



Minnesota House of Representatives

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H.F. No. 464, 4th Engrossment - 85th Legislative Session (2007-2008) Posted on May 21, 2007

*1.1*A bill for an act

*1.2*relating to insurance; creating a statewide health insurance pool for school district

*1.3*employees; appropriating money;amending Minnesota Statutes 2006, sections

*1.4*3.971, subdivision 6; 13.203; 62E.02, subdivision 23; 62E.10, subdivision 1;

*1.5*62E.11, subdivision 5; 297I.05, subdivision 5; proposing coding for new law

*1.6*in Minnesota Statutes, chapter 62A.

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

1.8 Section 1. Minnesota Statutes 2006, section 3.971, subdivision 6, is amended to read:

1.9 Subd. 6. **Financial audits.** The legislative auditor shall audit the financial

*1.10*statements of the state of Minnesota required by section 16A.50 and, as resources permit,

*1.11*shall audit Minnesota State Colleges and Universities, the University of Minnesota,

*1.12*state agencies, departments, boards, commissions, courts, and other state organizations

*1.13*subject to audit by the legislative auditor, including the State Agricultural Society,

*1.14*Agricultural Utilization Research Institute, Minnesota Technology, Inc., the Minnesota

*1.15*School Employee Insurance Board, Minnesota Historical Society, Labor Interpretive

*1.16*Center, Minnesota Partnership for Action Against Tobacco, Metropolitan Sports Facilities

*1.17*Commission, Metropolitan Airports Commission, and Metropolitan Mosquito Control

*1.18*District. Financial audits must be conducted according to generally accepted government

*1.19*auditing standards. The legislative auditor shall see that all provisions of law respecting

*1.20*the appropriate and economic use of public funds are complied with and may, as part of a

*1.21*financial audit or separately, investigate allegations of noncompliance by employees

*1.22*of departments and agencies of the state government and the other organizations listed

*1.23*in this subdivision.

2.1 Sec. 2. Minnesota Statutes 2006, section 13.203, is amended to read:

*2.2***13.203 SERVICE COOPERATIVE AND SCHOOL EMPLOYEE**

*2.3***INSURANCE BOARD CLAIMS DATA.**

2.4 (a) Claims experience and all related information received from carriers and claims

*2.5*administrators participating in a group health or dental plan, including any long-term

*2.6*disability plan, offered through the Minnesota service cooperatives to Minnesota school

*2.7*districts and other political subdivisionsor by the Minnesota School Employee Insurance

*2.8*Board created under section 62A.662, and survey information collected from employees

*2.9*and employers participating in these plans and programs,~~except when the executive~~

2.10~~director of a Minnesota service cooperative determines that release of the data will not be~~

2.11 detrimental to the plan or program, are classified as nonpublic data not on individuals.
2.12 (b) Data that are classified as nonpublic data under paragraph (a) may be disclosed
2.13 if the executive director of a Minnesota service cooperative or the Minnesota School
2.14 Employee Insurance Board determines that release of the data will not be detrimental
2.15 to the plan or program.

2.16 Sec. 3. **[62A.662] SCHOOL EMPLOYEE INSURANCE PLAN.**

2.17 Subdivision 1. **Definitions.** For purposes of this section:

2.18 (1) "eligible employee" means a person who is insurance eligible under a collective
2.19 bargaining agreement or under the personnel policy of an eligible employer; and

2.20 (2) "eligible employer" means a school district as defined in section 120A.05; a
2.21 service cooperative as defined in section 123A.21; an intermediate district as defined
2.22 in section 136D.01; a cooperative center for vocational education as defined in section
2.23 123A.22; a regional management information center as defined in section 123A.23; an
2.24 education unit organized under section 471.59; or a charter school organized under section
2.25 124D.10.

2.26 (3) "health plan" means a health plan as defined in section 62A.011; and

2.27 (4) "self-insured health benefit plan" means self-insured health care coverage that is
2.28 offered by the Minnesota School Employee Insurance Board under this section.

