

2003 DRAFTING REQUEST

Bill

Received: **11/14/2002**

Received By: **pkahler**

Wanted: **As time permits**

Identical to LRB:

For: **Jon Erpenbach (608) 266-6670**

By/Representing: **Tryg Knutson**

This file may be shown to any legislator: **NO**

Drafter: **pkahler**

May Contact:

Addl. Drafters: **rmarchan**

Subject: **Insurance - health**

Extra Copies:

Submit via email: **YES**

Requester's email: **Sen.Erpenbach@legis.state.wi.us**

Carbon copy (CC:) to: **robert.marchant@legis.state.wi.us**

Pre Topic:

No specific pre topic given

Topic:

Creation of health care purchasing alliances

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	pkahler 04/01/2003	wjackson 04/02/2003 wjackson 04/03/2003		_____			S&L
/P1			rschluet 04/03/2003	_____	amentkow 04/03/2003		S&L

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/2	pkahler 05/12/2003	wjackson 05/12/2003	chaskett 05/13/2003	_____	sbasford 05/13/2003	amentkow 05/13/2003	

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/P1		1 wlj 4/30	rschluet 04/03/2003		amentkow 04/03/2003		

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Vers. Drafted Reviewed Typed Proofed Submitted Jacketed Required

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Addl. Drafters: RJM

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FE Sent For:

1/PI WLJ 4/3

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JON ERPENBACH
STATE SENATOR

- For your information.
- Per your request.
- Please let me know if I can be of further assistance.

Hi Pam -
Here is the information
from Minnesota - let me
know where we're at after
you have a chance to
review. Thanks
much!
Tim B.

South Wing, State Capitol
P. O. Box 7882, Madison, WI 53707-7882
608-266-6670 ■ sen.erpenbach@legis.state.wi.us



Minnesota Senate

Senate Bill Status Document Display Document 1 of 1

[Senate Bill Status Search Form](#)

[House Bill Status Search Form](#)

Bill Name: SF2909

[Bill Text](#)

Revisor Number: 02-6041

The [House Status](#) shows the House actions on SF2909, if any have occurred.

Companion File: HF2935

[Bill Text](#)

[House Status](#) of HF2935

[Senate Status](#) of HF2

Short Description: Health maintenance organizations rural demonstration projects

[Long Description](#)

Chief Author: Sams

Author: Lourey

Author: Kiscaden

Author: Moe, R.D.

Author: Hottinger

The log of [Unofficial Actions](#) includes committee actions and initial committee hear

Official Actions:

Date	Action	Committee/Description	JP	Roll Call
02/11/2002	Introduction and first reading		4268	
02/11/2002	Referred to	Health and Family Security		
03/07/2002	Committee report: To pass as amended		5122a	
03/07/2002	Second reading SPP:	811	5124	
03/19/2002	Special Order: Amended	SPP:882	5448a	
03/19/2002	Third reading Passed		5449	62-0
03/22/2002	Returned from House with amendment		5677	
03/22/2002	Senate not concur, CC of 3 requested		5677	
03/22/2002	Senate conferees	Sams; Berglin; Kiscaden	5685	

03/26/2002	House conferees	Penas; Bradley; Skoe	5934	
04/15/2002	Conference committee report#		6239c	
04/15/2002	S adopted CC report and repassed bill			
04/15/2002	Third reading		6241	60-0
04/18/2002	H adopted SCC report and repassed bill		6252	
	Presentment date	04/18/02		
04/22/2002	Governor's action Approval	04/19/02	6272	
04/22/2002	Secretary of State	Ch. 346 04/19/02	6272	
	Effective date	04/20/02		
	See also	SF3024, Sec. 4		

Senate Bill Status Search Form

House Bill Status Search Form



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KEY: ~~stricken~~ = old language to be removed
underscored = new language to be added

NOTE: If you cannot see any difference in the key above, you need to change the display of stricken and/or underscored language.

Authors and Status ■ List versions

S.F No. 2909, 3rd Engrossment: 82nd Legislative Session (2001-2002) Posted on Apr 16, 2002

1.1 A bill for an act
 1.2 relating to health; permitting a health maintenance
 1.3 organization rural demonstration project; amending
 1.4 Minnesota Statutes 2000, section 62D.30, by adding a
 1.5 subdivision.
 1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
 1.7 Section 1. Minnesota Statutes 2000, section 62D.30, is
 1.8 amended by adding a subdivision to read:
 1.9 Subd. 8. [RURAL DEMONSTRATION PROJECT.] (a) The
 1.10 commissioner may permit demonstration projects (to allow) health
 1.11 maintenance organizations to extend coverage to a health
 1.12 improvement and purchasing coalition located in rural Minnesota,
 1.13 comprised of the health maintenance organization and members
 1.14 from a geographic area. For purposes of this subdivision, rural
 1.15 is defined as greater Minnesota excluding the seven-county
 1.16 metropolitan area of Anoka, Carver, Dakota, Hennepin, Ramsey,
 1.17 Scott, and Washington. The coalition must be designed in such a
 1.18 way that members will:
 1.19 (1) become better informed about health care trends and
 1.20 cost increases;
 1.21 (2) be actively engaged in the design of health benefit
 1.22 options that will meet the needs of their community;
 1.23 (3) pool their insurance risk;
 1.24 (4) purchase these products from the health maintenance
 1.25 organization involved in the demonstration project; and
 2.1 (5) actively participate in health improvement decisions
 2.2 for their community.
 2.3 (b) The commissioner must consider the following when
 2.4 approving applications for rural demonstration projects:
 2.5 (1) the extent of consumer involvement in development of
 2.6 the project;
 2.7 (2) the degree to which the project is likely to reduce the
 2.8 number of uninsured or to maintain existing coverage; and
 2.9 (3) a plan to evaluate and report to the commissioner and
 2.10 legislature as prescribed by paragraph (e).
 2.11 (c) For purposes of this subdivision, the commissioner must
 2.12 waive compliance with the following statutes and rules: the
 2.13 cost-sharing restrictions under section 62D.02, subdivision 8,
 2.14 which for purposes of this subdivision is the sum of the annual
 2.15 copayments and deductible which is prohibited from exceeding the
 2.16 maximum out-of-pocket expenses allowable for a number three
 2.17 qualified plan under section 62E.06 or \$5,000 per family and an
 2.18 annual deductible of \$1,000 per person and Minnesota Rules, part
 2.19 4685.0801, subparts 1 to 7; for a period of at least two years,

*to an
"employer
group"*

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*reg. that do
not apply*

2.20 participation in government programs under section 62D.04,
 2.21 subdivision 5, in the counties of the demonstration project if
 2.22 that compliance would have been required solely due to
 2.23 participation in the demonstration project and shall continue to
 2.24 waive this requirement beyond two years if the enrollment in the
 2.25 demonstration project is less than 10,000 enrollees; small
 2.26 employer marketing under section 62L.05, subdivisions 1 to 3;
 2.27 and small employer geographic premium variations under section
 2.28 62L.08, subdivision 4. The commissioner shall approve enrollee
 2.29 cost-sharing features desired by the coalition that
 2.30 appropriately share costs between employers, individuals, and
 2.31 the health maintenance organization.

2.32 (d) The health maintenance organization may make the
 2.33 starting date of the project contingent upon a minimum number of
 2.34 enrollees as cited in the application, provide for an initial
 2.35 term of contract with the purchasers of a minimum of three
 2.36 years, and impose a reasonable penalty for employers who
 3.1 withdraw early from the project. For purposes of this
 3.2 subdivision, loss ratios are to be determined as if the policies
 3.3 issued under this section are considered individual or small
 3.4 employer policies pursuant to section 62A.021, subdivision 1,
 3.5 paragraph (f). The health maintenance organization may consider
 3.6 businesses of one to be a small employer under section 62L.02,
 3.7 subdivision 26. The health maintenance organization may limit
 3.8 enrollment and establish enrollment criteria for businesses of
 3.9 one. Health improvement and purchasing coalitions under this
 3.10 subdivision are not associations under section 62L.045,
 3.11 subdivision 1, paragraph (a).

