



## 1997 ASSEMBLY BILL 662

December 18, 1997 - Introduced by Representatives MUSSER, ROBSON, GRONEMUS, HEBL, GOETSCH, PLOUFF, PORTER, MEYER, BAUMGART, OTTE, HANSON, LA FAVE, TRAVIS, HASENOHRL, RYBA and HUTCHISON, cosponsored by Senators MOEN, ROESSLER, ADELMAN, PLACHE and CLAUSING. Referred to Committee on Small Business and Economic Development.

1     **AN ACT to repeal** 13.94 (1) (p), 15.07 (1) (b) 21., 15.165 (5), 20.515 (2) (title),  
2             20.515 (2) (a), 20.515 (2) (g) and subchapter X of chapter 40 [precedes 40.98];  
3             **to amend** 40.02 (26) (intro.), 40.02 (26) (intro.), 40.02 (28) and 40.02 (28); and  
4             **to create** 13.94 (1) (p), 15.07 (1) (b) 21., 15.165 (5), 20.515 (2) (title), 20.515 (2)  
5             (a), 20.515 (2) (g) and subchapter X of chapter 40 [precedes 40.98] of the  
6             statutes; **relating to:** requiring the department of employe trust funds to  
7             establish a health care coverage plan for employers in the private sector,  
8             creating a private employer health care coverage board and making an  
9             appropriation.

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### ***Analysis by the Legislative Reference Bureau***

This bill requires the department of employe trust funds (DETF) to design, establish and administer a health care coverage plan for employers in the private sector that provides coverage beginning not later than January 1, 2000. The bill also creates a private employer health care coverage board (PEHCCB) that is responsible for approving the health care coverage plan before DETF may implement the plan. The membership of the PEHCCB consists of the secretary of employe trust funds and the secretary of health and family services, a member who represents health

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maintenance organizations, a member who represents hospitals, a member who represents insurance agents, a member who represents insurers, 2 employees who are eligible to receive health care coverage under the plan and whose employer employs not more than 50 employees, 2 members who represent employers that employ not more than 50 employees and who are eligible to offer health care coverage under the plan, one member who is a physician and 2 members who represent the public interest.

The key features of the private employer health care coverage plan are as follows:

1. Any employer in the private sector that employs 2 or more employees is eligible to participate in the plan.

2. Any employer that participates in the plan must offer health care coverage to all of its permanent employees who have a normal work week of 30 or more hours and may offer coverage under the plan to any of its other employees.

3. Any employer that participates in the plan must provide health care coverage to at least 50% of its permanent employees who have a normal work week of 30 or more hours and who do not otherwise receive health care coverage as a dependent under any other plan that is not offered by the employer. The employer is also required to pay for each employee insured under the plan at least 50% of the lowest premium rate that would be available to the employer for the employee's coverage under the plan.

4. Any employer that provides coverage under the plan and that voluntarily terminates coverage under the plan is not eligible to participate in the plan for at least 3 years from the date that coverage is terminated.

5. Any insurer that submits a bid to offer health care coverage for state employees is required to submit a bid to offer health care coverage under the plan in those counties in which the insurer bids to provide health care coverage to state employees.

6. Any insurer that offers the plan must provide coverage under the plan to any employer that applies for coverage, without regard to the health condition or claims experience of any individual who would have coverage, as long as the employer pays the premium and agrees to comply with plan requirements.

7. The health care coverage plan is subject to all provisions of the state insurance code to the same extent as any other group health benefit plan that is offered in the private sector.

8. The plan may only be sold by licensed insurance agents in this state, but an insurance agent may not sell coverage under the plan on behalf of an insurer unless he or she is employed by the insurer or has a contract with the insurer to sell the coverage on behalf of the insurer.

9. DETF is prohibited from selling any health care coverage under the plan or enrolling any employee under the plan, but DETF may publicize the availability of the health care coverage plan for employers.

10. DETF is authorized to contract with any person to provide services relating to the administration of the health care coverage plan.

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11. The commission rate at which an insurer must compensate insurance agents for the sale of the plan is set by the PEHCCB.