2.29 Subd. 2. **Creation of board.** (a) The Minnesota School Employee Insurance Board
2.30 is created as a public corporation subject to the provisions of chapter 317A, except as
2.31 otherwise provided in this section. As provided in section 15.082, the state is not liable for
2.32 obligations of this public corporation. An eligible employer is not liable for obligations of
2.33 this public corporation.

2.34 (b) The board shall create and administer the Minnesota school employee insurance
2.35 pool as described in this section.

3.1 (c) Insurance plans and offerings must be effective July 1, 2009.

3.2 (d) If the board does not offer coverage by December 15, 2010, the board expires
3.3 and this section expires on that date.

3.4 Subd. 3. **Board of directors.** (a) The Minnesota School Employee Insurance
3.5 Board consists of:

3.6 (1) seven members representing exclusive representatives of eligible employees,
3.7 appointed by exclusive representatives, as provided in paragraph (b); and

3.8 (2) seven members representing eligible employers, appointed by the Minnesota
3.9 School Boards Association.

3.10 (b) The seven members of the board who represent statewide affiliates of exclusive
3.11 representatives of eligible employees are appointed as follows: four members appointed
3.12 by Education Minnesota and one member each appointed by the Service Employees
3.13 International Union, the Minnesota School Employees Association, and American
3.14 Federation of State, County, and Municipal Employees.

3.15 (c) Appointing authorities must make their initial appointments no later than August
3.16 1, 2007, by filing a notice of the appointment with the commissioner of commerce.

3.17 Notices of subsequent appointments must be filed with the board. An entity entitled to
3.18 appoint a board member may replace the board member at any time.

3.19 (d) Board members are eligible for compensation and expense reimbursement under
3.20 section 15.0575, subdivision 3.

3.21 (e) The board must arrange for one or more methods of dispute resolution so as
3.22to minimize the possibility of deadlocks.

3.23 (f) The board shall establish governance requirements, which may include staggered
3.24terms, term limits, quorum, a plan of operation, and audit provisions. The board is subject
3.25to financial audit by the legislative auditor under section 3.971, subdivision 6.

3.26 Subd. 4. **Design and nature of plan.** (a) Health coverage offered through the
3.27Minnesota school employee insurance pool shall be made available by the board to all
3.28eligible employees of eligible employers, as defined in subdivision 1.

3.29 (b) If an eligible employer provides health coverage or money to purchase health
3.30coverage to eligible employees, the coverage must be provided or purchased only through
3.31the health plans or self-insured health benefit plans offered by the board.

3.32 (c) Nothing in this section affects the right of each eligible employer to determine,
3.33through collective bargaining under the public employment labor relations act:

3.34 (1) the employer's eligibility requirements regarding the terms and conditions under
3.35which employees, dependents, retirees, and other persons are eligible for health coverage
3.36from the employer;

4.1 (2) how much of the premium charged for the insurance will be paid by the employer
4.2and how much will be paid by the eligible person; and

4.3 (3) which health plans or self-insured health benefit plans offered by the board will
4.4be made available by the eligible employer.

4.5 (d) The board must initially offer at least six health plans or self-insured health
4.6benefit plans. One plan must provide coverage without a deductible and without other
4.7enrollee cost-sharing other than reasonable co-payments for nonpreventive care. One
4.8plan must be a high-deductible health plan that qualifies under federal law for use with a
4.9health savings account. The other four plans must have levels of enrollee cost-sharing
4.10that are between the two plans just described. The board may establish more than one
4.11tier of premium rates for any specific plan. Plans and premium rates may vary across
4.12geographic regions established by the board. Any health plan or self-insured health
4.13benefit plan offered by the board must comply with chapters 62A, 62J, 62M, 62Q, and
4.1472A, and must provide the optimal combination of coverage, cost, choice, and stability
4.15in the judgment of the board. Any health plan or self-insured health benefit plan offered
4.16must be approved by the commissioner of commerce. The board shall investigate the
4.17feasibility of offering coverage through more than one health plan company or other
4.18network of health care providers.