3.12 (e) The health improvement and purchasing coalition must
 3.13 report to the commissioner and legislature annually on the
 3.14 progress of the demonstration project and, to the extent
 3.15 possible, any significant findings in the criteria listed in
 3.16 clauses (1), (2), and (3) for the final report. The coalition
 3.17 must submit a final report five years from the starting date of
 3.18 the project. The final report must detail significant findings
 3.19 from the project and must include, to the extent available, but
 3.20 should not be limited to, information on the following:

- 3.21 (1) the extent to which the project had an impact on the
 3.22 number of uninsured in the project area;
- 3.23 (2) the effect on health coverage premiums for groups in
 3.24 the project's geographic area, including those purchasing health
 3.25 coverage outside the health improvement and purchasing
 3.26 coalition; and
- 3.27 (3) the degree to which health care consumers were involved
 3.28 in the development and implementation of the demonstration
 3.29 project.

3.30 (f) The commissioner must limit the number of demonstration
 3.31 projects under this subdivision to five projects.

3.32 (g) Approval of the application for the demonstration
 3.33 project is deemed to be in compliance with sections 62E.03 and
 3.34 62E.06, subdivisions 1, paragraph (a), 2, and 3.

3.35 (h) Subdivisions 2 to 7 apply to demonstration projects
 3.36 under this subdivision. Waivers permitted under subdivision 1
 4.1 do not apply to demonstration projects under this subdivision.

4.2 (i) If a demonstration project under this subdivision works
 4.3 in conjunction with a purchasing alliance formed under chapter
 4.4 62T, that chapter will apply to the purchasing alliance except
 4.5 to the extent that chapter 62T is inconsistent with this
 4.6 subdivision.

4.7 Sec. 2. [EFFECTIVE DATE.]

4.8 Section 1 is effective the day following final enactment.

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THE MINNESOTA HMO DEMONSTRATION PROJECT SUMMARY

July, 2002

What is an HMO Demonstration Project? This year, the Minnesota Association of Cooperatives (MAC), along with other Minnesota business representatives, successfully asked the Minnesota Legislature to authorize a pilot health care demonstration project that would create health care opportunities in underserved rural areas and create health care competition to hold down costs and increase health care quality. The Legislature authorized five new pilot or demonstration projects with health maintenance organizations. All five demonstration projects will be community-based and will share a common goal--to provide quality, affordable health care services to small business employees and self-employed individuals. There are now several health care purchasing alliances already being established in the northwest, southwest, central lakes, arrowhead, west central and south central areas of Minnesota. The south central area alliance is being spearheaded by three cooperatives working with MAC.

What are the project objectives? Each demonstration project is independent of one another. However, each demonstration project includes the following common objectives to create a health care benefits package that meets the needs of the participants:

- a) Benefits are oriented towards the specific community and are not generalized (i.e. one size does not fit all);
- b) Existing HMO networks are utilized to negotiate service contracts;
- c) Participants are educated about the financial impact of certain coverage decisions;
- d) Risks are pooled to minimize premium fluctuations and gain leverage; and
- e) Participants are encouraged to be involved in the decision making process.

Who is eligible to participate in demonstration projects? By law, there are five demonstration projects and they must serve designated geographical areas. This project is unique because small businesses and self-employed persons such as farmers are eligible to be included in a single health care benefits plan.

How will participants benefit from the demonstration projects? The primary goal of each demonstration project is to provide quality, affordable health care services that meet the participants' needs. Direct consumer involvement in the design and management of the plan using a cooperative-like model (purchasing alliances) will be the principal means to accomplish this goal. As an alternative to traditional health care service, the demonstration projects will create a competitive marketplace in these areas and provide choice--a necessity in containing costs.

Who may I contact for more information? For more information, contact MAC Managing Director Maura Schwartz or Senior Vice President Bill Oemichen at (651) 228-0213.

vThe Community Purchasing Arrangements Act (62T)

This law was passed in 1997 and allows small employers to join together to negotiate for a *fully-insured* product from a "licensed entity". While those who have worked with the law are fans of it for many reasons, what is probably treasured the most by rural community leaders is the ability, under the law to allow businesses of one (B-1s) to be members of the purchasing alliance and qualify for "group" coverage. Except for this law, B-1s are required to purchase coverage in the individual market, where there is not guaranteed issue. Ask anyone who has worked in rural economic development and all will tell you that this fact is a great inhibition to entrepreneurs who are scared to give up their family's current coverage.

By banding together for 3 or more years, employers can stabilize their claims cost, shave some administrative costs, customize the benefits product to fit their area, and work together to improve the health of their employees, thereby shaving other costs by lowering the need for health services. [As much as 65% of the health care dollar is spent on treating chronic conditions. Employers believe that if they work together to help educate and therefore prevent conditions caused by smoking and other poor health habits, everyone will benefit.] Interestingly, all the rural purchasing alliances to date have also determined they need to focus on the sustainability of their providers and on decreasing the number of working uninsured in their areas.

The purchasing alliances must comply with state consumer protection laws and pay the state health tax assessments. By "licensed entity" the law means purchasing alliances need to partner with an HMO, a traditional indemnity insurer or the purchasing alliance has the option of contracting with local providers, if those providers organize as an Accountable Provider Network (APN). The Commissioner of Health may grant a special APN license which allows a direct contracting relationship between local providers and the local employers but only if they organize as an APN and a purchasing alliance.

In 2002, the Legislature made some changes to the HMO Demonstration law to allow HMOs some of the flexibility given to APNs under the Community Purchasing Arrangements Act.

Purchasing Alliance Stop Loss Pilot Project

In 2001, HF 1337 established a purchasing alliance stop-loss fund account. The purpose of the fund is to reimburse health plan companies for claims paid for certain enrollees. A qualifying enrollee is an employee or dependent of a firm with 1-10 employees which has not offered employer-sponsored coverage in the last 12 months. The employer must be a member of one of three specific purchasing alliances: Northwestern, Southwestern or Central Minnesota and the health plans must be the state-recognized licensed partner for one of these purchasing alliances. A health plan may receive reimbursement from the fund for 90% of the portion of the claim that exceeds \$30,000 but not of the portion that exceeds \$100,000 in a calendar year for a qualifying enrollee. This is the corridor of claims that is most unpredictable when someone has been uninsured.

CHAPTER 62T

COMMUNITY PURCHASING ARRANGEMENTS

62T.01	Definitions.	62T.07	Criteria for granting waivers.
62T.02	Purchasing alliances.	62T.08	Supervision and revocation of waivers.
62T.025	Employer-member contribution.	62T.09	Minnesota comprehensive health association.
62T.03	Application of other laws.	62T.10	MinnesotaCare tax.
62T.04	Complaint system.	62T.11	Duties of commissioner.
62T.05	Benefits.	62T.12	Fees.
62T.06	Waivers.		

62T.01 DEFINITIONS.

Subdivision 1. **Scope.** For purposes of this chapter, the terms in this section have the meanings given.

Subd. 2. **Health care purchasing alliance.** "Health care purchasing alliance" means a business organization created under this chapter to negotiate the purchase of health care services for employers. Nothing in this chapter shall be deemed to regulate or impose any requirements on a self-insured employer or labor union. A health care purchasing alliance may include a grouping of:

- (1) businesses, including small businesses with one employee. The businesses may or may not be organized under section 62Q.17 as a purchasing pool;
- (2) trade association members or church organizations under section 60A.02 or union members who are not in a self-insured benefit plan;
- (3) multiple employer welfare associations under chapter 62H;
- (4) municipalities, townships, or counties;
- (5) other government entities; or
- (6) any combination of clauses (1) to (5).

The alliance may determine the definition of a business of one employee, but must adhere to its definition and show no bias in selection of members based on that definition.

Subd. 3. **Accountable provider network.** "Accountable provider network" means a group of health care providers organized to market health care services on a risk-sharing or non-risk-sharing basis with a health care purchasing alliance. Accountable provider networks shall operate as not-for-profit entities or as health care cooperatives, as allowed under chapter 62R. This chapter applies only when an accountable provider network is marketing and selling services and benefits to the employees of businesses as authorized in section 62T.05.

Subd. 4. **Commissioner.** "Commissioner" means the commissioner of health.

