, or capital expenses incurred or to be incurred, assess and certify to each participating school district, nonpublic school administrative unit, city, county, and other governmental unit its proportionate share of all expenses. This share shall be based upon the extent of participation by each school district, nonpublic school administrative unit, city, county, or other governmental unit and shall be in the form of a service fee. Each participating school district, nonpublic school administrative unit, city, county, or other governmental unit shall remit its assessment to the SC board as provided in the SC bylaws. The assessments shall be paid within the maximum levy limitations of each participating member. No participating member shall have any additional liability for the debts or obligations of the SC except that assessment which has been certified as its proportionate share and any other liability the member assumes under section 123A.24, subdivisions 1 and 2.

(b) Any property acquired by the SC board is public property to be used for essential public and governmental purposes which shall be exempt from all taxes and special assessments levied by a city, county, state, or political subdivision thereof. If the SC is dissolved, its property must be distributed to the members at the time of the dissolution.

(c) A member may elect to withdraw participation in the SC by a majority vote of its full board membership and upon compliance with the applicable withdrawal provisions of the SC organizational agreement. The withdrawal shall be effective on the June 30 following receipt by the board of directors of written notification of the withdrawal by February 1 of the same year. Notwithstanding the withdrawal, the proportionate share of any expenses already certified to the withdrawing member for the SC shall be paid to the SC board.

(d) The SC is a public corporation and agency and its board of directors may make application for, accept, and expend private, state, and federal funds that are available for programs of the members.

(e) The SC is a public corporation and agency and as such, no earnings or interests of the SC may inure to the benefit of an individual or private entity. In addition, all premium or premium equivalent income obtained by an SC must be used by the SC solely for the cost of providing insurance coverage and the payment of claims. Premium or premium equivalent income collected by an SC shall not be used for the general operations of the SC or any other noninsurance-related expenditure. Additionally, all insurance premium or premium equivalent income and disbursements must be accounted for separately from all other SC income and disbursements. An SC must conduct annually an audit of its insurance pool income and disbursements and provide a report of the audit to the school districts and other entities participating in the self-insurance pool.

EFFECTIVE DATE. This section is effective for self-insurance plan years beginning on or after January 1, 2010.

Sec. 3. Minnesota Statutes 2008, section 123A.21, subdivision 12, is amended to read:

Subd. 12. **Health coverage pool comparison shopping.** (a) Service cooperatives must permit school districts and other political subdivisions participating in a service cooperative health coverage pool to solicit bids and other information from competing sources of health coverage at any time other than within five months prior to the end of a master agreement.

(b) Service cooperatives that operate a health coverage pool must provide the proposed renewal premiums or premium equivalents no less than 90 days before the renewal date of the coverage. If however, a school district's renewal date is within the 120 days immediately following the final day of the school district's school year, a service cooperative must provide the proposed renewed premiums or premium equivalents no less than 60 days before the final day of the school year.

~~(b)~~ (c) A service cooperative must not impose a fine or other penalty against an enrolled entity for soliciting a bid or other information during the allowed period. The service cooperative may prohibit the entity from participating in service cooperative coverage for a period of up to one year, if the entity leaves the service cooperative pool and obtains other health coverage.

(d) In the event that a school district terminates insurance coverage through a service cooperative, any and all reserves held by the service cooperative attributed to the terminating school district shall, after payment of all applicable claims, be returned to the district and distributed according to the provisions of section 471.61, subdivision 4, paragraph (c).

5.1 (e) Service cooperatives must provide a proposed premium or premium equivalent
5.2 to each public employer who seeks a bid from the service cooperative.

5.3 ~~(e)~~ (f) A service cooperative must provide each enrolled entity with the entity's
5.4 monthly claims data. This paragraph applies notwithstanding section 13.203.

5.5 **EFFECTIVE DATE.** This section is effective for self-insurance plan years
5.6 beginning on or after January 1, 2010.

5.7 Sec. 4. Minnesota Statutes 2008, section 471.617, subdivision 4, is amended to read:

5.8 Subd. 4. **Exclusive representative.** (a) No statutory or home rule charter city
5.9 or county or school district or instrumentality of any of them shall adopt a self insured
5.10 health benefit plan for any employees represented by an exclusive representative certified
5.11 pursuant to section 179A.12 without prior notification and consultation on ten days' written
5.12 notice to the exclusive representative and agreement by the exclusive representative that
5.13 represents the largest number of employees to be included in the plan.

5.14 (b) Prior to a decision to dissolve any self-insurance, trust fund, or dedicated
5.15 insurance fund created by a single statutory or home rule charter city, county, school
5.16 district, or instrumentality of any of them, either by ordinance or resolution, the employer
5.17 must provide 30 days' written notice to each exclusive representative of employees and
5.18 each individual currently receiving health benefits, and also obtain approval for the
5.19 proposed action by the exclusive representative that represents the largest number of
5.20 employees included in the plan. All assets from the trust fund must be audited before
5.21 closure, and remaining assets must be dedicated for use for health insurance benefits
5.22 for all individuals currently receiving health benefits. This paragraph does not apply to
5.23 joint self-insurance trusts or pools.

5.24 (c) The assets or liabilities of a joint self-insurance trust or pool that is dissolved
5.25 must be distributed to members of the joint trust or pool in accordance with the joint trust
5.26 or pool agreement, if any, provided however, that the trust or pool must be audited before
5.27 closure, and remaining assets must be dedicated for use for health insurance benefits for
5.28 all individuals who were enrolled for health benefits at the time of closure.

5.29 **EFFECTIVE DATE.** This section is effective January 1, 2010.