4.19 (e) The board must include claims reserves, stabilization reserves, reinsurance, and
4.20other features that, in the judgment of the board, will result in long-term stability and
4.21solvency of the health plans and self-insured health benefit plans offered.

4.22 (f) The board may determine whether the plans should be fully insured through a
4.23health carrier licensed in this state, self-insured, or a combination of those two alternatives.
4.24If at any time any plan offered by the board is not fully insured, the board and the
4.25self-insured health benefit plan are subject to section 471.617 and any rules adopted under
4.26that section, including Minnesota Rules, chapter 2785.

4.27 (g) Any health plan or self-insured health benefit plan must include disease
4.28management and consumer education, including wellness programs and measures
4.29encouraging the wise use of health coverage, to the extent determined to be appropriate
4.30by the board.

4.31 (h) Upon request of the board, entities that are providing or have provided coverage
4.32to employees of eligible employers within two years before the effective date of this
4.33section, shall provide to the board at no charge nonidentifiable aggregate claims data for
4.34that coverage. The information must include data relating to employee group benefit sets,
4.35demographics, and claims experience. Notwithstanding section 13.203, Minnesota service
4.36cooperatives must also comply with this paragraph.

5.1 (i) Effective July 1, 2009, a contract entered into between an eligible employer and
5.2an eligible employee or the exclusive representative of an eligible employee may not
5.3contain provisions that establish cash payment in lieu of health insurance to an eligible
5.4employee if the employee is not receiving the payment on or before June 30, 2009.
5.5Nothing in this section prevents an eligible employee who otherwise qualifies for payment
5.6of cash in lieu of insurance on June 30, 2009, from continuing to receive this payment.

5.7 (j) All premiums paid for health coverage provided by the board must be used by the
5.8board solely for the cost of the operation of the board and the benefit of eligible employees
5.9and eligible employers in connection with the health coverage offered by the board.

5.10 Subd. 5. **MCHA membership and assessments.** The board is a contributing
5.11member of the Minnesota Comprehensive Health Association and must pay assessments
5.12made by the association on its premium revenues, as provided in section 62E.11,
5.13subdivision 5, paragraph (b).

5.14 Subd. 6. **Report.** The board shall report to the legislature and to the commissioner
5.15of commerce by January 15, 2009, on a final design for the pool that complies with
5.16subdivision 4 and on governance requirements for the board, which may include staggered
5.17terms, term limits, quorum, and a plan of operation and audit provisions. The report
5.18must include any legislative changes necessary to ensure conformance with chapters
5.1962A, 62J, 62M, 62Q, and 72A.

5.20 Subd. 7. **Progress dependent upon funding.** The board shall carry out its
5.21obligations to the extent permitted by financial and other resources available to the board
5.22for that purpose. The board may seek and accept gifts and grants.

5.23 Subd. 8. **Periodic evaluation.** (a) Beginning December 15, 2009, and for the next
5.24two years, the board must submit an annual report to the commissioner of commerce and
5.25the legislature, in compliance with sections 3.195 and 3.197, summarizing and evaluating
5.26the performance of the pool during the previous year of operation.

5.27 (b) Beginning in 2013 and in each odd-numbered year thereafter, the board must
5.28submit to the legislature a biennial report summarizing and evaluating the performance of
5.29the pool during the preceding two fiscal years.