History: 1997 c 225 art 5 s 1

62T.02 PURCHASING ALLIANCES.

Subdivision 1. **Registration.** Purchasing alliances must register prior to offering coverage, and annually on July 1 thereafter, with the commissioner on a form prescribed by the commissioner.

Subd. 2. **Common factors.** All participants in a purchasing alliance must live within a common geographic region, be employed in a similar occupation, or share some other common factor as approved by the commissioner. The membership criteria must not be designed to include disproportionately employers, groups, or individuals likely to have costs of health coverage, or to exclude disproportionately employers, groups, or individuals likely to have high costs of health coverage.

History: 1997 c 225 art 5 s 2

62T.025 EMPLOYER-MEMBER CONTRIBUTION.

If an employer-member of a purchasing alliance can demonstrate that the member has not offered employee health coverage for a year or more, the member may contribute 25 percent or more of the cost of employee coverage for up to 36 months. This provision only applies to rural purchasing alliances organized under this chapter and operating prior to May 1, 2000. The affected purchasing alliances may develop membership criteria which disallow an employer contribution below 50 percent.

History: 2000 c 295 s 1

62T.03 APPLICATION OF OTHER LAWS.

Subdivision 1. **State law.** An accountable provider network is subject to all requirements applicable to a health plan company licensed in the state, except as otherwise noted in this chapter. An accountable provider network and a health care purchasing alliance must comply with all requirements of chapter 62L, except for modifications and waivers permitted under this chapter. A contracting arrangement between a health care purchasing alliance and an accountable provider network for provision of health care benefits must provide consumer protection functions comparable to those currently required of a health plan company licensed under section 62N.25, and other statutes referenced in that section, except for modifications and waivers permitted under this chapter.

Subd. 2. **Federal law.** A self-insured employer may participate as an affiliate member of a purchasing alliance without participation affecting the employer's standing under the federal Employee Retirement Income Security Act (ERISA) of 1974. An affiliate member is one that may purchase administrative services with the purchasing alliance and may participate in activities undertaken to educate and promote health improvement of the purchasing alliance enrollees or community residents.

History: 1997 c 225 art 5 s 3; 2000 c 295 s 2

62T.04 COMPLAINT SYSTEM.

Accountable provider networks must establish and maintain an enrollee complaint system as required under sections 62Q.68 to 62Q.72 or as required by a contract with a purchasing alliance. The contract must be approved by the commissioner. The accountable provider network may contract with the health care purchasing alliance or a vendor for operation of this system. The commissioner may not waive any enrollee rights relating to external review.

History: 1997 c 225 art 5 s 4; 1999 c 239 s 40; 2000 c 295 s 3

62T.05 BENEFITS.

An accountable provider network may offer and sell any benefits permitted to be offered and sold by health plan companies under Minnesota law. An accountable provider network may, after consultation with the purchasing alliance, offer only one benefit plan to employer-members of the alliance.

History: 1997 c 225 art 5 s 5; 2000 c 295 s 4

62T.06 WAIVERS.

Subdivision 1. **Authorization.** The commissioner may grant waivers from the requirements of law for the contracting arrangement between a health care purchasing alliance and an accountable provider network in the areas listed in subdivisions 2 to 4. The commissioner may not waive the following state consumer protection and quality assurance laws:

- (1) laws requiring that enrollees be informed of any restrictions, requirements, or limitations on coverage, services, or access to specialists and other providers;
- (2) laws allowing consumers to complain to or appeal to a state regulatory agency if denied benefits or services;

(3) laws prohibiting a patient and their

(4) laws allowing which may affect t

(5) laws requiring and enrollee right commissioner und

(6) laws protecting access to services:

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Subd. 2. Solv sections 62N.27 to reduced from the reduced risk expo

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(3) laws prohibiting gag clauses and other restrictions on communication between a patient and their physician or provider;

(4) laws allowing consumers to obtain information on provider financial incentives, which may affect treatment;

(5) laws requiring the submission of information needed to monitor quality of care and enrollee rights, except the submission may be done in a manner approved by the commissioner under subdivision 4;

(6) laws protecting enrollee privacy and confidentiality of records;

(7) minimum standards for adequate provider network capacity and geographic access to services;

(8) laws assuring continuity of care when a patient must change providers;

(9) laws governing coverage of emergency services;

(10) laws prohibiting excessive or unreasonable administrative fees or expenses; and

(11) other laws or rules that are directly related to quality of care, consumer protection, and due process rights.

Subd. 2. **Solvency protection.** (a) The commissioner may waive the requirements of sections 62N.27 to 62N.32, and may substitute capital and surplus requirements that are reduced from the levels required of other risk-bearing entities in order to reflect its reduced risk exposure. If risk is being underwritten, the underwriter cannot have more than 25 percent of the representation on the governing board of the accountable provider network. The reduced requirements must include at least the following levels of capital and surplus: (i) a deposit of \$500,000 and (ii) the greater of an estimated 15 percent of gross premium revenues or twice the net retained annual risk up to \$750,000 on a single enrollee. Net retained annual risk may be, for example, the lowest annual deductible under a provider stop-loss insurance policy that covers all costs above the deductible. Assets supporting the deposit must meet the standards for deposits referenced in section 62N.32 or be guaranteed by an entity that is approved and can be monitored by the commissioner. Assets supporting the capital must meet the investment guidelines referenced in section 62N.27. Members of a purchasing alliance may assist in meeting the solvency requirements through a subordinated solvency contribution under a contract approved by the commissioner. For the purposes of this subdivision, "subordinated solvency contribution" means a contribution to the accountable provider network by a purchasing alliance member that is evidenced by a promissory note or other instrument that allows for repayment of the contribution in the manner provided in a contract approved by the commissioner.

(b) An accountable provider network may propose a method of reporting income, expenses, claims payments, and other financial information in a manner which adequately demonstrates ongoing compliance with the standards for capital, surplus, and claims reserves agreed to under this waiver.

(c) An accountable provider network may demonstrate ability to continue to deliver the contracted health care services to the purchasing alliance through arrangements which ensure that, subject to 60 days' notice of intent to discontinue the contracting arrangement, provider participants will continue to meet their obligation to provide health care services to enrollees for a period of 60 days.

Subd. 3. **Marketing and disclosure.** The accountable provider network, in conjunction with the health care purchasing alliance, may propose alternative methods to present marketing and disclosure information which assure the accountability to consumers who are offered and who receive their services.

Subd. 4. **Quality assurance.** The accountable provider network may propose an alternative quality assurance program which incorporates effective methods for reviewing and evaluating data related to quality of care and ways to identify and correct quality problems.

History: 1997 c 225 art 5 s 6; 2000 c 295 s 5,6

62T.07 CRITERIA FOR GRANTING WAIVERS.

The commissioner may approve a request for waiver under section 62T.06 if the applicant demonstrates that the contracting arrangement between a health care purchasing alliance and an accountable provider network will meet the following criteria:

(a) The arrangement would be likely to result in:

- (1) more choice in benefits and prices;
- (2) lower costs;
- (3) increased access to health care coverage by small businesses;
- (4) increased access to providers who have demonstrated a long-term commitment to the community being serviced; or

(5) increased quality of health care than would otherwise occur under the existing market conditions. In the event that a proposed arrangement appears likely to improve one or two of the criteria at the expense of another one or two of the criteria, the commissioner shall not approve the waiver.

(b) The proposed alternative methods would provide equal or improved results in consumer protection than would result under the existing consumer protections requirements.

History: 1997 c 225 art 5 s 7

62T.08 SUPERVISION AND REVOCATION OF WAIVERS.

(a) The commissioner shall appropriately supervise and monitor approved waivers.

(b) The commissioner may revoke approval of a waiver if the contracting arrangement no longer satisfies the criteria in section 62T.07, paragraphs (a) and (b).

History: 1997 c 225 art 5 s 8

62T.09 MINNESOTA COMPREHENSIVE HEALTH ASSOCIATION.

A health care purchasing alliance must pay the assessment required of contributing members pursuant to section 62E.11.

History: 1997 c 225 art 5 s 9

62T.10 MINNESOTACARE TAX.