12. DETF is required to charge employers who participate in the plan a fee to cover the costs of designing, establishing and administering the plan.

13. The plan is sunset on January 1, 2007.

Under the bill, the PEHCCB is required to report annually to the governor and the legislature on the operation of the plan. In addition, no later than August 1, 2005, the PEHCCB must submit a report to the governor and the legislature that offers recommendations as to whether DETF should continue to administer the plan, whether a different state agency should administer the plan or whether the plan should be administered by a private nonprofit organization. If the PEHCCB recommends that a different state agency administer the health care coverage plan or that the health care coverage plan be administered by a private nonprofit organization, the PEHCCB shall submit proposed legislation relating to the recommendation at the time that the PEHCCB submits its report.

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

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

1           **SECTION 1.** 13.94 (1) (p) of the statutes is created to read:

2           13.94 (1) (p) No later than January 1, 2004, prepare a program evaluation audit  
3 of the private employer health care coverage plan established under subch. X of ch.  
4 40. The legislative audit bureau shall file a copy of the audit report under this  
5 paragraph with the distributees specified in par. (b).

6           **SECTION 2.** 13.94 (1) (p) of the statutes, as created by 1997 Wisconsin Act ...  
7 (this act), is repealed.

8           **SECTION 3.** 15.07 (1) (b) 21. of the statutes is created to read:

9           15.07 (1) (b) 21. Private employer health care coverage board.

10          **SECTION 4.** 15.07 (1) (b) 21. of the statutes, as created by 1997 Wisconsin Act  
11 .... (this act), is repealed.

12          **SECTION 5.** 15.165 (5) of the statutes is created to read:

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1           15.165 (5) PRIVATE EMPLOYER HEALTH CARE COVERAGE BOARD. (a) There is created  
2 in the department of employe trust funds a private employer health care coverage  
3 board consisting of the secretary of employe trust funds or his or her designee, the  
4 secretary of health and family services or his or her designee and the following  
5 members appointed for 3-year terms:

6           1. One member who represents health maintenance organizations.

7           2. One member who represents hospitals.

8           3. One member who represents insurance agents, as defined in s. 628.02 (4).

9           4. Two members who are employes eligible to receive health care coverage  
10 under subch. X of ch. 40 and whose employer employs not more than 50 employes.

11          5. One member who represents insurers.

12          6. Two members who are, or who represent, employers that employ not more  
13 than 50 employes and who are eligible to offer health care coverage under subch. X  
14 of ch. 40.

15          7. One member who is a physician, as defined in s. 448.01 (5).

16          8. Two members who represent the public interest.

17          (b) The secretary of employe trust funds or his or her designee and the secretary  
18 of health and family services or his or her designee shall be nonvoting members.

19          **SECTION 6.** 15.165 (5) of the statutes, as created by 1997 Wisconsin Act .... (this  
20 act), is repealed.

21          **SECTION 7.** 20.005 (3) (schedule) of the statutes: at the appropriate place, insert  
22 the following amounts for the purposes indicated:

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**1997-98**

**1998-99**

1 **20.515 Employe trust funds, department of**

2 (2) PRIVATE EMPLOYER HEALTH CARE COVERAGE PLAN

3 (a) Private employer health care

4 coverage plan; start-up costs GPR A -0- -0-

5 **SECTION 8.** 20.515 (2) (title) of the statutes is created to read:

6 20.515 (2) (title) PRIVATE EMPLOYER HEALTH CARE COVERAGE PLAN.

7 **SECTION 9.** 20.515 (2) (title) of the statutes, as created by 1997 Wisconsin Act

8 .... (this act), is repealed.

9 **SECTION 10.** 20.515 (2) (a) of the statutes is created to read:

10 20.515 (2) (a) *Private employer health care coverage plan; start-up costs.* The  
11 amounts in the schedule for the start-up costs for designing, establishing and  
12 administering the private employer health care coverage plan under subch. X of ch.  
13 40.

14 **SECTION 11.** 20.515 (2) (a) of the statutes, as created by 1997 Wisconsin Act ....  
15 (this act), is repealed.