5.30 Subd. 9. **Actuarial study; MCHA and tax effects.** (a) The board shall have a study
5.31prepared by a qualified actuary that estimates for the first two fiscal years of operation of
5.32the pool:

5.33 (1) the rate of assessment for losses of the comprehensive health insurance plan
5.34under section 62E.11, subdivision 5, to be paid by the pool that would provide amounts
5.35equal to the assessments that would have been paid by providers of coverage to eligible
5.36employers if the pool had not been established; and

6.1 (2) the rate of tax under section 297I.05, subdivision 5, paragraph (b), that would
6.2provide amounts equal to the premiums tax that would have been paid by providers of
6.3coverage to eligible employers if the pool had not been established. This estimate must
6.4include the separate amounts of the tax that would have been paid under (i) section

6.5297I.05, subdivisions 1 to 4, and (ii) section 297I.05, subdivision 5.

6.6 (b) The board shall provide the study to the commissioners of commerce and revenue by January 1, 2009.

6.8 (c) After review of the study and after making any necessary modifications or adjustments, the commissioner of commerce shall certify the rate under section 62E.11, subdivision 5, paragraph (b), clause (2), and shall notify the board and the association of the rate by March 1, 2009. The rate certified applies until modified by legislation enacted into law.

6.13 (d) After review of the study and after making any necessary modifications or adjustments, the commissioner of revenue shall certify the rate of tax under section 297I.05, subdivision 5, paragraph (b), by March 1, 2009. The rate certified applies until modified by legislation enacted into law.

6.17 Subd. 10. **Applicability of data practices laws.** The board is a government entity subject to chapter 13.

6.19 Sec. 4. Minnesota Statutes 2006, section 62E.02, subdivision 23, is amended to read:

6.20 Subd. 23. **Contributing member.** "Contributing member" means those companies
6.21regulated under chapter 62A and offering, selling, issuing, or renewing policies or
6.22contracts of accident and health insurance; health maintenance organizations regulated
6.23under chapter 62D; nonprofit health service plan corporations regulated under chapter
6.2462C; community integrated service networks regulated under chapter 62N; fraternal
6.25benefit societies regulated under chapter 64B; the Minnesota employees insurance
6.26program established in section 43A.317, effective July 1, 1993; ~~and~~ joint self-insurance
6.27plans regulated under chapter 62H; and the Minnesota School Employee Insurance Board
6.28created under section 62A.662. For the purposes of determining liability of contributing
6.29members pursuant to section 62E.11 payments received from or on behalf of Minnesota
6.30residents for coverage by a health maintenance organization ~~or a~~ community integrated
6.31service network, or the Minnesota School Employee Insurance Board shall be considered
6.32to be accident and health insurance premiums.

6.33 Sec. 5. Minnesota Statutes 2006, section 62E.10, subdivision 1, is amended to read:

7.1 Subdivision 1. **Creation; tax exemption.** There is established a Comprehensive
7.2Health Association to promote the public health and welfare of the state of Minnesota with
7.3membership consisting of all insurers; self-insurers; fraternal; joint self-insurance plans
7.4regulated under chapter 62H; the Minnesota employees insurance program established
7.5in section 43A.317, effective July 1, 1993; the Minnesota School Employee Insurance
7.6Board created under section 62A.662; health maintenance organizations; and community
7.7integrated service networks licensed or authorized to do business in this state. The
7.8Comprehensive Health Association is exempt from the taxes imposed under chapter
7.9297I and any other laws of this state and all property owned by the association is exempt
7.10from taxation.

7.11 Sec. 6. Minnesota Statutes 2006, section 62E.11, subdivision 5, is amended to read:

7.12 Subd. 5. **Allocation of losses.** (a) Each contributing member of the association shall
7.13share the losses due to claims expenses of the comprehensive health insurance plan for
7.14plans issued or approved for issuance by the association, and shall share in the operating

7.15and administrative expenses incurred or estimated to be incurred by the association
7.16incident to the conduct of its affairs. Claims expenses of the state plan which exceed
7.17the premium payments allocated to the payment of benefits shall be the liability of the
7.18contributing members. Contributing members shall share in the claims expense of the
7.19state plan and operating and administrative expenses of the association in an amount equal
7.20to the ratio of the contributing member's total accident and health insurance premium,
7.21received from or on behalf of Minnesota residents as divided by the total accident and
7.22health insurance premium, received by all contributing members from or on behalf of
7.23Minnesota residents, as determined by the commissioner. Payments made by the state
7.24to a contributing member for medical assistance, MinnesotaCare, or general assistance
7.25medical care services according to chapters 256, 256B, and 256D shall be excluded when
7.26determining a contributing member's total premium.