An accountable provider network shall file with the commissioner of revenue all returns and pay to the commissioner of revenue all amounts required under chapter 297I.

History: 1997 c 225 art 5 s 10; 2000 c 394 art 2 s 17

62T.11 DUTIES OF COMMISSIONER.

(a) By July 1, 1997, the commissioner shall make available application forms for licensure as an accountable provider network. The accountable provider network may begin doing business after application has been approved.

(b) Upon receipt of an application for a certificate of authority, the commissioner shall grant or deny licensure and waivers requested within 90 days of receipt of a complete application if all requirements are substantially met. For a period of six years after July 1, 1997, the commissioner may approve up to five applications, none of which may be from health plan companies. If no written response has been received within 90 days, the application is approved. When the commissioner denies an application or waiver request, the commissioner shall notify the applicant in writing specifically stating the grounds for the denial and specific suggestions for how to remedy the denial. The commissioner will entertain reconsiderations. Within 90 days after the denial, the applicant may file a written request for an administrative hearing and review of the commissioner's determination. The hearing is subject to judicial review as provided by chapter 14.

(c) All 62N are gra
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History

62T.12 FEI

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62T.13 [R

(c) All monitoring, enforcement, and rulemaking powers available under chapter 62N are granted to the commissioner to assure continued compliance with provisions of this chapter. The commissioner shall honor the intent of this section to foster community-focused, affordable health coverage for small employers and their employees.

(d) The commissioner may contract with other entities as necessary to carry out the responsibilities in this chapter.

History: 1997 c 225 art 5 s 11; 2000 c 295 s 7

62T.12 FEES.

Every accountable provider network subject to this chapter shall pay to the commissioner fees as prescribed by the commissioner pursuant to section 144.122. The initial fees are:

- (1) filing an application for licensure, \$500;
- (2) filing an amendment to a license, \$90;
- (3) filing an annual report, \$200;
- (4) filing of renewal of licensure based on a fee of \$1,000 per 1,000 enrollees, with renewal every three years; and
- (5) other filing fees as specified by rule.

History: 1997 c 225 art 5 s 12

62T.13 [Repealed, 2000 c 295 s 8]

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Notes from
meeting w/ Trigg

on Nov 15, 02

Pilot - 3 years

5 areas

OCT oversee

individuals

minimum of 4,000 for a pilot to operate

over 600 bus → \$50 or less
↓ self-employed) located in area

municipality

ch 185.981

probably one HMO per pilot) are there any areas of state where
there are no HMOs operating?

(no exemption from any mandates
or other laws)

include penalty for early withdrawal

allow HMO to ^{place} limits on self-employed?

reports ~~yes~~

annual to OCT & legislature in general

30 hrs → eligible employee

notes from
meeting on
Nov 22, 02

Bill Omecher

~~Adm~~

initial funding

rules →

one coop yr area

Small employes → 50

self-employed

+ cooperatives

19 months' de

cover employees of m emp +

members or employees of coop

members may be T

+ dependents

may be coop that does penalty

? limit to persons who do not have access to other insurance
add:

penalty:

36th prem - for leaving coop/plan

+ member ship fee

Kahler, Pam

From: Bill Oemichen [bill.oemichen@wfcmac.coop]
Sent: Friday, November 22, 2002 3:29 PM
To: Liz Quam Berne
Cc: ruthann.nelson@wfcmac.coop; tryg.knutson@legis.state.wi.usssl;
pam.kahler@legis.state.wi.us
Subject: Wisconsin Health Care Purchasing Alliance

November 22, 2002

Ms. Liz Quam Berne
Executive Vice President
Advocates for Marketplace
Options for Mainstreet

Dear Liz:

I just completed a meeting with Tryg Knutson of state Senator Jon Erpenbach's staff, Pam Kahler of the Legislative Reference Bureau, and Ruthann Nelson of our WFC staff. We reviewed a first draft of potential Wisconsin Health Care Purchasing Alliance legislation Pam completed in near record time. I will fax a copy to you. You will note it is very similar to the Minnesota legislation.

We would appreciate your reviewing the draft. We have preliminarily placed the authorizing language in the Wisconsin cooperative law chapter. We would like your advice on several questions if possible.

First, how specific should we be in defining the applicable geographic area? As we have previously discussed, Wisconsin has a number of urban centers in each part of the state. The under-served population is in surrounding counties. For example, there are eight HMO's offering health care coverage in Dane County (Madison), but there is a definite wall at the county line. As a result, Green County, adjacent to Dane County on the south side, is under-served. Small employers find it nearly impossible to obtain health care coverage there.

We would expect the same 4,000 insurable lives economic requirement would exist in Wisconsin (or a very similar number). Therefore, we don't want to be too specific on geographic lines. However, we may have more of a patchwork than the broader areas in Minnesota.

Second, we are planning to make "cooperative members" eligible in addition to "small employer." This change will be made in the next draft. Is there any other language we should be sure to include to get in all intended eligible insured lives?

Third, on page 2, line 12 we intend to include the words "or resides" after "doing business" to ensure we pick up farm supply and other cooperative members.) ?

Fourth, regarding the exit barrier. Does a penalty of the "36th month" premium make sense? We would rather write this into the state than leave it to rulemaking. Wisconsin is a very active rulemaking state. However, it often takes more than 1.5 years to write rules. If so, should it be the health benefit purchasing cooperative assessing the penalty rather than the HMO?

Fifth, should we place limits on membership, or leave that to the discretion of the health benefit purchasing cooperative?

Sixth, we make the entity a cooperative by placing it in the cooperative law chapter. Are we being too limiting?

Any advice you can provide would be greatly appreciated!

Bill Oemichen
608/258-4413

DRAFTING NOTES FOR HEALTH BENEFIT PURCHASING COOPERATIVES

1. Add language to the bill accepting Agricultural Development & Diversification ^{A. 93.46} (ADD) grant monies for stop-loss grant from DATCP to help pay administrative costs associated with the Health Benefit Purchasing Cooperatives.
(Language coming from Fed. Of Coops. MN – they had to do follow up legislation in Minnesota for this)
- ~~2.~~ Add language : 185.99 (e) Cooperative as defined in Chapter 185
3. 185.99 (4) (b) add the wording “and its members” on line 12 between the words “cooperative” and “and”. *ask RJM*
- ✓ 4. 185.99 (6) add the sentence “The Commissioner may allow overlapping *com determines geo areas* geographic areas”.
- ✓ 5. Drafters note # 1 - not more than one in each geographic area, but can overlap areas.
6. Drafters note # 2 – Cooperative will determine criteria for membership. *+ file w/ com*
- ✓ 7. Drafters note # 3 – Thinking we won't specify a minimum participation level... but confirming that with MN connection.....
- ✓ 8. Drafters note # 4 – Yes, require the Commissioner of to submit proposed rules within 6 months. *on (geo areas) by rule*
9. set of notes from MN connection.
- 10.

Draft:

185.00 Health benefit purchasing cooperatives

[add definitions] *Note – you need a definition of employer that includes businesses with more than 50 employees, to allow counties and larger coops, etc. to participate, Your current definition doesn't do that.*

Subd 2. Health care purchasing cooperatives. "Health care purchasing cooperatives means a cooperative created under this chapter to negotiate the purchase of health care services for employers and cooperative members. A health care purchasing cooperative may include a grouping of:

- (1) members of other cooperatives which join together to form a health care purchasing cooperative;
- (2) businesses, including small businesses with one employee. The businesses may or may not be organized under [WI's *small-group-self insurance section "pooling"*];
- (3) trade association members or church organizations or union members who are not in a self-insured benefit plan;
- (4) multiple employer welfare associations under chapter ... ?
- (5) municipalities, townships, counties or other government entities;
- (6) any combination of clauses (1) to (5).

The health care purchasing cooperative may develop the criteria for participation by members of participating cooperatives but must adhere to its criteria and show no bias. The health care purchasing cooperative may determine the definition of a business of one employee, but must adhere to its definition and show no bias in selection of members based on that definition.

Section 3 (?)

Subd 1. Registration. Purchasing cooperatives must register prior to offering coverage, and annually on July 1 thereafter, with the commissioner, on a form prescribed by the commissioner.