16 **SECTION 12.** 20.515 (2) (g) of the statutes is created to read:

17 20.515 (2) (g) *Private employer health care coverage plan.* All moneys received  
18 under subch. X of ch. 40 from employers who elect to participate in the private  
19 employer health care coverage plan under subch. X of ch. 40, for the costs of  
20 designing, establishing and administering the plan.

21 **SECTION 13.** 20.515 (2) (g) of the statutes, as created by 1997 Wisconsin Act ....  
22 (this act), is repealed.

23 **SECTION 14.** 40.02 (26) (intro.) of the statutes is amended to read:

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1           40.02 (26) (intro.) “Employe” means any person who receives earnings as  
2 payment for personal services rendered for the benefit of any employer including  
3 officers of the employer, except as provided in subch. X. An employe is deemed to  
4 have separated from the service of an employer at the end of the day on which the  
5 employe last performed services for the employer, or, if later, the day on which the  
6 employe–employer relationship is terminated because of the expiration or  
7 termination of leave without pay, sick leave, vacation or other leave of absence. A  
8 person shall not be considered an employe if a person:

9           **SECTION 15.** 40.02 (26) (intro.) of the statutes, as affected by 1997 Wisconsin  
10 Act .... (this act), is amended to read:

11           40.02 (26) (intro.) “Employe” means any person who receives earnings as  
12 payment for personal services rendered for the benefit of any employer including  
13 officers of the employer, ~~except as provided in subch. X~~. An employe is deemed to  
14 have separated from the service of an employer at the end of the day on which the  
15 employe last performed services for the employer, or, if later, the day on which the  
16 employe–employer relationship is terminated because of the expiration or  
17 termination of leave without pay, sick leave, vacation or other leave of absence. A  
18 person shall not be considered an employe if a person:

19           **SECTION 16.** 40.02 (28) of the statutes is amended to read:

20           40.02 (28) “Employer” means the state, including each state agency, any  
21 county, city, village, town, school district, other governmental unit or  
22 instrumentality of 2 or more units of government now existing or hereafter created  
23 within the state ~~and~~, any federated public library system established under s. 43.19  
24 whose territory lies within a single county with a population of 500,000 or more and  
25 a local exposition district created under subch. II of ch. 229, except as provided under

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1 ss. 40.51 (7) and 40.61 (3), ~~or a local exposition district created under subch. II of ch.~~  
2 ~~229 and subch. X.~~ Each employer shall be a separate legal jurisdiction for OASDHI  
3 purposes.

4 **SECTION 17.** 40.02 (28) of the statutes, as affected by 1997 Wisconsin Act ...  
5 (this act), is amended to read:

6 40.02 (28) "Employer" means the state, including each state agency, any  
7 county, city, village, town, school district, other governmental unit or  
8 instrumentality of 2 or more units of government now existing or hereafter created  
9 within the state, any federated public library system established under s. 43.19  
10 whose territory lies within a single county with a population of 500,000 or more and  
11 a local exposition district created under subch. II of ch. 229, except as provided under  
12 ss. 40.51 (7) and 40.61 (3) ~~and subch. X.~~ Each employer shall be a separate legal  
13 jurisdiction for OASDHI purposes.

14 **SECTION 18.** Subchapter X of chapter 40 [precedes 40.98] of the statutes is  
15 created to read:

**CHAPTER 40****SUBCHAPTER X****PRIVATE EMPLOYER HEALTH****CARE COVERAGE**

20 **40.98 Health care coverage. (1)** In this subchapter:

21 (a) "Board" means the private employer health care coverage board.

22 (b) "Dependent" means a spouse, an unmarried child under the age of 19 years,  
23 an unmarried child who is a full-time student under the age of 21 years and who is  
24 financially dependent upon the parent, or an unmarried child of any age who is  
25 medically certified as disabled and who is dependent upon the parent.

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1 (c) “Employe” means any person who receives earnings as payment for personal  
2 services rendered for the benefit of any employer including officers of the employer.  
3 An employe is considered to have separated from the service of an employer at the  
4 end of the day on which the employe last performed services for the employer, or, if  
5 later, the day on which the employe–employer relationship is terminated because of  
6 the expiration or termination of leave without pay, sick leave, vacation or other leave  
7 of absence. A person shall not be considered an employe if any of the following  
8 applies:

9 1. The person is employed under a contract involving the furnishing of more  
10 than personal services.