7.27 (b) In making the allocation of losses provided in paragraph (a), the association's
7.28assessment against the Minnesota School Employee Insurance Board must equal the
7.29product of: (1) the percentage of premiums assessed against other association members;
7.30(2) the rate certified by the commissioner under section 62A.662, subdivision 9, paragraph
7.31(c); and (3) premiums received by the Minnesota School Employee Insurance Board. For
7.32purposes of this calculation, premiums of the board used must be net of rate credits and
7.33retroactive rate refunds on the same basis as the premiums of other association members.

7.34 Sec. 7. Minnesota Statutes 2006, section 297I.05, subdivision 5, is amended to read:

8.1 Subd. 5. **Health maintenance organizations, nonprofit health service plan**
8.2**corporations, and community integrated service networks, and the Minnesota**
8.3**School Employee Insurance Board.** (a) A tax is imposed on health maintenance

8.4organizations, community integrated service networks, and nonprofit health care service
8.5plan corporations. The rate of tax is equal to one percent of gross premiums less return
8.6premiums on all direct business received by the organization, network, or corporation or
8.7its agents in Minnesota, in cash or otherwise, in the calendar year.

8.8 (b) A tax is imposed on the Minnesota School Employee Insurance Board under
8.9section 62A.662, to the extent the board receives amounts for coverage not otherwise
8.10subject to tax under this section. The rate of tax is equal to the percentage rate certified by
8.11the commissioner under section 62A.662, subdivision 9, paragraph (d), multiplied by the
8.12gross premiums less return premiums received in the calendar year.

8.13 (c) The commissioner shall deposit all revenues, including penalties and interest,
8.14collected under this chapter from health maintenance organizations, community integrated
8.15service networks, and nonprofit health service plan corporations in the health care access
8.16fund. Refunds of overpayments of tax imposed by this subdivision must be paid from
8.17the health care access fund. There is annually appropriated from the health care access
8.18fund to the commissioner the amount necessary to make any refunds of the tax imposed
8.19under this subdivision.

8.20 (d) By March 1, 2009, based on the study prepared under section 62A.662,
8.21subdivision 9, paragraph (a), the commissioner shall certify the percentage of all revenues,
8.22including penalties and interest, collected under this chapter from the Minnesota School
8.23Employee Insurance Board, that are to be deposited in the general fund and the health
8.24care access fund. The commissioner shall deposit the revenues and pay refunds of
8.25overpayments of tax imposed on the Minnesota School Employee Insurance Board based

8.26on the certified percentage. Amounts are appropriated from the respective funds to the
8.27commissioner to make any refunds of tax imposed under paragraph (b).

8.28 Sec. 8. **INITIAL MEETING.**

8.29 The commissioner of commerce shall convene the first meeting of the Minnesota
8.30School Employee Insurance Board no later than 30 days after all board members have
8.31been appointed. The board must elect a chair or cochair from its membership at its
8.32first meeting.

8.33 Sec. 9. **APPROPRIATION.**

9.1 \$4,000,000 is appropriated in fiscal year 2008 from the general fund to the
9.2commissioner of commerce as a loan for start-up costs to the Minnesota School Employee
9.3Insurance Board. The Minnesota School Employee Insurance Board must repay the loan
9.4to the general fund in ten equal installments paid at the end of each fiscal year, beginning
9.5with the 2010 fiscal year.

9.6 Sec. 10. **EFFECTIVE DATE.**

9.7 This act is effective July 1, 2007, except that sections 6 and 7, paragraph (b), are
9.8effective July 1, 2009.

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