Subd 2. Common Factors. All participants in a purchasing cooperative must live within a common geographic region, be employed in a similar occupation, be members of other cooperatives that are participating in the purchasing cooperative, or share some other common factor as approved by the commissioner. The membership criteria must not be designed to include disproportionately employers, groups, or individuals likely to have low costs or health coverage, or to exclude disproportionately employers, groups, or individuals likely to have high costs of health coverage.

Subd. 3. Federal law. A self-insured employer may participate as an affiliate member of a purchasing cooperative without participation affecting the employer's standing under the federal Employee Retirement Income Security Act (ERISA) of 1974. An affiliate member is one that may purchase administrative services with the purchasing cooperative and may participate in activities undertaken to educate and promote health improvement of the purchasing alliance enrollees or community residents.

Section 4(?)

Subd. 1. Consumer Protection

If the purchasing cooperative offers a health benefits product to its members, it must do so either with a contractual arrangement with a health plan licensed by the Commissioner or through a joint self-insurance plan that is approved by the Commissioner.

If the purchasing cooperative negotiates the product offering with a health plan company all relevant existing laws must be met except that the health plan company may offer and sell any benefits permitted to be offered and sold by health plan companies under Wisconsin law. A health plan company may, after consultation with the purchasing cooperative, offer only one benefit plan to members of the cooperative.

If the purchasing cooperative offers its members a joint-self insurance plan, it exempt from providing the mandated health benefits described in chapters If it otherwise provides the benefits required under the Employee Retirement Income Security Act of 1974, United States Code, title 29, sections 1001, et seq., for all members and not just for the members with 50 or more employees who are covered by that federal law.

Subd 2. A health plan company that is contracting with a purchasing cooperative may offer and sell any benefits permitted to be offered and sold by health plan companies under Wisconsin law. A health plan company may, after consultation with the purchasing cooperative, offer only one benefit plan to members of the purchasing cooperative.

Subd 3. ***QUESTION: do you want the option of a special license that your providers could apply for to deal directly with the purchasing coop? (Accountable Provider Network) I think you might want to consider at least having this option on the books. I will help clean-up Minnesota's language for you if you want to add it but I don't want to spend the time if there is no interest. My suggestion would be to include it and then, if the insurance industry causes a stink, offer to take it out and then you'll still have the rest of the bill – otherwise, they might pick apart some critical pieces of the demo concept. But obviously, I am not experienced with Wisconsin politics...***

Section 5. Rural Demonstration Project

Subdivision 1. (a) The commissioner may permit demonstration projects to allow health plan companies to extend coverage to a health purchasing cooperative located in rural Wisconsin. For purposes of this subdivision, rural is defined as ...

(a) The demonstration project must be designed in such a way that purchasing cooperative members will:

- (1) become better informed about health care trends and cost increases;
- (2) be actively engaged in the design of health benefit options that will meet the needs of their community;
- (3) purchase these products exclusively from the health plan company involved in the demonstration project; and

(4) actively participate in health improvement decisions for their community.

(b) The commissioner must consider the following when approving applications for rural demonstration projects:

- (1) the extent of consumer involvement in development of the project;
- (2) the degree to which the project is likely to reduce the number of uninsured or to maintain existing coverage; and
- (3) a plan to evaluate and report to the commissioner and legislature as prescribed by paragraph (c).

(c) The commissioner shall approve enrollee cost-sharing features desired by the purchasing cooperative that appropriately share costs between employers, individuals, and the health plan company.

(d) The health plan company may make the starting date of the project contingent upon a minimum number of enrollees as cited in the application, provide for an initial term of contract with the purchasers of a minimum of three years, and impose a reasonable penalty for employers who withdraw early from the project.

(e) ***Check with an HMO type to find out what the loss ratios should be – in MN, there is more fudge factor for small carriers and you want to be able to fall under those “looser” loss ratios – if there is a difference in WI --***

(f) The health plan company may consider businesses of one to be a small employer under section ?? . The health plan company may limit enrollment and establish enrollment criteria for businesses of one and for members of participating cooperatives.

(g) The purchasing cooperative must report to the commissioner and legislature annually on the progress of the demonstration project and, to the extent possible, any significant findings in the criteria listed in clauses (1), (2), and (3) for the final report. The purchasing cooperative must submit a final report five years from the starting date of the project. The final report must detail significant findings from the project and must include, to the extent available, but should not be limited to, information on the following:

(1) the extent to which the project had an impact on the number of uninsured in the project area; and

(2) the degree to which health care consumers were involved in the development and implementation of the demonstration project.

(h) The commissioner must limit the number of demonstration projects under this subdivision to five projects. The commissioner may allow overlapping geographic areas for two or more demonstration projects if the relevant applications fit all other criteria.

Notes from meeting on
March 21, 03

add \$50,000 grant - DATCP (may award)
ag dev & diversification
to Wis federation of cooperatives
for assisting w/ organizing coops

have coop determine membership criteria
but send files them w/ commissioners

broaden members to any type of bus, municipalities,
trade organizations - any group

broaden type of providers (def net plan)
still have option to see any
provider (point-of-service)
but leave it up to coop to determine
if want to offer



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-0715/PI
PJK.....
WLJ
& RJM

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

Draft
SOON
(4-1)

generat

- 1 AN ACT *generat*; relating to: authorizing a health benefit purchasing cooperative pilot
- 2 project and a grant to provide assistance with organizing the cooperatives, and
- 3 granting rule-making authority.

Analysis by the Legislative Reference Bureau

nonstock

This bill authorizes a pilot project in which one health benefit purchasing cooperative (cooperative) may be organized in each of five geographic areas of the state that are designated by the Commissioner of Insurance (commissioner) by rule. A cooperative may be organized by one or more persons, which the bill defines as any type of business, an association, a trade or labor organization, a municipality, or a self-employed individual. Any person that does business in, is located in, has a principal office in, or resides in a geographic area in which a cooperative is organized, that meets the membership criteria established by the cooperative in its bylaws, and that pays the membership fee may be a member of the cooperative organized in that geographic area.

The purpose of the cooperatives is to provide health care benefits to the employees, members, and officers of the members of ^{each} the cooperative and to their dependents through a three-year contract with a defined network plan. The health insurance risk of all cooperative members is pooled; the members are actively involved in designing the health care benefit options offered by the defined network plan; and all members purchase their health care benefits from the defined network plan, although a cooperative may also offer its members a point-of-service option plan under which an individual may receive health care services from a provider who is not a participating provider in the defined network plan and pay the difference

between what the provider charges and what the defined network plan would pay a participating provider.

Each cooperative must submit to the legislature and to the commissioner an annual report on the progress of the health benefit purchasing arrangement and, within a year after the end of the three-year contract term, a report on the significant findings from the project, including the effects on group health care coverage premiums and the number of uninsured in the geographic area of the cooperative.

Finally, the bill authorizes the Department of Agriculture, Trade and Consumer Protection (DATCP) to award an agricultural research and development grant of up to \$50,000 under DATCP's Agricultural Diversification Program to the Wisconsin Federation of Cooperatives for assisting with the organization of the health benefit purchasing cooperatives under the pilot project in the bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 185.99 of the statutes is created to read:

2 **185.99 Health benefit purchasing cooperatives.** (1) **DEFINITIONS.** In this
3 section:

4 (a) "Commissioner" means the commissioner of insurance.

5 (b) "Defined network plan" has the meaning given in s. 609.01 (1b).[↓]

6 (c) "Eligible employee" has the meaning given in s. 632.745 (5) (a).[↓]

7 (d) "Person" means any corporation, limited liability company, partnership,
8 cooperative, association, trade or labor organization, city, village, town, county, or
9 self-employed individual. Notwithstanding s. 185.02,[↓]

10 (e) "Point-of-service option plan" has the meaning given in s. 609.10 (1) (ac).[↓]

11 (2) **ORGANIZATION AND PURPOSE.** (a) As a pilot project, one health benefit
12 purchasing cooperative may be organized under this chapter before the first day of
13 the 25th month beginning after the effective date of this subsection [revisor

Notwithstanding s. 185.043

1 inserts date], in each of the 5 geographic areas designated under sub. (6). Each
2 health benefit purchasing cooperative may be organized by one or more persons.