11 2. The person is customarily engaged in an independently established trade,  
12 business or profession providing the same type of services to more than one employer  
13 and the person’s services to an employer are not compensated for on a payroll of that  
14 employer.

15 3. The person is a patient or inmate of a hospital, home or institution and  
16 performs services in the hospital, home or institution.

17 (d) “Employer” means any person who is doing business or operating an  
18 organization in this state and who employs at least 2 employes, but who is not an  
19 employer, as defined in s. 40.02 (28).

20 (e) “Health care coverage plan” means the health care coverage plan  
21 established under sub. (2) (a).

22 (f) “Insurer” has the meaning given in s. 600.03 (27).

23 **(2)** (a) The department shall design, establish and administer a health care  
24 coverage plan for employers that provides coverage beginning not later than January  
25 1, 2000. In establishing the health care coverage plan, the department shall solicit



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1 and accept bids and enter into contracts with insurers who are to provide health care  
2 coverage under the health care coverage plan. The health care coverage plan is  
3 subject to the provisions of chs. 600 to 646 that apply to group health benefit plans,  
4 as defined in s. 632.745 (9), to the same extent as any other group health benefit plan,  
5 as defined in s. 632.745 (9). Before the health care coverage plan may be  
6 implemented, the board must approve the plan.

7 (b) The health care coverage plan shall require that all insurance rates under  
8 the plan be published annually in a single publication that is made available to  
9 employers and employees. The rates shall be listed by county and by any other factor  
10 that the department considers appropriate.

11 (c) The health care coverage plan shall have an enrollment period that is  
12 identical to that provided to state employees who receive health care coverage under  
13 s. 40.51 (6).

14 (d) The department shall charge employers who participate in the health care  
15 coverage plan a fee to cover the department's cost in designing, establishing and  
16 administering the health care coverage plan. All moneys received under this  
17 paragraph shall be credited to the appropriation account under s. 20.515 (2) (g).

18 (e) The department may not sell any health care coverage plan to an employer  
19 or enroll any employee in the health care coverage plan, but the department may  
20 publicize the availability of the health care coverage plan for employers.

21 (f) The department may enter into a contract with any person to provide  
22 services relating to the administration of the health care coverage plan.

23 **(3)** Any employer who participates in the health care coverage plan shall do all  
24 of the following:

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1 (a) Offer health care coverage under the plan to all of its permanent employes  
2 who have a normal work week of 30 or more hours and may offer health care coverage  
3 under the plan to any of its other employes.

4 (b) Provide health care coverage under the plan to at least 50% of its permanent  
5 employes who have a normal work week of 30 or more hours and who do not otherwise  
6 receive health care coverage as a dependent under any other plan that is not offered  
7 by the employer.

8 (c) Pay for each employe at least 50% of the lowest premium rate that would  
9 be available to the employer for that employe's coverage under the health care  
10 coverage plan.

11 (d) Make premium payments for the health care coverage of its employes  
12 directly to the insurer providing the health care coverage.

13 (4) Any employer that provides health care coverage for its employes under the  
14 plan and that voluntarily terminates coverage under the plan is not eligible to  
15 participate in the plan for at least 3 years from the date that coverage is terminated.

16 (5) (a) Any insurer that submits a bid to offer health care coverage under s.  
17 40.51 (6) is required to submit a bid to offer the health care coverage plan established  
18 under sub. (2) in those counties in which the insurer bids to provide health care  
19 coverage under s. 40.51 (6).

20 (b) Any insurer that offers the health care coverage plan shall provide coverage  
21 under the plan to any employer that applies for coverage, and to all of the employer's  
22 employes who elect coverage under the health care coverage plan, without regard to  
23 the health condition or claims experience of any individual who would be covered  
24 under the health care coverage plan if all of the following apply:

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1           1. The employer agrees to pay the premium required for coverage under the  
2 health care coverage plan.