3 (b) The purpose of a health benefit purchasing cooperative shall be to provide
4 health care benefits for the individuals specified in sub. (4) (a) 1. to 3., through a
5 contract with a defined network plan.

6 (c) A health benefit purchasing cooperative shall be designed ^{so} in such a way that
7 all of the following are accomplished:

8 1. The members become better informed about health care trends and cost
9 increases.

10 2. All members purchase their health care benefits from the same defined
11 network plan, subject to sub. (4) (d).

12 3. The members are actively engaged in designing health care benefit options
13 that are offered by the defined network plan and that meet the needs of their
14 community.

15 4. The health insurance risk of all of the members is pooled.

16 5. The members actively participate in health improvement decisions for their
17 community.

Insurance
3-17

18 (3) COOPERATIVE MEMBERSHIP. (a) Any person that does business in, is located
19 in, has a principal office in, or resides in the geographic area in which a health benefit
20 purchasing cooperative is organized, that meets the membership criteria established
21 by the health benefit purchasing cooperative in its bylaws, and that pays the
22 membership fee may be a member of the health benefit purchasing cooperative.

23 (b) Each health benefit purchasing cooperative shall file its membership
24 criteria, as well as any amendments to the criteria, with the commissioner.

(Not) (a) Notwithstanding s. 185.11 (1),
each health benefit purchasing cooperative shall be organized on a membership
basis with no capital stock. (IP)

1 (4) HEALTH CARE BENEFITS. (a) The health care benefits offered by a health
2 benefit purchasing cooperative shall be negotiated between the health benefit
3 purchasing cooperative and the defined network plan. Subject to par. (b), the defined
4 network plan must offer coverage to all of the following:

5 1. An individual who is a member, officer, or eligible employee of a member of
6 the health benefit purchasing cooperative.

7 2. A self-employed individual who is a member of the health benefit purchasing
8 cooperative.

9 3. A dependent of an individual under subd. 1. ✓ or 2. ✓ who receives coverage.

10 (b) The defined network plan may limit enrollment of self-employed
11 individuals by establishing enrollment criteria, but such criteria must be applied in
12 the same manner to all self-employed individuals.

13 (c) The contract between the members of a health benefit purchasing
14 cooperative and a defined network plan shall be for a term of ~~three~~³ years. Upon
15 enrollment in the defined network plan, each member shall pay to the defined
16 network plan the member's applicable premium for the 36th month of coverage
17 under the contract. If a member withdraws from the health benefit purchasing
18 cooperative before the end of the contract term, the defined network plan may retain,
19 as a penalty, the premium that the member paid for the 36th month of coverage.

20 (d) In addition to providing health care benefits under a contract with a defined
21 network plan, a health benefit purchasing cooperative may offer its members a
22 point-of-service option plan.

Ⓢ ADDITIONAL

23 (5) ~~REQUIRED~~ REPORTS. Each health benefit purchasing cooperative shall
24 submit to the legislature under s. 13.172 (2) ✓ and to the commissioner all of the
25 following:

1 (a) Annually, no later than September 30, a report on the progress of the health
2 benefit purchasing arrangement described in this section and, to the extent possible,
3 any significant findings in the criteria under par. (b) 1. to 3.

4 (b) Within one year after the end of the term of the contract under sub. (4) (c),
5 a final report that details significant findings from the project and that includes, at
6 a minimum, to the extent available, information on all of the following:

7 1. The extent to which the health benefit purchasing arrangement had an
8 impact on the number of uninsured in the geographic area in which it operated.

9 2. The effect on health care coverage premiums for groups in the geographic
10 area in which the health benefit purchasing arrangement operated, including groups
11 other than the health benefit purchasing cooperative.

12 3. The degree to which health care consumers were involved in the
13 development and implementation of the health benefit purchasing arrangement.

14 (6) DESIGNATION OF GEOGRAPHIC AREAS. The commissioner shall designate, by
15 rule, the 5 geographic areas of the state in which health benefit purchasing
16 cooperatives may be organized. A geographic area may overlap with one or more
17 other geographic areas.

18 SECTION 2. Nonstatutory provisions.

19 (1) GRANT FOR ADMINISTRATIVE ASSISTANCE. Notwithstanding section 93.46 (2) (b)
20 of the statutes, the department of agriculture, trade and consumer protection may
21 award a grant of up to \$50,000 under section 93.46 (2) of the statutes to the Wisconsin
22 Federation of Cooperatives for costs incurred to assist in the organization of health
23 benefit purchasing cooperatives under section 185.99¹ of the statutes, as created by
24 this act. If the department of agriculture, trade and consumer protection awards a
25 grant under this subsection, the department shall enter into an agreement with the

1 Wisconsin Federation of Cooperatives that specifies the uses for the grant proceeds
2 and reporting and auditing requirements.

3 (2) RULES ON GEOGRAPHIC AREAS. The commissioner of insurance shall submit
4 in proposed form the rules required under section 185.99 (6) of the statutes, as
5 created by this act, to the legislative council staff under section 227.15 (1) of the
6 statutes no later than the first day of the 7th month beginning after the effective date
7 of this subsection.

8

(END)

D. note

INSEAT 3-17

ⓑ

Ⓢ

¶ (2m) TEMPORARY BOARD OF DIRECTORS. Notwithstanding s. 185.05

(1) (m) in the articles of a health benefit purchasing cooperative shall ~~set~~ ^{set} forth the name and address of at least one incorporator who will act as the temporary board.

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0715/dn
PJK:.....

Tryg:

1. Note that under ch. 185 criteria for membership in a cooperative is determined by the cooperative under the bylaws, so that would apply to a cooperative organized under this bill, also. (See ss. 185.06, 185.07, and 185.11 (2).) I did retain the requirements of having a presence in the geographic area and of paying the membership fee, however. See proposed s. 185.99 (3) (a). Is this okay?
2. I also retained the ability of the defined network plan to establish special enrollment criteria for self-employed individuals. See proposed s. 185.99 (4) (b). Is this okay?
3. A definition for "cooperative" is unnecessary in proposed s. 185.99 because of s. 185.01 (2) in current law and because under proposed s. 185.99 (2) (a) the health benefit purchasing cooperatives are organized "under this chapter."
4. Note that I limited the ~~formation of the~~ ^{se} cooperatives to two years from the effective date. Let me know if you think that is not enough time.
5. Also note that it is possible for all five of the cooperatives to be located very close to one another if the geographic areas are extremely overlapping. For example, if three geographic areas overlap so that there is one area of overlap that is actually part of each area, three cooperatives could be organized right next to each other in that area, with one "assigned" to each of the three geographic areas. (If you can't picture this, I'd be happy to draw a diagram.) Is this okay?
6. I asked Rob Marchant to review the draft from the perspective of compliance with the laws relating to cooperatives. If you have any questions related to cooperatives specifically, Rob is the person to ask.

Pamela J. Kahler
Senior Legislative Attorney
Phone: (608) 266-2682
E-mail: pam.kahler@legis.state.wi.us

ability to form a health benefit purchasing

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0715/P1dn
PJK:wlj:rs

April 3, 2003

Tryg:

1. Note that under ch. 185 criteria for membership in a cooperative is determined by the cooperative under the bylaws, so that would apply to a cooperative organized under this bill, also. (See ss. 185.06, 185.07, and 185.11 (2).) I did retain the requirements of having a presence in the geographic area and of paying the membership fee, however. See proposed s. 185.99 (3) (a). Is this okay?
2. I also retained the ability of the defined network plan to establish special enrollment criteria for self-employed individuals. See proposed s. 185.99 (4) (b). Is this okay?
3. A definition for "cooperative" is unnecessary in proposed s. 185.99 because of s. 185.01 (2) in current law and because under proposed s. 185.99 (2) (a) the health benefit purchasing cooperatives are organized "under this chapter."
4. Note that I limited the ability to form a health benefit purchasing cooperative to two years from the effective date. Let me know if you think that is not enough time.
5. Also note that it is possible for all five of the cooperatives to be located very close to one another if the geographic areas are extremely overlapping. For example, if three geographic areas overlap so that there is one area of overlap that is actually part of each area, three cooperatives could be organized right next to each other in that area, with one "assigned" to each of the three geographic areas. (If you can't picture this, I'd be happy to draw a diagram.) Is this okay?
6. I asked Rob Marchant to review the draft from the perspective of compliance with the laws relating to cooperatives. If you have any questions related to cooperatives specifically, Rob is the person to ask.

Pamela J. Kahler
Senior Legislative Attorney
Phone: (608) 266-2682
E-mail: pam.kahler@legis.state.wi.us

Kahler, Pam

From: Knutson, Tryg
Sent: Wednesday, April 30, 2003 2:03 PM
To: Kahler, Pam
Cc: Marchant, Robert
Subject: RE: Health care cooperatives bill, LRB-0715

Hi Pam -

I was out of the office, so I just reviewed Bill's email yesterday, and placed a call to him to firm up point three myself - he's in D.C. until Friday, so I'm hoping for a return call then..... I thought he had told me earlier that Minnesota had to have some follow up legislation to allow the acceptance of the grant, so his thoughts were to be preemptive with the legislative here if necessary. If you and Rob don't think it's necessary, that works for me.... same for including the ADD grant language. Let's set the time to form the cooperative at FOUR years and call it a day to push this out for circulation.

Thanks much - and thanks for beating me to the punch on addressing Bill's email!

Tryg

-----Original Message-----

From: Kahler, Pam
Sent: Wednesday, April 30, 2003 12:42 PM
To: Knutson, Tryg
Cc: Marchant, Robert
Subject: Health care cooperatives bill, LRB-0715

Tryg:

Rob and I have reviewed Bill Oemichen's email with comments on the draft. I have a few comments:

1. Let me know if you want to extend the time to form the cooperatives to "three or four years," and, if so, which one.
2. We don't have to specifically include the ADD grant language, but the project may not come under the existing criteria (which is why I added "Notwithstanding section 93.46 (2) (b) of the statutes"). Also, as structured, there is no additional appropriation of money, the grant is made with whatever amount is already appropriated under s. 20.115 (4) (c).
3. Rob and I do not know why there would be a need to add language that would allow the cooperatives to accept private or public grants. Is there something different about Minnesota's laws? Is there some requirement for specific authorization under federal law? If that is the case, we obviously can't change the federal requirement. I guess we need to know why Bill thinks a cooperative would not be able to accept private or public grants without specific authorization.

Thanks!
Pam

Kahler, Pam

From: Kahler, Pam
Sent: Wednesday, April 30, 2003 12:14 PM
To: Marchant, Robert
Subject: RE: Health Care Legislation - LRB 0715

I agree - or maybe there is some difference in the Minnesota law. I guess we'll have to find out from them what would prohibit accepting a grant. As you say, it may be a particular federal grant, but if that is the problem, we can't change federal law, either.

-----Original Message-----

From: Marchant, Robert
Sent: Wednesday, April 30, 2003 10:02 AM
To: Kahler, Pam
Subject: RE: Health Care Legislation - LRB 0715

Pam--

I don't understand why they need statutory authority to accept what is, in effect, a donation. Maybe there is some requirement under federal law that this type of grant can only be provided to entities that are specifically authorized to receive the grant or that are required by law to use the grant in a certain way. That's about all I can think of.

Rob

-----Original Message-----

From: Kahler, Pam
Sent: Monday, April 28, 2003 2:07 PM
To: Marchant, Robert
Subject: FW: Health Care Legislation - LRB 0715

Hi, Rob:

Here is an email on the health care cooperatives draft. The only comment that I'm checking on is the last one, about accepting grants. I don't know why cooperatives couldn't accept grants, so it wouldn't seem that any language is absolutely necessary, but I haven't checked on it yet. Any thoughts?

Pam

-----Original Message-----

From: Bill Oemichen [mailto:bill.oemichen@wfcmac.coop]
Sent: Friday, April 25, 2003 4:32 PM
To: Knutson, Tryg; pam.kahler@legis.state.wi.us; ruthann.nelson@wfcmac.coop; Liz Quam Berne
Subject: Re: Health Care Legislation - LRB 0715

Please excuse the typos in my memorandum. I am having some trouble typing today.

Bill

Bill Oemichen wrote:

> Hi Tryg and Pam:

>

> I am sure getting alot of calls regarding our potential legislation.

> Among others, the president of the Monroe Clinic wants to discuss a

> potential cooperative approach to delivery medical services in Southwest

> Wisconsin.

>
> As for the legislation, . I have several comments. First, regarding
> point one on Pam's memorandum, I think the provision is OK. Most health
> care cooperatives do not issue capital stock. Furthermore, we don't
> need capital stock to provide members with a patronage distribution.
>
> Second, Section 185.99(4) (b) appears to be OK as well. The Minnesota
> health care purchasing alliances have established membership criteria
> and this is needed to manage actuarial risk.
>
> Third, Pam's third point is OK.
>
> Fourth, I would prefer three or four years rather than two years. There
> may be the potential need for a health care purchasing cooperative to
> separate into two or more cooperatives at a later date or to form a
> subsidiary. I can't exactly think of what might trigger this, but I
> would prefer to be somewhat flexible.
>
> Fifth, regarding geographic areas, I can foresee the possibility of some
> overlap. I would hope this would not happen since we have alot of areas
> of the state to potentially cover based on the calls I am receiving.
>
> Sixth, do we need the language regarding the ADD Grant? I am hoping I
> successfully argued we fit under existing criteria. This may attach a
> dollar sign to the bill we may not want. On the other hand, it might be
> helpful if it doesn't pull us into Joint Finance. What do you think?
>
> Finally, Minnesota HF 266 is legislation we introduced this year to
> ensure the alliance could accept grants from others for a stop loss
> account. The bill is available at the Minnesota Northstar website.
> Unfortunately, my Internet Service is down so I cannot provide it to
> you. Among other language, the bill states, "The commissioner of health
> shall approve any criteria needed in order to receive grants from other
> public or private entities." The bill also states, "The commissioner
> may accept grants from public or private entities for the purpose of
> expanding the stop-loss fund. Any money received by the commissioner
> must be deposited into the account and distributed in accordance with
> this section."
>
> I would like to add language to our bill similarly allowing us to accept
> such grant funding and I would prefer that we not need state approval to
> receive stop loss grant funds from such sources as the U.S. Department
> of Health and Human Services. However, I am a little unclear if federal
> grant criteria require acceptance by the state. I will ask Liz Quam
> Berne to help us with this, if possible.
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> Thanks for your continuing work on this legislation!
>
> Bill

Kahler, Pam

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> Thanks for your continuing work on this legislation!
>
> Bill



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-0715/PA
PJK&RJM:wlj:rs

r m is run

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

1 AN ACT to **REGEN** create 185.99 of the statutes; relating to: authorizing a health benefit
2 purchasing cooperative pilot project and a grant to provide assistance with
3 organizing the cooperatives, and granting rule-making authority.

Analysis by the Legislative Reference Bureau

This bill authorizes a pilot project in which one nonstock health benefit purchasing cooperative (cooperative) may be organized in each of five geographic areas of the state that are designated by the Commissioner of Insurance (commissioner) by rule. A cooperative may be organized by one or more persons, which the bill defines as any type of business, an association, a trade or labor organization, a municipality, or a self-employed individual. Any person that does business in, is located in, has a principal office in, or resides in a geographic area in which a cooperative is organized, that meets the membership criteria established by the cooperative in its bylaws, and that pays the membership fee may be a member of the cooperative organized in that geographic area.

The purpose of the cooperatives is to provide health care benefits to the employees, members, and officers of the members of each cooperative and to their dependents through a three-year contract with a defined network plan. The health insurance risk of all cooperative members is pooled; the members are actively involved in designing the health care benefit options offered by the defined network plan; and all members purchase their health care benefits from the defined network plan, although a cooperative may also offer its members a point-of-service option plan under which an individual may receive health care services from a provider who is not a participating provider in the defined network plan and pay the difference

between what the provider charges and what the defined network plan would pay a participating provider.