3           2. The employer agrees to comply with all provisions of the health care coverage  
4 plan that apply generally to a policyholder or an insured without regard to health  
5 condition or claims experience.

6           **(6)** (a) The health care coverage plan may only be sold by insurance agents  
7 licensed under ch. 628.

8           (b) An insurance agent may not sell any health care coverage under the health  
9 care coverage plan on behalf of an insurer unless he or she is employed by the insurer  
10 or has a contract with the insurer to sell the health care coverage on behalf of the  
11 insurer.

12           (c) The board shall set, and may adjust as often as semiannually, the  
13 commission rate at which an insurer shall compensate an insurance agent for the  
14 sale of a policy under the health care coverage plan. The rate shall be based on the  
15 average commission rate that insurance agents are paid in the state for the sale of  
16 comparable health insurance policies at the time that the rate is set or adjusted.

17           (d) An insurer shall specify on the first page of any policy sold under the health  
18 care coverage plan the amount of the commission paid to the insurance agent.

19           **(7)** (a) Annually, on or before December 31, the board shall submit a report to  
20 the appropriate standing committees under s. 13.172 (3) and to the governor on the  
21 operation of the health care coverage plan. The report shall specify the number of  
22 employers participating in the health care coverage plan, calculate the costs of the  
23 health care coverage plan to employers and their employees and include  
24 recommendations for improving the health care coverage plan.

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1 (b) No later than August 1, 2005, the board shall submit a report to the  
2 appropriate standing committees under s. 13.172 (3) and to the governor that offers  
3 recommendations as to whether the department should continue to administer the  
4 health care coverage plan, whether a different state agency should administer the  
5 health care coverage plan or whether the health care coverage plan should be  
6 administered by a private nonprofit organization. If the board recommends that a  
7 different state agency administer the health care coverage plan or that the health  
8 care coverage plan be administered by a private nonprofit organization, the board  
9 shall submit proposed legislation to the appropriate standing committees under s.  
10 13.172 (3) at the time that the board submits its report.

11 **SECTION 19.** Subchapter X of chapter 40 [precedes 40.98] of the statutes, as  
12 created by 1997 Wisconsin Act .... (this act), is repealed.

13 **SECTION 20. Nonstatutory provisions.**

14 (1) PRIVATE EMPLOYER HEALTH CARE COVERAGE BOARD. Notwithstanding the  
15 length of terms specified for the members of the private employer health care  
16 coverage board under section 15.165 (5) of the statutes, as created by this act, the  
17 initial members shall be appointed for the following terms:

18 (a) The members specified under section 15.165 (5) (a) 1., 3. and 7. of the  
19 statutes, as created by this act, for terms expiring on May 1, 2000.

20 (b) The members specified under section 15.165 (5) (a) 2., 5. and 8. of the  
21 statutes, as created by this act, for terms expiring on May 1, 2001.

22 (c) The members specified under section 15.165 (5) (a) 4. and 6. of the statutes,  
23 as created by this act, for terms expiring on May 1, 2002.

24 (2) POSITION AUTHORIZATIONS FOR THE DEPARTMENT OF EMPLOYEE TRUST FUNDS. The  
25 authorized FTE positions for the department of employee trust funds are increased

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1 by 3.5 GPR positions on the effective date of this subsection, to be funded from the  
2 appropriation under section 20.515 (2) (a) of the statutes, as created by this act, for  
3 the purpose of designing, establishing and administering the private employer  
4 health care coverage plan under subchapter X of chapter 40 of the statutes, as  
5 created by this act.

6 **SECTION 21. Effective dates.** This act takes effect on the day after publication,  
7 except as follows:

8 (1) The repeal of section 20.515 (2) (a) of the statutes takes effect on January  
9 1, 2000.

10 (2) The amendment of section 40.02 (26) (intro.) (by SECTION (14) and (28) (by  
11 SECTION (16) of the statutes takes effect on January 1, 2007.

12 (3) The repeal of sections 13.94 (1) (p), 15.07 (1) (b) 21., 15.165 (5) and 20.515  
13 (2) (title) and (g) and subchapter X of chapter 40 of the statutes takes effect on  
14 January 1, 2007.

15 (END)