Each cooperative must submit to the legislature and to the commissioner an annual report on the progress of the health benefit purchasing arrangement and, within a year after the end of the three-year contract term, a report on the significant findings from the project, including the effects on group health care coverage premiums and the number of uninsured in the geographic area of the cooperative.

Finally, the bill authorizes the Department of Agriculture, Trade and Consumer Protection (DATCP) to award an agricultural research and development grant of up to \$50,000 under DATCP's Agricultural Diversification Program to the Wisconsin Federation of Cooperatives for assisting with the organization of the health benefit purchasing cooperatives under the pilot project in the bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION 1. 185.99 of the statutes is created to read:

2 **185.99 Health benefit purchasing cooperatives.** (1) DEFINITIONS. In this
3 section:

4 (a) "Commissioner" means the commissioner of insurance.

5 (b) "Defined network plan" has the meaning given in s. 609.01 (1b).

6 (c) "Eligible employee" has the meaning given in s. 632.745 (5) (a).

7 (d) "Person" means any corporation, limited liability company, partnership,
8 cooperative, association, trade or labor organization, city, village, town, county, or
9 self-employed individual.

10 (e) "Point-of-service option plan" has the meaning given in s. 609.10 (1) (ac).

11 (2) ORGANIZATION AND PURPOSE. (a) Notwithstanding s. 185.02, one health
12 benefit purchasing cooperative may be organized under this chapter before the first

13 day of the ~~7th~~ month beginning after the effective date of this subsection [revisor
14 inserts date], in each of the 5 geographic areas designated under sub. (6).

49th

1 Notwithstanding s. 185.043, each health benefit purchasing cooperative may be
2 formed by one or more persons.

3 (b) The purpose of a health benefit purchasing cooperative shall be to provide
4 health care benefits for the individuals specified in sub. (4) (a) 1. to 3., through a
5 contract with a defined network plan.

6 (c) A health benefit purchasing cooperative shall be designed so that all of the
7 following are accomplished:

8 1. The members become better informed about health care trends and cost
9 increases.

10 2. All members purchase their health care benefits from the same defined
11 network plan, subject to sub. (4) (d).

12 3. The members are actively engaged in designing health care benefit options
13 that are offered by the defined network plan and that meet the needs of their
14 community.

15 4. The health insurance risk of all of the members is pooled.

16 5. The members actively participate in health improvement decisions for their
17 community.

18 **(2m)** TEMPORARY BOARD OF DIRECTORS. Notwithstanding s. 185.05 (1) (m), the
19 articles of a health benefit purchasing cooperative shall set forth the name and
20 address of at least one incorporator who will act as the temporary board.

21 **(3)** COOPERATIVE MEMBERSHIP. (a) Notwithstanding s. 185.11 (1), each health
22 benefit purchasing cooperative shall be organized on a membership basis with no
23 capital stock.

24 (b) Any person that does business in, is located in, has a principal office in, or
25 resides in the geographic area in which a health benefit purchasing cooperative is

1 organized, that meets the membership criteria established by the health benefit
2 purchasing cooperative in its bylaws, and that pays the membership fee may be a
3 member of the health benefit purchasing cooperative.

4 (c) Each health benefit purchasing cooperative shall file its membership
5 criteria, as well as any amendments to the criteria, with the commissioner.

6 (4) HEALTH CARE BENEFITS. (a) The health care benefits offered by a health
7 benefit purchasing cooperative shall be negotiated between the health benefit
8 purchasing cooperative and the defined network plan. Subject to par. (b), the defined
9 network plan must offer coverage to all of the following:

10 1. An individual who is a member, officer, or eligible employee of a member of
11 the health benefit purchasing cooperative.

12 2. A self-employed individual who is a member of the health benefit purchasing
13 cooperative.

14 3. A dependent of an individual under subd. 1. or 2. who receives coverage.

15 (b) The defined network plan may limit enrollment of self-employed
16 individuals by establishing enrollment criteria, but such criteria must be applied in
17 the same manner to all self-employed individuals.

18 (c) The contract between the members of a health benefit purchasing
19 cooperative and a defined network plan shall be for a term of 3 years. Upon
20 enrollment in the defined network plan, each member shall pay to the defined
21 network plan the member's applicable premium for the 36th month of coverage
22 under the contract. If a member withdraws from the health benefit purchasing
23 cooperative before the end of the contract term, the defined network plan may retain,
24 as a penalty, the premium that the member paid for the 36th month of coverage.

1 (d) In addition to providing health care benefits under a contract with a defined
2 network plan, a health benefit purchasing cooperative may offer its members a
3 point-of-service option plan.

4 (5) **ADDITIONAL REQUIRED REPORTS.** Each health benefit purchasing cooperative
5 shall submit to the legislature under s. 13.172 (2) and to the commissioner all of the
6 following:

7 (a) Annually, no later than September 30, a report on the progress of the health
8 benefit purchasing arrangement described in this section and, to the extent possible,
9 any significant findings in the criteria under par. (b) 1. to 3.

10 (b) Within one year after the end of the term of the contract under sub. (4) (c),
11 a final report that details significant findings from the project and that includes, at
12 a minimum, to the extent available, information on all of the following:

13 1. The extent to which the health benefit purchasing arrangement had an
14 impact on the number of uninsured in the geographic area in which it operated.

15 2. The effect on health care coverage premiums for groups in the geographic
16 area in which the health benefit purchasing arrangement operated, including groups
17 other than the health benefit purchasing cooperative.

18 3. The degree to which health care consumers were involved in the
19 development and implementation of the health benefit purchasing arrangement.

20 (6) **DESIGNATION OF GEOGRAPHIC AREAS.** The commissioner shall designate, by
21 rule, the 5 geographic areas of the state in which health benefit purchasing
22 cooperatives may be organized. A geographic area may overlap with one or more
23 other geographic areas.

24 **SECTION 2. Nonstatutory provisions.**

Kahler, Pam

From: Knutson, Tryg
Sent: Monday, May 12, 2003 2:17 PM
To: Kahler, Pam
Subject: Submitted: LRB 03-0715/1 Topic: Creation of health care purchasing alliances?body=

Hi Pam -

One last request, I promise. Before the draft is jacketed - We've come to the conclusion that it would be best to remove the Grant language. So if we could remove from Page 6 - Lines 1-9, that would be great.

Then I think we are really ready for jacketing.

Thanks.

Tryg



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-0715/A²
PJK&RJM:wlj:re

revisions

2003 BILL

REGEN

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BILL

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BILL

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BILL

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BILL

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24 **SECTION 2. Nonstatutory provisions.**

Mentkowski, Annie

From: Knutson, Tryg
Sent: Tuesday, May 13, 2003 10:36 AM
To: LRB.Legal
Subject: Draft review: LRB 03-0715/2 Topic: Creation of health care purchasing alliances

It has been requested by <Knutson, Tryg> that the following draft be jacketed for the SENATE:

Draft review: LRB 03-0715/2 Topic: Creation of health care purchasing alliances

Emery, Lynn

From: Knutson, Tryg
Sent: Thursday, May 29, 2003 12:11 PM
To: Emery, Lynn
Subject: RE: LRB 0715

Absolutely.

I passed along our stripes yesterday,

Thanks for checking.

Tryg

-----Original Message-----

From: Emery, Lynn
Sent: Thursday, May 29, 2003 12:05 PM
To: Knutson, Tryg
Subject: FW: LRB 0715

Is this ok with you?

> -----Original Message-----

> **From:** Schneider, Christian
> **Sent:** Thursday, May 29, 2003 12:01 PM
> **To:** Emery, Lynn
> **Subject:** LRB 0715

>
> Can I get an e-copy of LRB 0715? I think it may have
> originally been drafted for Senator Erpenbach's office, but
> they are passing it off to us. You can contact Tryg in their
> office if you need permission.

>
> Thanks.

>
> **Christian Schneider**
> **Committee Clerk, Senate Committee on Higher Education and Tourism**
> **Staff, Joint Committee on Finance**
> **Office of State Senator Sheila Harsdorf**
> **(608)266-7745**
> **christian.schneider@legis.state.wi.us**

>